



Guangzhou Rural Commercial Bank Co., Ltd.

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

Stock Code: 1551

2020 ANNUAL REPORT





Contents

Company Profile	2
Summary of Financial Data	7
Party Secretary's Statement	10
President's Statement	12
Management Discussion and Analysis	13
Changes in Share Capital and Shareholders	55
Directors, Supervisors and Senior Management	66
Corporate Governance Report	77
Report of the Board of Directors	100
Report of the Board of Supervisors	111
Major Events	119
Report on Sannong Financial Services	120
Independent Auditor's Report	131
Financial Statements and Accompanying Notes	139
Unaudited Supplementary Financial Information	292
Definitions	295



COMPANY PROFILE

I. COMPANY PROFILE

(I) Official Name

1. Official Chinese Name: 廣州農村商業銀行股份有限公司
(Abbreviated as : “廣州農村商業銀行”)
2. Official English Name: Guangzhou Rural Commercial Bank Co., Ltd.
(Abbreviated as “GRCB”)

(II) Registered Capital: RMB9,808,268,539.00

(III) Legal representative: Mr. Cai Jian

(IV) Authorized Representatives: Mr. Yi Xuefei and Mr. Ngai Wai Fung

(V) Joint Company Secretaries: Ms. Zheng Ying and Mr. Ngai Wai Fung

(VI) H-Share Listing Stock Exchange: The Stock Exchange of Hong Kong Limited

(VII) Stock Name and Code: GRCB (1551.HK)

(VIII) Offshore Preference Share Name and Code: GRCB 19USDPRF (4618.HK)

(IX) Registered Address: No. 9 Yingri Road, Huangpu District, Guangzhou, PRC

(X) Principal Place of Business in Hong Kong: 40th Floor, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wanchai, Hong Kong

(XI) Scope of Business: Monetary and financial services

(XII) Contact Address: No. 1 Huaxia Road, Pearl River New Town, Tianhe District, Guangzhou, Guangdong Province, PRC

Postal Code: 510623

Website: www.grcbank.com

(XIII) Place of Inspection of the Annual Report: Office of the Board of Directors of the Bank

(XIV) Auditor: PricewaterhouseCoopers

(XV) Legal Advisor as to PRC Law: Dentons Law Offices, LLP (Guangzhou)

(XVI) Legal Advisor as to Hong Kong Law: Herbert Smith Freehills

(XVII) H-Share Registrar: Computershare Hong Kong Investor Services Limited

(XVIII) Non-overseas Listed Shares Depository: China Securities Depository and Clearing Corporation Limited

(XIX) Other Relevant Information of the Company

Date of Registration: 9 December 2009

Registration Authority: Guangzhou Administration for Industry and Commerce

Unified Social Credit Code: 914401017083429628

Financial License Registration No.: B1048H244010001

Customer Service and Complaint Telephone No.: +8695313

Investor Relations Telephone No.: (8620)28019324

Email Address: ir@grcbank.com



II. BRANCHES AND SUBSIDIARIES

(I) Branches

The following table sets forth the basic information of the branches of the Bank:

No.	Name of branch	Business address	Postal code	Contact telephone number	Facsimile number	Remarks
1	Baiyun Sub-branch	1/F to 3/F, No. 466-472 Huangshi West Road, Baiyun District, Guangzhou	510425	020-86295397	NA	-
2	Conghua Sub-branch	1/F and 2/F, No. 98 Hebin North Road, Chengjiao Subdistrict, Conghua District, Guangzhou	510900	020-87999606	NA	-
3	Panyu Sub-branch	No. 239 Qinghe East Road, Shiqiao Subdistrict, Panyu District, Guangzhou	511400	020-34619802	NA	-
4	Haizhu Sub-branch	2/F, No. 173-1 Changgang Middle Road, Haizhu District, Guangzhou	510250	020-84278835	NA	-
5	Huadu Sub-branch	South Tower, No. 21 Gongyi Road, Xinhua Subdistrict, Huadu District, Guangzhou	510800	020-36911004	020-36911006	-
6	Huanan Xincheng Sub-branch	East Side of Tangxi, Village Entrance, Yingbin Road South, Tangbuxi Village, Nancun Town, Panyu District, Guangzhou	511442	020-34693625	NA	-
7	Huangpu Sub-branch	No. 138 Fengle North Road, Huangpu District, Guangzhou	510700	020-32204220	NA	-
8	Liwan Sub-branch	No. 89 Huadi Avenue Central, Liwan District, Guangzhou	510380	020-81615680	NA	-
9	Airport Economic Zone Sub-branch	Renhe Village, Renhe Town, Baiyun District, Guangzhou	510470	020-86451956	NA	-
10	Tianhe Sub-branch	1/F to 2/F, No. 335 Longkou West Road, Tianhe District, Guangzhou	510635	020-38478080	NA	-
11	Zengcheng Sub-branch	No. 88-15, 16, 17, 18, 19, 20, 21 and 22 Fuyou Road, Licheng Subdistrict, Zengcheng District, Guangzhou, and Rooms 201, 202, 210 and 211, No. 55 Zuanshi Street, Hehui Square, Licheng Subdistrict, Zengcheng District, Guangzhou	511300	020-32162846	NA	-
12	Nansha Sub-branch	2/F, No. 2 Jixiang Road, Dongchong Town, Panyu District, Guangzhou	511453	020-34929060	NA	-
13	Free Trade Zone Nansha Branch	No. 56 Xinxing Road, Wanqingsha Town, Nansha District, Guangzhou	511462	020-34929298	NA	Branch
14	Foshan Branch	Rooms 103 and 104 on 1/F and Room 202 on 2/F of Tower 1, Rooms 1603 to 1605 on 16/F and Rooms 1701 to 1708 on 17/F of Block 2, Tower 1, No. 26 Jihua First Road, Chancheng District, Foshan	528000	0757-82581028	0757-82581059	Branch outside Guangzhou
15	Qingyuan Branch	Shops on 1/F to 3/F, Block 1, Oriental Paris, No. 5 Fengxiang Avenue, Qingcheng District, Qingyuan, Guangdong Province	511500	0763-3910555	NA	Branch outside
16	Zhaoqing Branch	Shop 01 on 1/F and Shops 01-07 on 2/F, Cultural Innovation Building, No. 5 Yuelong North Road, Duanzhou District, Zhaoqing, Guangdong Province	526040	0758-2812835	0758-2812835	Guangzhou
17	Heyuan Branch	Rooms 1601-1602 and Rooms 101-102 on 1/F, Changhong Building (Changhong Financial Center), H Road West, Yanjiang Road North, Xueqianbaxiaoqu, Xinshi District, Heyuan, Guangdong Province	517000	0762-8808225	NA	Branch outside
18	Guangdong Pilot Free Trade Zone Hengqin Branch	B6 to B10 Penguin Hotel Commercial Street, Chimelong International Ocean Tourist Resort, Fuxiang Bay, Hengqin New District, Zhuhai, Guangdong Province	519031	0756-2993666	NA	Branch outside

COMPANY PROFILE

(II) Subsidiaries

The following table sets forth the basic information of the subsidiaries of the Bank:

No.	Company name	Registered address	Postal code	Contact telephone number	Facsimile number
1	Beijing Mentougou Zhujiang County Bank Co., Ltd.	No. 8 Shilong South Road, Yongding Town, Mentougou District, Beijing	102300	010-60865137	010-60865158
2	Dalian Bonded Area Zhujiang County Bank Co., Ltd.	Zone 3 on 1/F and Zone 2 on 8/F, Block E, International Trade Center, No. 205 Huanghaixi Fourth Road, Dalian Bonded Area, Liaoning Province	116600	0411-66771959	NA
3	Laiwu Zhujiang County Bank Co., Ltd.	Yanjie Building, No. 19 Daihuayuan, Longtan East Street, Laicheng District, Laiwu, Jinan City	271100	0531-75662720	0531-75662720
4	Yantai Fushan Zhujiang County Bank Co., Ltd.	No. 133-216 Fuhai Road, Fushan District, Yantai, Shandong Province	265500	0535-6319002	NA
5	Laizhou Zhujiang County Bank Co., Ltd.	No. 672 Wenhua East Street, Laizhou, Shandong Province	261400	0535-2750000	NA
6	Qingdao Chengyang Zhujiang County Bank Co., Ltd.	No. 196 Zhengyang Middle Road, Chengyang District, Qingdao, Shandong Province (YinShengTai International Business Port)	266109	0532-67762806	NA
7	Haiyang Zhujiang County Bank Co., Ltd.	No. 181 Haiyang Road, Haiyang, Shandong Province	265100	0535-3107730	NA
8	Zhengzhou Zhujiang County Bank Co., Ltd.	No. 101-1, 1/F, No. 501-2, 5/F, No. 501-3, 5/F, Expo Building, No.8 Business Outer Ring Road, Zhengzhou Area (Zhengdong), Free Trade Zone, Henan	450000	0371-89959016	NA
9	Xinyang Zhujiang County Bank Co., Ltd.	Intersection of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang, Henan Province	464000	0376-6199236	NA
10	Anyang Zhujiang County Bank Co., Ltd.	Northwest Corner of the intersection of Xingtai Road and Jian'an Street, Anyang City	455000	0372-2223000	NA
11	Huixian Zhujiang County Bank Co., Ltd.	East Section of Gongcheng Avenue, Huixian	453600	0373-6223005	NA
12	Jiangsu Xuyi Zhujiang County Bank Co., Ltd.	5-1001, Wuzhou International Plaza Phase II, Donghu South Road, Xuyi County, Huaian	211700	0517-88558207	NA
13	Jiangsu Qidong Zhujiang County Bank Co., Ltd.	No. 605, 609 and 613 Jianghai Middle Road, Huilong Town, Qidong	226200	0513-83904316	NA
14	Suzhou Wuzhong Zhujiang County Bank Co., Ltd.	No. 51 Jinshan Road, Mudu Town, Wuzhong District, Suzhou, Jiangsu Province	215101	0512-80969696-8017	NA
15	Changning Zhujiang County Bank Co., Ltd.	No. 101 and 102 Qunying West Road, Changning, Hunan Province	421500	0734-7330833	NA



No.	Company name	Registered address	Postal code	Contact telephone number	Facsimile number
16	Jizhou Zhujiang County Bank Co., Ltd.	No. 33 Yangming West Road, Jizhou District, Ji'an, Jiangxi Province	343000	0796-2066666	NA
17	Pengshan Zhujiang County Bank Co., Ltd.	No. 223 Caishan East Road, Pengshan District, Meishan, Sichuan Province	620860	028-37666086	NA
18	Xinjin Zhujiang County Bank Co., Ltd.	No. 4-4, 1/F of No. 5 and New No. 6 Wujin West Road, Xinjin County, Chengdu, Sichuan Province	611430	028-82580021	NA
19	Guanghan Zhujiang County Bank Co., Ltd.	No. 188 Section 1 of Zhongshan Avenue South, Guanghan, Sichuan Province	618300	0838-5513187	0838-5513152
20	Sanshui Zhujiang County Bank Co., Ltd.	Shops 103, 104 and 105 of 1/F and 2/F and 3/F, No. 9 Nanfeng Avenue, Yundonghai Subdistrict, Sanshui District, Foshan City	528100	0757-87791698	NA
21	Zhongshan Dongfeng Zhujiang County Bank Co., Ltd.	No. 63 Donghai Second Road, Dongfeng Town, Zhongshan City	528425	0760-22787010	NA
22	Heshan Zhujiang County Bank Co., Ltd.	Room 201 of No. 195, 187 and 185, and No. 189-193 (odd numbers only), Zhongshan Road, Shaping Town, Heshan, Guangdong Province	529700	0750-8818081	0750-8818081
23	Shenzhen Pingshan Zhujiang County Bank Co., Ltd.	32/F and 33/F of Building H and Shops 165-166, 1st Phase of Liuhe Commercial Plaza, Pingshan Subdistrict, Pingshan District, Shenzhen City	518118	0755-36669888-8011	NA
24	Dongguan Huangjiang Zhujiang County Bank Co., Ltd.	No. 1 Yuanwuwei Road, Yuanwuwei Village, Huangjiang Town, Dongguan City	523756	0769-82183199	NA
25	Xingning Zhujiang County Bank Co., Ltd.	No. 2 Shuguang Road, Xingning, Meizhou City	514500	0753-8682651	0751-3822857
26	Chaozhou Rural Commercial Bank Co., Ltd.	No. 130 Fengchun Road, Chaozhou City	521000	0768-2292072	0768-2301661
27	Shaoguan Rural Commercial Bank Co., Ltd.	Shop 35, No. 41 Xinhua South Road, Wujiang District, Shaoguan City, Guangdong Province	512000	0751-8760282	0751-8639226
28	Guangdong Nanxiong Rural Commercial Bank Co., Ltd.	No. 147 Xiongnan Road, Nanxiong City	512400	0751-3822857	0751-3822857
29	Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd.	No. 006 Xiangyang North Road, Lukou Town, Zhuzhou County, Hunan Province	412100	0731-27618647	0731-27618603
30	Zhujiang Financial Leasing Co., Ltd.	Room J28, Unit 1101 11/F, Financial Building, No. 171 Haibin Road, Nansha District, Guangzhou City	511455	020-29168100	020-29168101

COMPANY PROFILE

III. MAJOR HONORS RECEIVED IN 2020

No.	Honors/Awards	Awarding/granting authority	Obtaining time
1	Ranked 905th in Global Listed Enterprises 2000	Forbes	May 2020
2	Ranked 159th in Top 1000 World's Banks	The Banker (英國《銀行家》雜誌)	July 2020
3	Ranked 383th in Top 500 China	Fortune (Chinese version)	July 2020
4	Most Socially Responsible Listed Company	Sina Finance.com	August 2020
5	Ranked 448th in Top 500 Enterprises in China 2020	China Enterprise Confederation, China Enterprise Directors Association	September 2020
6	Top Ten Innovative Investment Bank	The Chinese Banker (中國《銀行家》雜誌)	September 2020
7	Tianji Prize for Rural Commercial Banks of 2020 (2020年度農商行天璣獎) and Tianji Prize for Investment Banking Business of Small and Medium-sized Banks of 2020 (2020年度中小銀行投行業務天璣獎)	Securities Times (《證券時報》)	September 2020
8	Ranked 2nd in National Rural Commercial Bank Group Competitiveness of RMB100 Billion Assets, National Best Inclusive Finance Rural Commercial Bank	The Chinese Banker (中國《銀行家》雜誌)	September 2020
9	2020 Corporate Business Bank of the Year	21st Century Media	November 2020
10	"Sannong" Financial Service Bank with Excellent Competitiveness in 2020	China Business Journal (《中國經營報》)	November 2020
11	2020 China Golden Tripod Award Special Contribution Award of the Year for Supporting the Development of Local Economy	National Business Daily (《每日經濟新聞》)	November 2020
12	Best Rural Commercial Bank in 2020	Sina Finance.com	December 2020
13	Gold Prize of Nanfang Zhijing in 2020	Nanfang Media Group	December 2020
14	Golden Lion Award "Best Anti-epidemic Financial Service Bank of the Year"	Information Times (《信息時報》)	December 2020
15	Most Popular Inclusive Financial Services Institutions	Guangzhou Daily (《廣州日報》)	December 2020
16	Most Competitive Brand Bank, Best Retail Service Bank, Best Credit Bank for Small and Micro Enterprises in 2020	New Express (《新快報》)	December 2020
17	Golden Bull Award for Financial Management of Bank	China Securities Journal	December 2020
18	Leading Regional Service Bank in 2020	hexun.com	December 2020
19	Ranked 29th in China Banking Industry Top 100 in 2020	China Banking Association	February 2021



SUMMARY OF FINANCIAL DATA

The financial information of the Group set forth in this annual report is prepared on a consolidated basis in accordance with IFRS and expressed in Renminbi unless otherwise stated.

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2020	2019	Comparison between 2020 and 2019	2018	2017	2016
Operating results			Rate of Change (%)			
Net interest income ⁽¹⁾	17,647.48	18,883.22	(6.54)	13,553.02	11,923.19	10,836.59
Net fee and commission income ⁽¹⁾	1,326.96	1,362.57	(2.61)	1,266.15	2,062.73	2,810.62
Operating income	21,218.41	23,657.28	(10.31)	20,666.67	13,478.66	15,239.79
Operating expenses	(7,037.46)	(6,675.70)	5.42	(5,984.34)	(5,164.19)	(5,457.19)
Impairment losses ⁽²⁾	(7,893.38)	(7,086.46)	11.39	(5,968.94)	(787.85)	(3,259.75)
Profit before income tax	6,287.57	9,895.12	(36.46)	8,713.39	7,526.62	6,522.85
Net profit	5,276.62	7,910.71	(33.30)	6,832.16	5,890.99	5,106.35
Net profit attributable to shareholders of the Bank	5,081.30	7,520.35	(32.43)	6,526.34	5,708.72	5,025.59
Per share (in RMB)			Change			
Net assets per share attributable to shareholders of the Bank ⁽³⁾	6.08	5.97	0.11	5.39	4.69	4.40
Basic earnings per share ⁽⁴⁾	0.45	0.77	(0.32)	0.67	0.63	0.62

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December					
	2020	2019	Comparison between 2020 and 2019	2018	2017	2016
Scale indicators			Change			
Total assets	1,027,871.65	894,154.29	133,717.36	763,289.60	735,713.66	660,951.12
Among which: loans and advances to customers, net	553,168.34	463,051.37	90,116.97	364,967.97	285,701.70	237,934.77
Total liabilities	951,986.34	820,444.98	131,541.36	707,708.53	687,235.94	623,111.42
Among which: customers deposits	778,424.85	658,243.09	120,181.76	542,335.16	488,671.86	423,742.04
Equity attributable to shareholders of the Bank	69,487.08	68,346.69	1,140.39	52,861.33	46,044.52	35,845.24
Non-controlling interests	6,398.23	5,362.62	1,035.61	2,719.74	2,433.20	1,994.46
Total equity	75,885.31	73,709.31	2,176.00	55,581.07	48,477.72	37,839.70

SUMMARY OF FINANCIAL DATA

Item (Expressed in percentage)	For the year ended 31 December					
	2020	2019	Comparison between 2020 and 2019	2018	2017	2016
Profitability indicators			Change			
Return on average total assets ⁽⁵⁾	0.55	0.95	(0.40)	0.91	0.84	0.82
Return on average equity ⁽⁶⁾	7.10	13.24	(6.14)	13.13	13.65	13.89
Net interest spread ⁽⁷⁾	1.98	2.71	(0.73)	2.32	1.68	2.02
Net interest margin ⁽⁸⁾	2.01	2.65	(0.64)	2.17	1.73	2.01
Net fee and commission income to operating income ⁽⁹⁾	6.25	5.76	0.49	6.13	15.30	18.44
Cost-to-income ratio ⁽¹⁰⁾	31.95	27.25	4.70	28.05	37.11	32.77

Item (Expressed in percentage)	As at 31 December					
	2020	2019	Comparison between 2020 and 2019	2018	2017	2016
Assets quality indicators			Change			
Non-performing loan ratio ⁽¹¹⁾	1.81	1.73	0.08	1.27	1.51	1.81
Provision coverage ratio ⁽¹²⁾	154.85	208.09	(53.24)	276.64	186.75	178.58
Allowance to total loans ⁽¹³⁾	2.81	3.61	(0.80)	3.52	2.83	3.24
Capital adequacy indicators			Change			
Core Tier 1 capital adequacy ratio ⁽¹⁴⁾	9.20	9.96	(0.76)	10.50	10.69	9.90
Tier 1 capital adequacy ratio	10.74	11.65	(0.91)	10.53	10.72	9.92
Capital adequacy ratio	12.56	14.23	(1.67)	14.28	12.00	12.16
Ratio of total equity to total assets	7.38	8.24	(0.86)	7.28	6.59	5.73

Item (Expressed in percentage)	As at 31 December					
	2020	2019	Comparison between 2020 and 2019	2018	2017	2016
Other indicators			Change			
Loan-to-deposit ratio ⁽¹⁵⁾	73.09	72.92	0.17	69.70	60.17	58.03

SUMMARY OF FINANCIAL DATA



Notes:

- (1) Since 2020, the Group reclassified the installment income of credit card from fee income to interest income, and restated the data from 2016 to 2019, hence the indicators of net interest margin, net interest yield and the ratio of fee and commission income against the operating income were restated simultaneously.
- (2) In accordance with the new accounting standards on financial instruments and the disclosure requirements related to the financial statements, impairment losses in 2018 to 2020 included credit impairment losses and impairment losses on other assets in the consolidated statement of profit or loss, while impairment losses from 2016 and 2017 were impairment losses on assets.
- (3) Calculated by dividing equity attributable to shareholders of the Bank for the period (excluding other equity instruments) by paid-in capital.
- (4) The preference shares dividends, which was paid in the first half of 2020, has been deducted for this indicator.
- (5) Representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the period.
- (6) Calculated by dividing the net profit for the period (excluding the preference shares dividends declared in the year) by the average balance of total equity (excluding other equity instruments) as at the beginning and end of the period.
- (7) Calculated as the difference between the average yield rate on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (8) Calculated by dividing net interest income by the average daily balance of total interest-earning assets.
- (9) Calculated by dividing net fee and commission income by operating income.
- (10) Calculated by dividing operating expenses (excluding tax and surcharges) by operating income.
- (11) Calculated by dividing the balance of non-performing loans by the total loans and advances to customers.
- (12) Calculated by dividing the balance of allowance for loan losses (including discount) by the balance of non-performing loans.
- (13) Calculated by dividing the balance of allowance for loan losses (including discount) by the total loans and advances to customers.
- (14) Calculated in accordance with the "Administrative Measures for the Capital of Commercial Banks (Provisional)" promulgated by CBRC.

Core Tier 1 capital adequacy ratio = (core Tier 1 capital – reductions from respective capital)/risk-weighted assets *100%

Tier 1 capital adequacy ratio = (Tier 1 capital – reductions from respective capital)/risk-weighted assets *100%

Capital adequacy ratio = (total capital – reductions from respective capital)/risk-weighted assets *100%

- (15) Calculated by dividing total loans and advances to customers by total deposits of customers.

PARTY SECRETARY'S STATEMENT

Making concerted efforts to forge ahead, striving to become a leading domestic commercial bank

Only hardships would reveal one's perseverance and courage; only polishing would make a jade shine. In 2020, facing the severe challenges brought by the pandemic and the changes over the past century, GRCB fully implemented the decisions and plans of the Central Government and the State Council, as well as the work requirements of provinces and municipalities, closely focused on the general principle of the work of steady development and risk prevention, made concerted efforts to make progress, and handed over a healthy performance report to the market.

Robust growth. The asset scale of the Group has historically exceeded the mark of RMB1 trillion, which is not only a landmark and another milestone in the history of the development of GRCB, but also a new starting point. Deposits and loans maintained a double-digit growth. The market share of customer deposits in Guangzhou was 11.3%, ranking first in increment. The market share of customer loans in Guangzhou was 8.3%, an increase from the beginning of the year. Inclusive and SME finance and green finance developed well, with an increase of 36% in SME loans and an increase of 23.7% in green credit. The total investment in green debt financing instruments for the year was RMB1.55 billion, ranking first among financial institutions in urban commercial banks and rural commercial banks.

Robust quality. At the end of the year, risk indicators such as capital adequacy ratio, non-performing asset ratio, non-performing loan ratio and allowance coverage ratio all meet the requirements of regulatory targets. The non-performing loan ratio of the Group was 1.81%, which was within the range of the annual target value. The overall market risk was under control, and the business growth was basically solid and reliable.

Robust structure. The development of retail business is driven by digitization. From accelerating the infrastructure construction of the financial cloud platform, starting the upgrading of online banking, mobile banking and direct selling bank, to building online business halls, establishing CRM systems, sales management platforms, mobile marketing platforms and so on to drive retail business achieved growth in a diversified manner. The scale of the point of time of retail savings and deposits exceeded RMB300 billion for the first time, and the growth of the scale of customer assets was relatively rapid. The scale of the point of time of AUM and average daily balance increased by 15%, and the number of mid-to-high-end customers increased by 34.5% year-on-year.

The reform of corporate business is led by intelligence, building the "four smart" systems, namely "smart customer acquisition, smart marketing, smart due diligence, and smart post-loan", and building the corporate financial operation and management system that is online and offline integrated. Implementing the strategy based on platform, building an online comprehensive corporate service platform centered on corporate online banking, building a cross-border financial service platform, a bank-government platform and a comprehensive investment banking business management platform, so as to achieve the leap-forward development of online corporate banking business. The annual accumulative transaction turnover of enterprise e-bank exceeded RMB1 trillion for the first time. **The business of financial market developed steadily.** The scale of assets maintained steady growth, the scale of liabilities decreased slightly, and the capital business indicators and the scale of non-standard assets met regulatory requirements. The transformation of wealth management business progressed steadily, the scale and proportion of individual wealth management continuously improved, the net worth product system is continuously optimized, and the remaining balance and proportion of net worth product increased rapidly.

Looking forward to the "14th Five-Year Plan", GRCB will take the promotion of high-quality development as the main stream, fully implement the new development concept, and actively integrate into the new development pattern. GRCB will take three years' time to realize the scale of assets and the characteristic business indicators that rank among the forefront of the national rural commercial banks and become the leader of the national rural

commercial banks. Subsequently, it will take another two years, to achieve development quality indicators such as per capita efficiency that rank among the forefront of the national commercial banks, so as to become a leading domestic commercial bank.

To win a raging race in the river rapids, one must row with perseverance and persistence. 2021 is the first year to implement the "14th Five-Year Plan" and start a new journey to comprehensively build a modern socialist country. Under the guidance of Xi Jinping thought on socialism with Chinese characteristics for a new era, GRCB will take the initiative to embrace new opportunities, actively respond to new challenges, take advantage of the situation, maintain steady growth, make progress while maintaining stability, so as to steadily and comprehensively enhance its core competitiveness.

"Progress" in business development. With a high degree of political consciousness and action consciousness, we will continue to serve the overall development of the country, provinces and cities. On the basis of maintaining a stable growth in business scale, we will promote the optimization and adjustment of assets and liabilities structure to create a healthy growth platform with high-quality. In terms of business strategy, we will adhere to the role of financial services in the real economy, uphold "focus on the core business, focus on the province and highlight Guangzhou", and implement characteristic operations and differentiated services to build the advantages of long-term sustainable development. In terms of business management, we will accelerate the advancement of intelligent operation of the business system, make use of technology as an innovation engine and growth momentum, and promote the realization of precise customer service, standardized basic management and intelligent risk control and internal control.

"Progress" in profitability. We will adhere to the "three ends" of assets, liabilities and revenue, promote the formation of a more diversified and balanced source of revenue, consolidate the management foundation, and enhance financial efficiency. We will fully implement the strategy of "channels + products + scenarios", refine credit card service, consumer finance and wealth businesses, and increase the proportion of retail business and the profit contribution ratio. We will serve strategic key customers and regional major customers with the integrated financial model of "commercial bank + transaction bank + investment bank", serve sannong, inclusive and small, medium and micro customers with online service to maintain steady growth in the business benefits of the Company. We will optimize the structure of financial market and foreign currency asset, expand and strengthen fixed-income investments, to achieve long-term stable business returns.

"Progress" in management level. We will accelerate the formulation of the "14th Five-Year" development plan of GRCB to realize the improvement and optimization of the development strategy, continue to improve the corporate governance system, strengthen and enhance the ability of governance entities to perform their duties, improve the governance and checks and balances mechanism of three boards and one management, so as to improve the quality and effectiveness of corporate governance. In order to achieve the overall optimization of the organizational structure, performance appraisal system and overall risk management system, we will push forward the reform of the management system, release the vitality of enterprises, and build a solid foundation for development. We will improve the salary distribution system, steadily increase the income level of employees, smooth the career development channels of employees, so as to create a broader stage for every employee who wants to work and is capable.

The journey is very long and it's time for us to march forward. In the new year, GRCB will aim to become a "leading domestic commercial bank", continue to move forward and strive for the first place, provide better services for customers, create greater value for shareholders and take more responsibilities for the society with firm confidence, struggling momentum and indomitable perseverance, so as to build more brilliance in the new era and new journey!

PRESIDENT'S STATEMENT

Winter has gone and spring is in the air. In 2020, the global COVID-19 pandemic emerged in the cold winter, and spread continuously while international political ideology, unilateralism and regional violent conflicts intensified. Fortunately, under the strong leadership of the Central Committee of the Party with General Secretary Xi Jinping as the core, China has made great strategic achievements in fighting against COVID-19 pandemic, and both economic and social development have quickly restored to normal. Breakthroughs have been made in the three major battles, and a new development landscape of dual circulation is taking shape. Over the past year, Guangzhou Rural Commercial Bank suffered from severe challenges and tremendous pressures from multiple aspects while facing a winter-like gloomy development trend. However, we upheld the ideology of General Secretary Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era as our foundation and conscientiously implemented the important speech and important instructions by General Secretary Xi Jinping during his inspection in Guangdong, comprehensively fulfilled the major responsibility on strengthening party discipline, unswervingly returned to the local area, returned to the source, and returned to the main business, and coordinate the pandemic prevention and control and business operations. We worked on "stability on six fronts" and implemented the mission of "security in six areas". During the year, Guangzhou Rural Commercial Bank maintained a steady and positive development momentum. By the end of the year, the assets of the Group reached RMB1,027,872 million, the balance of various deposits reached RMB778,425 million, and the total amount of various loans reached RMB568,926 million; achieving a net profit of RMB5,277 million for the year; non-performing loan ratio at the end of the year was 1.81%; the provision coverage ratio was 154.85%; major regulatory indicators have met regulatory requirements. On behalf of the management team of Guangzhou Rural Commercial Bank, I would like to express my sincere gratitude and blessings to all employees, shareholders, customers and friends from all walks of life!

Looking ahead for 2021, the COVID-19 pandemic and the international situation are hardly optimistic. However, in the first year of the national "14th Five-Year" Plan and the new development landscape of "dual circulation", the system advantages will continue to stand out, and the improvement of the quality and efficiency of domestic economic and social development is worth the wait. The desire for a better life of people is still a strong driving force for the whole country to forge ahead with one heart and one mind.

For Guangzhou Rural Commercial Bank, the pressure and troubles in 2021 are both inevitable, but we are convinced that no winter is insurmountable, and spring will always come. Guangzhou Rural Commercial Bank has gone through thick and thin for more than 60 years, created its own glory, and cultivated the characteristics of resilience, contributing silently, and tackling difficulties. These characteristics have been witnessed again in the past year, and will surely become the confidence and strength to support us in coping with "winter". We have come all the way from difficulties and hardships and will continue to walk firmly on the dream-seeking path of becoming the "first-class commercial bank in China". The future is not a smooth path, and we will forge ahead with no hesitation.

We will further implement the ideology of General Secretary Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, adhere to the new development concept, stick to the bottom line of risk control, and always take development as the top priority, market demand as the development direction, and customers' preferences and asset quality as the working standards. We will continue with our operation in compliance with laws and regulations, pay attention to business innovation and scientific application. We will put more emphasis on people-oriented, the guidance and support of corporate culture to various work of the Bank, and the building of soft power and spiritual temperament of enterprises, so as to survive the "cold winter" and pursue a bright future.

We will always be proud of our great motherland, take pleasure in this prosperous time, take helping the country and its community as our core value, and take upholding integrity and consolidating the foundation as the principles. We will always believe that heaven rewards the diligent, and tomorrow will be better. Bless our motherland! Bless the people! Bless Guangzhou Rural Commercial Bank which moves forward without fear of difficulties and burdens!

ENVIRONMENT AND OUTLOOK

In 2020, the closing year of “13th Five-Year Plan”, the China’s economy withstood the impact of COVID-19 pandemic, achieving an annual GDP scale of exceeding RMB100 trillion, with 2.3% annual economic growth rate, being the only major economy in the world to achieve positive growth. In response to COVID-19 headwinds, China has stepped up its anti-cyclical regulation efforts, and implemented a proactive financial policy and a prudent but loose monetary policy. From the perspective of three major demand structures: in terms of investment, infrastructure plays a supporting role, real estate investment shows strong resilience, but manufacturing investment is a drag; export growth continued to exceed expectations, epidemic prevention materials and stay-at-home economy products export remained strong; in terms of consumption, automobile consumption performed well, but the overall consumption recovery was slow.

2021 is the starting year of the “14th Five-Year Plan”. With the acceleration of vaccination, gradual recovery of overseas demand, and continuous recovery of domestic economy, investment and consumption of manufacture industry will replace infrastructure investment and export as the main driving force of economic growth. It is estimated that China’s economic growth rate will reach about 8% in 2021, showing the characteristics of economic growth remaining high before turning to a lower level. The economic growth in the fourth quarter will fall back to the potential economic growth level. Although the economic data in 2021 will perform well, there is still a problem of insufficient endogenous momentum in economic growth. With the gradual fading of cardinal effect and policy effect, economic growth will still follow the average regression trend before the pandemic.

In response to the COVID-19 pandemic headwinds, commercial banks provided entities with interest alleviation in 2020, protecting entities from recovering from the pandemic by reducing interest rates and deferred repayment of principal and interest. Affected by COVID-19 pandemic, the entire banking sector is facing greater pressure in terms of asset quality, profitability and capital replenishment. However, the Bank maintained sound operation in 2020, and its assets grew steadily and exceeded RMB1 trillion. The quality of assets was stable. In 2021, the Bank will make a forward-looking and scientific prediction of the domestic and external macroeconomic situation, adjust our development strategy and business goals, continue to expand its regional competitive advantages, at the same time, the Bank will optimize the allocation of credit resources in accordance with regulatory requirements, vigorously enhance business and product innovation capabilities, accelerate digital transformation to provide high-quality financial services for the construction of Greater Bay Area.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

I. INCOME STATEMENT ANALYSIS

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2020	For the year ended 31 December 2019	Change in amount	Rate of change (%)
Interest income	37,150.00	36,064.93	1,085.07	3.01
Interest expense	(19,502.52)	(17,181.71)	(2,320.81)	13.51
Net interest income	17,647.48	18,883.22	(1,235.74)	(6.54)
Fee and commission income	1,628.04	1,673.27	(45.23)	(2.70)
Fee and commission expense	(301.08)	(310.70)	9.62	(3.10)
Net fee and commission income	1,326.96	1,362.57	(35.61)	(2.61)
Net trading gains	1,976.68	2,735.01	(758.33)	(27.73)
Net gains or losses on financial investments	361.34	52.59	308.75	587.09
Other operating income, net	(94.05)	623.89	(717.94)	(115.07)
Operating income	21,218.41	23,657.28	(2,438.87)	(10.31)
Operating expenses	(7,037.46)	(6,675.70)	(361.76)	5.42
Credit impairment losses	(7,851.76)	(7,078.30)	(773.46)	10.93
Impairment losses on other assets	(41.62)	(8.16)	(33.46)	410.05
Profit before income tax	6,287.57	9,895.12	(3,607.55)	(36.46)
Income tax expense	(1,010.95)	(1,984.41)	973.46	(49.06)
Net profit	5,276.62	7,910.71	(2,634.09)	(33.30)

In 2020, the Group recorded a profit before income tax of RMB 6,288 million, representing a year-on-year decrease of 36.46%, and a net profit of RMB5,277 million, representing a year-on-year decrease of 33.30%. Profit before income tax and net profit decreased year on year, as (1) the revenue decreased year on year. Under the influence of COVID-19 epidemic, the Group actively implemented a series of warm enterprise policies to guide the downward trend of loan interest rate, resulting in the narrowing of interest spread and a year-on-year decrease in net interest income. The Group responded positively to China's policy of reducing fees and surrendering profits, resulting in a year-on-year decrease in net income of fee and commission. (2) the impairment losses increased. In accordance with the regulatory requirements on the disposal of bank wealth management stock assets, the Group made provision for estimated losses on the historical burden of off-balance sheet wealth management stock business, resulting in an increase in impairment losses year on year.



MANAGEMENT DISCUSSION AND ANALYSIS

(I) Net Interest Income

In 2020, the net interest income of the Group amounted to RMB17,647 million, representing a year-on-year decrease of RMB1,236 million, or 6.54%, and accounting for 83.17% of our total operating income. It was primarily due to a rise in the amount and price of interest bearing liabilities, which led to faster growth of interest expense than interest income, resulting in the decrease of net interest income on a year-on-year basis.

The following table sets forth interest income, interest expense and net interest income of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2020	For the year ended 31 December 2019	Change in amount	Rate of change (%)
Interest income	37,150.00	36,064.93	1,085.07	3.01
Interest expense	(19,502.52)	(17,181.71)	(2,320.81)	13.51
Net interest income	17,647.48	18,883.22	(1,235.74)	(6.54)

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2020			For the twelve months ended 31 December 2019		
	Average balance	Interest income/ expense	Average yield/cost rate (%)	Average balance	Interest income/ expense	Average yield/cost rate (%)
Loans and advances to customers	524,154.02	27,856.03	5.31	434,708.54	26,173.40	6.02
Financial investments	172,447.89	6,001.53	3.48	135,570.74	6,497.54	4.79
Placements and deposits with banks and other financial institutions	54,550.37	1,319.91	2.42	34,177.07	1,471.88	4.31
Financial assets held under resale agreements	41,220.62	886.22	2.15	31,324.19	818.33	2.61
Due from central bank	85,029.71	1,086.31	1.28	75,731.58	1,103.78	1.46
Total interest-earning assets	877,402.61	37,150.00	4.23	711,512.12	36,064.93	5.07
Customer deposits	704,403.53	14,981.54	2.13	586,763.13	12,016.74	2.05
Placements and deposits from banks and other financial institutions and others	53,683.20	1,399.18	2.61	42,265.57	1,792.77	4.24
Financial assets sold under repurchase agreements	7,801.43	128.50	1.65	7,698.22	166.28	2.16
Debt securities issued	86,995.32	2,623.90	3.02	85,187.95	3,046.94	3.58
Borrowing from central bank	13,579.60	369.40	2.72	5,005.86	158.98	3.18
Total interest-bearing liabilities	866,463.08	19,502.52	2.25	726,920.73	17,181.71	2.36
Net interest income		17,647.48			18,883.22	
Net interest spread			1.98			2.71
Net interest margin			2.01			2.65

MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, compared with the corresponding period of last year, the overall average yield of interest-earning assets decreased by 84 basis points to 4.23%, the overall average cost rate of interest-bearing liabilities decreased by 11 basis points to 2.25%, net interest spread decreased by 73 basis points to 1.98%, and net interest margin decreased by 64 basis points to 2.01%.

The following table sets forth changes in the Group's interest income and interest expense as compared to the corresponding period of last year due to changes in volume and interest rate. Changes in volume are measured by movement of the average balance, while changes in interest rate are measured by the movement of the average interest rate:

Item (Expressed in RMB million, unless otherwise stated)	Increase/(decrease) due to changes in the following item		Net increase/ decrease
	Volume factor	Rate factor	
Assets			
Loans and advances to customers	5,385.43	(3,702.80)	1,682.63
Financial investments	1,767.42	(2,263.43)	(496.01)
Placements and deposits with banks and other financial institutions	877.40	(1,029.37)	(151.97)
Financial assets held under resale agreements	258.54	(190.65)	67.89
Deposits with central bank	135.52	(152.99)	(17.47)
Changes in interest income	8,424.31	(7,339.24)	1,085.07
Liabilities			
Due to customers	2,409.24	555.56	2,964.80
Placements, deposits and others from banks and other financial institutions	484.30	(877.89)	(393.59)
Financial assets sold under repurchase agreements	2.23	(40.01)	(37.78)
Debt securities issued	64.64	(487.68)	(423.04)
Borrowing from central bank	272.29	(61.87)	210.42
Changes in interest expense	3,232.70	(911.89)	2,320.81



MANAGEMENT DISCUSSION AND ANALYSIS



1. Interest income

In 2020, interest income of the Group amounted to RMB37,150 million, representing an increase of RMB1,085 million or 3.01% as compared to the corresponding period of last year.

(1) INTEREST INCOME FROM LOANS AND ADVANCES TO CUSTOMERS

The average balance, interest income and average yield for each component of loans and advances to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2020			For the twelve months ended 31 December 2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	338,651.55	18,880.33	5.58	299,300.34	18,476.56	6.17
Personal loans	132,713.58	7,659.13	5.77	113,020.83	6,863.06	6.07
Discounted bills	52,788.89	1,316.57	2.49	22,387.37	833.78	3.72
Total loans and advances to customers	524,154.02	27,856.03	5.31	434,708.54	26,173.40	6.02

Interest income from loans and advances to customers amounted to RMB27,856 million, representing a year-on-year increase of RMB1,683 million, or 6.43%, and the average yield decreased by 71 basis points to 5.31% as compared with last year. The main reasons were as follows: firstly, the Group actively implemented a series of warm enterprise policies to guide the downward trend of loan interest rate; secondly, the stock loan business was gradually converted to pricing according to LPR.

(2) INTEREST INCOME FROM AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest income and average yield for each component of amounts due from banks and other financial institutions of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2020			For the twelve months ended 31 December 2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Placements and deposits with banks and other financial institutions	54,550.37	1,319.91	2.42	34,177.07	1,471.88	4.31
Financial assets held under resale agreements	41,220.62	886.22	2.15	31,324.19	818.33	2.61
Total amounts due from banks and other financial institutions	95,770.99	2,206.13	2.30	65,501.26	2,290.21	3.50

MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, the yield of amounts due from banks and other financial institutions of the Group represented a year-on-year decrease of 120 basis points to 2.30%, which was primarily due to that under the impact of COVID-19 epidemic this year, the market maintained a loose monetary policy, resulting in the decline in interest rates.

2. Interest expense

In 2020, the Group's interest expense increased by RMB2,321 million, or 13.51%, to RMB19,503 million as compared to the corresponding period of last year.

(1) INTEREST EXPENSE ON AMOUNTS DUE TO CUSTOMERS

The average balance, interest expense and average cost rate for each component of amounts due to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2020			For the twelve months ended 31 December 2019		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Demand	129,039.04	626.36	0.49	111,592.64	517.81	0.46
Time	195,934.10	6,448.41	3.29	164,682.88	5,612.57	3.41
Subtotal	324,973.14	7,074.77	2.18	276,275.52	6,130.38	2.22
Personal deposits						
Demand	114,291.67	349.79	0.31	101,039.59	310.00	0.31
Time	237,926.61	6,994.17	2.94	173,031.82	4,600.11	2.66
Subtotal	352,218.28	7,343.96	2.09	274,071.41	4,910.11	1.79
Other deposits	27,212.11	562.81	2.07	36,416.20	976.25	2.68
Total amounts due to customers	704,403.53	14,981.54	2.13	586,763.13	12,016.74	2.05

In 2020, the Group's interest expense on amounts due to customers amounted to RMB14,982 million, representing a year-on-year increase of RMB2,965 million, or 24.67%, and the cost rate of deposits was 2.13%, representing an increase of 8 basis points year-on-year. It was because, on one hand, the proportion of time deposits with higher cost rate further increased; on the other hand, the cost rate of time deposits also increased.



MANAGEMENT DISCUSSION AND ANALYSIS

(2) INTEREST EXPENSE ON AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest expense and average cost rate for each component of the Group's amounts due to banks and other financial institutions are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2020			For the twelve months ended 31 December 2019		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Placements and deposits from banks and other financial institutions and others	53,683.20	1,399.18	2.61	42,265.57	1,792.77	4.24
Financial assets sold under repurchase agreements	7,801.43	128.50	1.65	7,698.22	166.28	2.16
Total amounts due to banks and other financial institutions	61,484.63	1,527.68	2.48	49,963.79	1,959.05	3.92

In 2020, the Group's interest expense on amounts due to banks and other financial institutions amounted to RMB1,528 million, representing a year-on-year decrease of RMB431 million, or 22.02%, which was primarily due to that under the influence of COVID-19 epidemic, the market maintained loose monetary policy, and the interbank debt interest rate declined.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Non-interest Income

1. Net fee and commission income

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2020	For the year ended 31 December 2019	Change in amount	Rate of change (%)
Fee income from advisory and consulting business	61.63	170.03	(108.40)	(63.75)
Fee income from settlement and electronic channel business	170.07	167.37	2.70	1.61
Fee income from agency and custodian business	440.66	405.70	34.96	8.62
Fee income from wealth management products	122.85	89.31	33.54	37.55
Fee income from bank card business	250.34	351.27	(100.93)	(28.73)
Guarantee and commitment fee income	182.62	140.05	42.57	30.40
Financial leasing fee income	63.37	87.44	(24.07)	(27.53)
Fee income from foreign exchange business	38.52	42.45	(3.93)	(9.26)
Others	297.98	219.65	78.33	35.66
Subtotal	1,628.04	1,673.27	(45.23)	(2.70)
Fee and commission expense:				
Fee expense on settlement and electronic channel business	(23.13)	(24.11)	0.98	(4.06)
Fee expense on bank card business	(75.84)	(70.65)	(5.19)	7.35
Others	(202.11)	(215.94)	13.83	(6.40)
Subtotal	(301.08)	(310.70)	9.62	(3.10)
Net fee and commission income	1,326.96	1,362.57	(35.61)	(2.61)

In 2020, the net fee and commission income of the Group amounted to RMB1,327 million, representing a year-on-year decrease of RMB36 million, or 2.61%, and accounting for 6.25% of our total operating income.

2. Net trading gains

In 2020, the net trading gains of the Group amounted to RMB1,977 million, which were mainly interest income from financial assets at fair value through profit or loss, bid-ask spread and fair value gains and losses.

3. Net gains or losses on financial investments

In 2020, the net gains on financial investments of the Group amounted to RMB361 million, which were mainly the bid-ask spread from financial assets at fair value through other comprehensive income.

4. Other operating income, net

In 2020, the net other operating income of the Group amounted to RMB-94 million, which was mainly due to the negative exchange income affected by the exchange rate.



MANAGEMENT DISCUSSION AND ANALYSIS

(III) Operating Expenses

In 2020, the operating expenses of the Group increased by RMB362 million, or 5.42%, to RMB7,037 million as compared to the corresponding period of last year.

The following table sets forth the principal components of operating expenses of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2020	For the year ended 31 December 2019	Change in amount	Rate of change (%)
Staff costs	4,432.54	4,105.40	327.14	7.97
Tax and surcharges	258.70	229.73	28.97	12.61
Depreciation and amortization	876.71	903.92	(27.21)	(3.01)
Others	1,469.51	1,436.65	32.86	2.29
Total loans and advances to customers	7,037.46	6,675.70	361.76	5.42

1. Staff costs

Staff costs represent the largest component of operating expenses of the Group, accounting for 62.98% and 61.50% of our operating expenses for the years ended 31 December 2020 and 2019, respectively.

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

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2020	For the year ended 31 December 2019	Change in amount	Rate of change (%)
Salaries, bonuses, allowances and subsidies	3,319.57	3,021.50	298.07	9.86
Social insurance and employee benefits	901.53	912.62	(11.09)	(1.22)
Others	211.44	171.28	40.16	23.45
Total staff costs	4,432.54	4,105.40	327.14	7.97

In 2020, staff costs of the Group amounted to RMB4,432 million, representing a year-on-year increase of RMB327 million, or 7.97%, which was primarily attributable to an increase in salaries, bonuses and allowances caused by the increase of the number of employees in the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Tax and surcharges

In 2020, tax and surcharges incurred amounted to RMB259 million, representing a year-on-year increase of RMB29 million, or 12.61%.

3. Depreciation and amortization

In 2020, depreciation and amortization of the Group was RMB877 million, representing a year-on-year decrease of RMB27 million, or 3.01%.

4. Others

In 2020, other expenses amounted to RMB1,470 million, representing a year-on-year increase of RMB33 million, or 2.29%.

(IV) Impairment Losses on Assets

The following table sets forth the principal components of impairment losses on assets of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2020	For the year ended 31 December 2019	Change in amount	Rate of change (%)
Credit impairment losses	7,851.76	7,078.30	773.46	10.93
Impairment losses on other assets	41.62	8.16	33.46	410.05
Total	7,893.38	7,086.46	806.92	11.39

In 2020, the provisions for impairment losses on assets of the Group amounted to RMB7,893 million. Among them, provision for credit impairment losses amounted to RMB7,852 million.

(V) Income Tax Expense

In 2020, income tax expense amounted to RMB1,011 million, representing a year-on-year decrease of RMB973 million, mainly due to a decrease in profit before tax as compared to the corresponding period of last year. The effective income tax rate was 16.08%.



MANAGEMENT DISCUSSION AND ANALYSIS



II. ANALYSIS OF STATEMENT OF FINANCIAL POSITION

(I) Assets

The following table sets forth the composition of the Group's total assets as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total loans and advances to customers	568,926.17	55.35	479,968.13	53.68
Allowances for impairment losses	(15,757.83)	(1.53)	(16,916.76)	(1.89)
Loans and advances to customers, net	553,168.34	53.82	463,051.37	51.79
Financial investments ⁽¹⁾	262,524.19	25.54	237,674.38	26.58
Cash and deposits with the central bank	103,784.55	10.10	99,562.34	11.13
Deposits with banks and other financial institutions	25,012.86	2.43	30,700.32	3.43
Placements with banks and other financial institutions	21,711.16	2.11	20,604.23	2.30
Financial assets held under resale agreements	46,447.69	4.52	28,593.49	3.20
Others ⁽²⁾	15,222.86	1.48	13,968.16	1.57
Total assets	1,027,871.65	100.00	894,154.29	100.00

Notes:

- (1) Financial investments included financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost.
- (2) Other assets consisted of property and equipment, goodwill, deferred income tax assets and others.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2020, the Group's total assets amounted to RMB1,027,872 million, representing an increase of RMB133,717 million, or 14.95%, as compared to the end of last year. Among which, the total loans and advances to customers increased by RMB88,958 million, or 18.53%, as compared to the end of last year. This was primarily due to the fact that this year we increased support for the real economy and the scale of loans increased steadily.

Financial investments increased by RMB24,850 million, or 10.46%, as compared to the end of last year, primarily because of an increase in the investment in debt securities.

Gross amount of deposits with banks and other financial institutions and placements with banks and other financial institutions decreased by RMB4,581 million as compared to the end of last year, primarily due to the Group's initiative to transfer part of the preferential stock funds deposited overseas, resulting in the decrease in deposits with banks and other financial institutions.

1. Loans and advances to customers

DISTRIBUTION OF LOANS BY BUSINESS SEGMENT

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate loans	379,857.50	66.77	326,135.41	67.95
Personal loans	140,331.80	24.67	124,718.88	25.98
Discounted bills	48,736.87	8.56	29,113.84	6.07
Total loans and advances to customers	568,926.17	100.00	479,968.13	100.00

As at 31 December 2020, total loans and advances to customers of the Group increased by RMB88,958 million, or 18.53%, to RMB568,926 million as compared to the end of last year.

As compared to the end of last year, the Group's total corporate loans increased by RMB53,722 million, or 16.47%, to RMB379,858 million; total personal loans increased by RMB15,613 million, or 12.52%, to RMB140,332 million; and total discounted bills increased by RMB19,623 million, or 67.40%, to RMB48,737 million.



MANAGEMENT DISCUSSION AND ANALYSIS

DISTRIBUTION OF LOANS BY PRODUCT TYPE

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total Corporate loans	379,857.50	66.77	326,135.41	67.95
Working capital loans	158,707.18	27.90	148,972.52	31.04
Fixed asset loans	199,792.96	35.11	161,442.87	33.64
Lease receivables	15,348.38	2.70	14,034.86	2.92
Others	6,008.98	1.06	1,685.16	0.35
Total Personal loans	140,331.80	24.67	124,718.88	25.98
Personal mortgage loans	67,439.75	11.85	63,694.13	13.27
Personal business loans	54,466.75	9.58	40,502.80	8.44
Personal consumption loans	9,508.81	1.67	11,287.47	2.35
Balance of credit cards	8,916.49	1.57	9,234.48	1.92
Total Discounted bills	48,736.87	8.56	29,113.84	6.07
Bank acceptance bills	44,973.44	7.90	27,478.90	5.73
Commercial acceptance bills	3,763.43	0.66	1,634.94	0.34
Total loans and advances to customers	568,926.17	100.00	479,968.13	100.00

As at 31 December 2020, the Group's working capital loans, fixed asset loans and lease receivables amounted to RMB158,707 million, RMB199,793 million and RMB15,348 million, respectively, representing 41.78%, 52.60% and 4.04% of our total corporate loans, respectively. Among which, working capital loans and fixed asset loans increased by RMB9,735 million and RMB38,350 million, or 6.53% and 23.75%, as compared to the end of last year, respectively, mainly due to an increase in the demand for loans to customers during the year.

As at 31 December 2020, the Group's personal mortgage loans, personal business loans, personal consumption loans and balance of credit cards amounted to RMB67,440 million, RMB54,467 million, RMB9,509 million and RMB8,916 million, respectively, representing 48.06%, 38.81%, 6.78% and 6.35% of our total personal loans, respectively. Among which, personal business loans and personal mortgage loans increased by RMB13,964 million, and RMB3,746 million, or 34.48% and 5.88%, as compared to the end of last year, respectively, while personal consumption loans and balance of credit cards decreased by RMB1,779 million and RMB318 million, or 15.76% and 3.44%, as compared to the end of last year.

As at 31 December 2020, the discounted bank acceptance bills and discounted commercial acceptance bills of the Group amounted to RMB44,973 million and RMB3,763 million, respectively. Among which, discounted bank acceptance bills increased by RMB17,495 million, as compared to the end of last year, primarily because the Group increased the investment in discounted assets based on the conditions of the notes market and the intra-group funding arrangement.

MANAGEMENT DISCUSSION AND ANALYSIS

DISTRIBUTION OF LOANS BY TYPE OF COLLATERAL

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateralized loans	301,805.77	53.05	276,622.25	57.64
Pledged loans	38,979.93	6.85	37,773.66	7.87
Guaranteed loans	142,863.74	25.11	109,401.88	22.79
Unsecured loans	85,276.73	14.99	56,170.34	11.70
Total loans and advances to customers	568,926.17	100.00	479,968.13	100.00

As at 31 December 2020, the collateralized loans, pledged loans, guaranteed loans and unsecured loans of the Group increased by RMB25,184 million, RMB1,206 million, RMB33,462 million and RMB29,106 million, or 9.1%, 3.19%, 30.59% and 51.82%, as compared to the end of last year, respectively. The proportion of collateralized and pledged loans to total loans remained high at 59.90%, reflecting the implementation of prudent risk management policy of the Group.

2. Investments

The following table sets forth the composition of investments of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss	90,247.50	34.38	85,432.18	35.95
Financial assets at fair value through other comprehensive income	75,677.33	28.82	69,706.11	29.33
Financial assets measured at amortized cost	96,599.36	36.80	82,536.09	34.72
Total investments	262,524.19	100.00	237,674.38	100.00

As at 31 December 2020, total investments of the Group increased by RMB24,850 million, or 10.46%, to RMB262,524 million as compared to the end of last year.



MANAGEMENT DISCUSSION AND ANALYSIS

(II) Liabilities

The following table sets forth the composition of total liabilities of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Amounts due to customers	778,424.85	81.77	658,243.09	80.23
Deposits from banks and other financial institutions	41,229.92	4.33	41,039.19	5.00
Placements from banks and other financial institutions	1,818.58	0.19	984.92	0.12
Financial assets sold under repurchase agreements	10,070.05	1.06	9,730.36	1.19
Debt securities issued	76,643.88	8.05	79,240.06	9.66
Others ⁽¹⁾	43,799.06	4.60	31,207.36	3.80
Total liabilities	951,986.34	100.00	820,444.98	100.00

Note:

- (1) Mainly included tax payable, borrowings from central bank and salaries, bonuses, allowances and subsidies payable and others.

As at 31 December 2020, total liabilities of the Group increased by RMB131,541 million, or 16.03%, to RMB951,986 million as compared to the end of last year. The amount due to customers stably increased by RMB120,182 million, or 18.26%, as compared to the end of last year, in which its proportion to the liabilities of the Group increased by 1.54 percentage points.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Due to customers

The following table sets forth the amount due to customers of the Group by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate deposits ⁽¹⁾				
Time	184,855.37	23.75	177,449.45	26.96
Demand	172,388.27	22.15	131,828.17	20.03
Subtotal	357,243.64	45.90	309,277.62	46.99
Personal deposits				
Time	274,991.61	35.33	209,169.74	31.78
Demand	121,225.97	15.57	107,750.92	16.37
Subtotal	396,217.58	50.90	316,920.66	48.15
Pledged deposits	13,726.69	1.76	12,654.10	1.92
Other deposits ⁽²⁾	11,236.94	1.44	19,390.71	2.94
Due to customers	778,424.85	100.00	658,243.09	100.00

Notes:

- (1) Mainly included deposits from corporate customers and government bodies.
- (2) Mainly included structured deposits, treasury time deposits and fiscal deposits raised from the launch of principal-preservation wealth management products by the Group.

As at 31 December 2020, the amount due to customers increased by RMB120,182 million, or 18.26%, to RMB778,425 million as compared to the end of last year. With respect to the customer structure of the Group, personal deposits accounted for 50.90% of our total amount due to customers, and the balance of personal deposits increased by RMB79,297 million, or 25.02%, as compared to the end of last year; corporate deposits (excluding pledged deposits) accounted for 45.90% of our total amount due to customers, and the balance of corporate deposits increased by RMB47,966 million, or 15.51%, as compared to the end of last year. With respect to the maturity structure, the balance of demand deposits accounted for 37.72% of our total amount due to customers, representing an increase of 1.32 percentage points over the end of last year, while time deposits accounted for 59.08%, representing an increase of 0.34 percentage point over the end of last year.



MANAGEMENT DISCUSSION AND ANALYSIS

(III) Composition of Shareholders' Equity

The following table sets forth the composition of shareholders' equity of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	9,808.27	12.92	9,808.27	13.31
Preference shares	9,820.73	12.94	9,820.73	13.32
Capital reserve	10,952.99	14.43	10,920.40	14.82
Surplus reserve	5,055.78	6.66	5,055.78	6.86
General risk reserve	12,944.07	17.06	11,236.83	15.24
Investment revaluation reserve	(238.46)	(0.31)	1,134.29	1.54
Remeasurement gains on defined benefit plans	5.07	0.01	(20.61)	(0.03)
Retained earnings	21,138.63	27.86	20,391.00	27.66
Non-controlling interests	6,398.23	8.43	5,362.62	7.28
Total shareholders' equity	75,885.31	100.00	73,709.31	100.00

As at 31 December 2020, the Group recorded a paid-in capital of RMB9,808 million, capital reserve of RMB10,953 million and retained earnings of RMB21,139 million. Please refer to the notes to financial statements for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

III. LOAN QUALITY ANALYSIS

(I) Five-Category Classification of Loans

The following table sets forth the distribution of the Group's loans by the five-category classification as at the dates indicated, under which non-performing loans include loans classified into substandard, doubtful and loss categories.

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Normal	533,499.04	93.77	456,703.96	95.16
Special mention	25,117.15	4.42	14,944.12	3.11
Substandard	2,829.24	0.50	523.19	0.11
Doubtful	6,211.36	1.09	7,159.26	1.49
Loss	1,269.38	0.22	637.60	0.13
Total loans and advances to customers	568,926.17	100.00	479,968.13	100.00
Non-performing loan ratio ⁽¹⁾	–	1.81	–	1.73

Note:

(1) Calculated by dividing the total amount of non-performing loans by total loans.

Under the complicated and difficult economic and financial situations in addition to the impacts of the COVID-19 and other factors, as at 31 December 2020, the non-performing loan ratio of the Group was 1.81%, which increased by 0.08 percentage point from the end of last year; the special-mentioned loan accounted for 4.42%, which increased by 1.31 percentage points from the end of last year. The Group will continue to make greater efforts to collect non-performing loans, carry out specific collection of such loans and go to all lengths to mitigate non-performing loans. Meanwhile, the Group will increase the efforts made in relation to risk investigation on credit assets to strictly prevent new non-performing loans.



MANAGEMENT DISCUSSION AND ANALYSIS

(II) Distribution of Non-performing Corporate Loans by Industry

The following table sets forth the distribution of the Group's non-performing corporate loans by industry as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020			As at 31 December 2019		
	Amount	Percentage of total (%)	Non- performing loan ratio (%)	Amount	Percentage of total (%)	Non- performing loan ratio (%)
Wholesale and retail	1,376.26	15.68	2.22	443.48	7.36	0.83
Real estate	1,217.20	13.87	2.06	174.98	2.90	0.26
Leasing and commercial services	2,921.50	33.29	3.42	1,987.63	33.01	3.18
Manufacturing	643.66	7.33	1.66	1,300.74	21.59	3.63
Construction	312.59	3.56	0.80	111.53	1.85	0.41
Water conservation, environment and public utilities management	100.32	1.14	0.98	11.52	0.19	0.16
Accommodation and catering	88.50	1.01	0.47	64.19	1.07	0.39
Transportation, storage and postal services	1,065.51	12.14	10.54	809.67	13.44	6.97
Agriculture, forestry, animal husbandry and fishery	975.09	11.11	9.49	1,015.11	16.85	10.89
Information transmission, software and information technology services	24.65	0.28	0.42	14.44	0.24	0.33
Education	26.74	0.30	0.27	–	–	–
Healthcare and social welfare	3.21	0.04	0.15	–	–	–
Household, repair and other services	4.84	0.06	0.04	11.96	0.20	0.18
Production and supply of electricity, heat, gas and water	4.96	0.06	0.19	4.77	0.08	0.17
Others	11.67	0.13	0.09	73.44	1.22	0.81
Total non-performing corporate loans	8,776.70	100.00	2.31	6,023.46	100.00	1.85

Note:

- (1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) of each industry by gross loans granted to such industry.

As at 31 December 2020, the non-performing corporate loans of the wholesale and retail industries increased compared to the end of the last year, mainly due to the impacts of economic downturn and the pandemic. The sales revenue of individual customers decreased significantly, resulting in a tight capital chain; the non-performing corporate loans of the real estate industry increased compared to the end of the last year, mainly due to the fact that some of the individual real estate customers had considerable amount of investment projects, or the rental income of commercial projects have not met the expectations, leading to a crack in the capital chain; the non-performing corporate loans of the leasing and business services increased compared to the end of the last year, mainly due to the failure of investment of individual customers and the capital chain cracked, resulting in non-performance.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Distribution of Non-performing Loans by Product Type

The following table sets forth the distribution of the Group's non-performing loans by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020			As at 31 December 2019		
	Amount	Percentage of total (%)	Non- performing loan ratio (%)	Amount	Percentage of total (%)	Non- performing loan ratio (%)
Corporate loans	8,776.70	100.00	2.31	6,023.46	100.00	1.85
Personal loans	1,533.28	100.00	1.09	1,547.91	100.00	1.24
Personal residential mortgage	288.65	18.83	0.43	243.48	15.73	0.38
Personal business loans	728.60	47.52	1.34	846.20	54.66	2.09
Personal consumption loans	221.45	14.44	2.33	197.31	12.75	1.75
Balance of credit cards	294.58	19.21	3.30	260.92	16.86	2.83
Discounted bills	-	-	-	748.67	100.00	2.57
Total non-performing loans	10,309.98	100.00	1.81	8,320.04	100.00	1.73

Note:

- (1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) in each product type by gross loans in that product type.

Under the complicated and difficult economic and financial situations in addition to the impacts of the COVID-19 pandemic and other factors, as at 31 December 2020, non-performing ratio of corporate loans increased by 0.46 percentage point to 2.31% as compared to the end of last year.



MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Overdue Loans to Customers

The following table sets forth the aging timetable of the Group's loans by loan certificate as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Loans that were not past due	556,383.67	97.80	465,744.76	97.04
Loans that were past due	12,542.50	2.20	14,223.37	2.96
Within 3 months	4,983.21	0.87	8,211.00	1.71
3 months to 1 year	5,606.14	0.99	3,329.86	0.69
1 year to 3 years	1,603.10	0.28	2,233.60	0.47
Over 3 years	350.05	0.06	448.91	0.09
Total loans and advances to customers	568,926.17	100.00	479,968.13	100.00
Loans that were past due for more than 3 months	7,559.29	1.33	6,012.37	1.25

The Group continued to strengthen the control on overdue loans, as at 31 December 2020, overdue loans amounted to RMB12.543 billion, representing a decrease of RMB1.681 billion from the end of last year and accounting for 2.20% of the total loans, representing a decrease of 0.76 percentage point from the end of last year.

(V) Rescheduled Loans and Advances

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Rescheduled loans and advances	6,669.32	1.17	10,808.49	2.25

The Group continued to increase its efforts in risk mitigation and the disposal of non-performing loans, as of 31 December 2020, rescheduled loans and advances amounted to RMB6.669 billion, representing a decrease of RMB4.139 billion from the end of the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF CAPITAL ADEQUACY RATIO

The Group adopted the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) to calculate its capital adequacy ratio, under which credit risks are measured by the weighted method, market risks are measured by standard method and operational risks are measured by basic indicator approach, and the scope of this calculation covers all branches of the Bank as well as subsidiaries which are financial institutions which comply with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》). The following table sets forth the relevant information of the Group's capital adequacy ratio as at the dates indicated.

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020	As at 31 December 2019
Core Tier 1 capital adequacy ratio	9.20%	9.96%
Tier 1 capital adequacy ratio	10.74%	11.65%
Capital adequacy ratio	12.56%	14.23%
Portion of paid-in capital that may be included	9,808.27	9,808.27
Portion of capital reserve that may be included	10,952.99	10,920.40
Surplus reserve	5,055.78	5,055.78
General risk reserve	12,944.07	11,236.83
Retained earnings	21,138.63	20,391.00
Portion of minority interests that may be included	2,258.26	1,955.72
Others	(233.40)	1,113.68
Total core Tier 1 capital	61,924.60	60,481.68
Regulatory deductions for core Tier 1 capital	(1,525.89)	(900.96)
Of which: goodwill and other intangible assets (excluding land use rights)	(919.92)	(900.96)
Core Tier 1 capital, net	60,398.71	59,580.72
Other Tier 1 capital		
Other Tier 1 capital instruments and their premium	9,820.73	9,820.73
Portion of minority interests that may be included	292.89	259.47
Net Tier 1 capital	70,512.33	69,660.92
Tier 2 capital		
Tier 2 capital instruments and related premium that may be included	9,998.87	9,998.74
Excessive loan loss allowances	1,364.19	4,924.20
Portion of minority interests that may be included	594.20	509.17
Net capital	82,469.59	85,093.03
Total risk-weighted assets	656,572.37	597,980.14

As at 31 December 2020, the capital adequacy ratio of the Group was 12.56%, representing a slight decrease of 1.67 percentage points over the end of last year, mainly due to the increase of risk-weighted assets compared with the end of last year exceeding that of net capital compared with the beginning of the year. Net capital amounted to RMB82,470 million, representing a decrease of RMB2,623 million or 3.08% over the end of last year, mainly due to the decrease in investment revaluation reserve. Risk-weighted assets amounted to RMB656,572 million, representing an increase of RMB58,592 million or 9.80%, mainly because the on and off-balance sheet business credit risk-weighted assets significantly increased compared with the end of last year, and operational risk-weighted assets also increased compared with the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF LEVERAGE RATIO

As at 31 December 2020, the Group measured and disclosed the leverage ratio in accordance with the Administrative Measures for the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) as follows:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2020
Net Tier 1 capital	70,512.33
The balance of assets on and off balance sheet after adjustments	1,091,031.68
Leverage ratio (%)	6.46%

VI. SEGMENT INFORMATION

The Group conducts its business principally in Guangdong Province, the PRC. Its major customers and non-current assets are located in Guangdong Province, the PRC.

Summary of business distribution

Operating income

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			
	2020		2019	
	Amount	Percentage of total	Amount	Percentage of total
Corporate banking business	11,234.46	52.95	13,905.05	58.78
Retail banking business	6,836.68	32.22	6,945.90	29.36
Treasury business	2,838.27	13.37	2,447.01	10.34
Others	309.00	1.46	359.32	1.52
Total operating income	21,218.41	100.00	23,657.28	100.00

VII. ANALYSIS OF OFF-BALANCE-SHEET ITEMS

The Group's off-balance-sheet items mainly include loan commitments, acceptance bills, undrawn credit card limits, issuance of letters of guarantee and issuance of letters of credit in the course of ordinary business of the Group. As at 31 December 2020, the balances of loan commitments, acceptance bills, undrawn credit card limits, issuance of letters of guarantee and issuance of letters of credit were RMB117,987 million, RMB28,630 million, RMB13,520 million, RMB42,383 million and RMB1,906 million, respectively.

VIII. CONTINGENT LIABILITIES AND ASSETS PLEDGED AS SECURITY

For details of the Group's contingent liabilities or assets pledged as security as at 31 December 2020, please refer to notes 43 and 45 to the consolidated financial statements

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATION

I. Corporate Banking Business

(I) Corporate Deposit Business

In 2020, the Bank continuously adhered to the purpose of establishing the bank by deposits, took full advantage of corporate bank institutions in Guangzhou, continuously put intensive efforts to financial services of rural revitalization, and greatly expanded the deposit of village communities. Meanwhile, the Bank strengthened the promotion of institutional deposit business. In 2020, the Bank won the qualification of agent bank for centralized collection and payment business of Guangdong provincial treasury from 2020 to 2023, and continued to promote provincial and municipal financial payment, urban renewal fund supervision, land auction margin and other bank and government business. On the other hand, the Bank strengthened the cooperation between banks and enterprises, deepened the integrated marketing of customers, vigorously developed the trading banking and investment banking business, continuously improved the service ability of electronic channels, widened the deposit marketing channels, further consolidated the customer base, continuously optimized the customer and business structure, and promoted high quality development of corporate deposit business.

(II) Corporate Loan Business

In 2020, the Bank regarded the national strategy as the guidance, thoroughly implemented the decisions and deployment of governments at all levels, regulatory authorities and the Party committee of the head office of the Bank, got established in the local and returned to the origin.. the Bank firmly supported the real economy and the economic development of private enterprises, as well as the development of the Guangdong-Hong Kong-Macau Greater Bay Area, and continuously supported the optimization of regional industry structure. The Bank adhered to the original mission, maintained steady operation and development, always supported small and medium enterprises, agriculture related enterprises and other key fields, and strived to expand green finance, advanced manufacture industry, new infrastructure and other policy support industries as well as innovation demonstration businesses. The Bank strived to continuously improve the effectiveness of serving the real economy through product innovation and business model innovation. During the preliminary stage of the prevention and control of pandemic, the Bank made rapid response launched the first financial innovation product “aiding enterprises with epidemic loans” with the theme of resumption of work and production, support of medium, small and micro enterprises to win the battle of pandemic prevention and control. In order to improve the effective application of supply chain finance in exclusive scenarios, the Bank launched the innovative product “Sun • Government Procurement Loans”, which effectively solved the financing problems of government procurement suppliers. In order to strengthen the support for the real economy, the Bank launched the innovative products of “Sun • Annual Review Loans” to effectively solve the problems of short financing for entity enterprises.



(III) Trading Bank Business

The Bank supported the construction of Guangdong-Hong Kong-Macao Bay Area, and was committed to building an integration of domestic and overseas, local and foreign currencies, online and offline, as well as onshore and offshore global financial service platform. The Bank has built six series of trading bank product systems, covering customized deposits, cash management, supply chain finance, banking services, cloud banking and cross-border business. The Bank actively integrated into the new development pattern, launched the first “chain financing connection” cross-border trading and financing services based on blockchain technology, promoted comprehensive cross-border financial services such as the “Consecutive Loans” of foreign currency, Sun•Hundred Currency Exchange and cross-border capital pool, and promoted enterprises in the Greater Bay Area to make full use of the advantages of various cross-border trading, investment and financing facilitating policies, and implemented the stabilization of foreign trade and foreign investment. The Bank created an online platform for full supply chain financial products covering receivables, prepayments, bills and domestic guarantees, in order to promote the financing convenience of small and medium-sized enterprises.

The Bank, through innovation-driven development, promoted the continuous growth of the performance of the trading bank, adhered to prudent operation and strengthened internal control, launched a new generation of international business system, comprehensively strengthened global financial service capability, and won the A-class Bank of Compliance and Prudent Operation in Foreign Exchange Business of Banks in 2020 (2020年度銀行外匯業務合規與審慎經營A級銀行), the Outstanding Member Award in China and Guangzhou’s Interbank Foreign Exchange Market (全國及廣州轄區“銀行間外匯市場優秀會員獎”), and the Best Social Responsibility Practice Case Award (最佳社會責任實踐案例獎) of China Banking Association. The brand and competitiveness of trading bank business were continuously improved.

II. Personal Banking Business

(I) Personal Deposit Business

The growth of the Bank’s savings and deposits was better than that of the same period with reasonable structure. Saving deposits exceeded RMB300 billion for the first time during the year, ranking second in the same industry in Guangzhou. In 2020, in the face of the implementation of new deposit regulations, downward market interest rate, and the increasingly fierce competition in the same industry, the Bank promoted steady development of the deposit business in terms of active and flexible pricing, strengthened product innovation, adhered to the position of villages and communities, and uninterrupted deposit activities. As of the end of 2020, the scale of saving deposits was RMB319.28 billion, representing an increase of RMB51.18 billion, or 19.1%, as compared to the beginning of the year. The annual growth rate was higher than the average level of the same industry, and the market share increased over the beginning of the year. In 2020, the average daily balance of savings deposits was RMB291.46 billion, representing an increase of RMB43.28 billion, or 17.4%, as compared to the beginning of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Personal Loan Business

The Bank actively implemented the regulation policies of the national real estate industry, supported the real housing demand of residents, maintained steady growth of personal housing loan business, updated the iterative online and offline consumer loan products, and supported the steady development of residents' consumption upgrade and scenario consumer loan business. The Bank optimized the approval process of personal credit, simplified the requirements of approval materials, opened the green approval channel, provided more financing convenience for customers, improved customer experience, and satisfied the gradual increase of consumer demand arising from the enlarging customer base.

(III) Bank Card Business

The Bank continuously enriched its debit card products and incentivized the issuance of debit card products. As of the end of 2020, the Bank issued 12,000 "Leading Yue (領粵卡)" series Nansha talent cards, Zengcheng doctor cards and other high-end Leading Yue talent cards, and undertook RMB480 million of talent subsidies. The Bank successfully signed with 15 administrative regions in Guangzhou, Foshan, Heyuan and Zhaoqing for the implementation of the military supporting preferential care card project, with an accumulated 5,284 military supporting preferential care cards signed and issued. The Bank successfully issued the third generation social security card, launched the provincial social security card system, and added the "three channels and four models" service of social security card business, which has become the largest number of social security service outlets in Guangzhou Financial institutions. A net increase of 180,000 customers of social security cards was recorded in two years. In 2020, the number of cards issued ranked among the top four throughout Guangzhou for the first time, and the satisfaction rate of social security card business service reached 100%.

In 2020, the Bank issued an accumulation of 936.4 thousand new personal debit cards, and had 7,851.8 thousand existing personal debit cards. In 2020, the cumulative spending related to the debit cards of the Bank amounted to RMB94,562 million, and the various fee income arising from personal debit cards reached RMB31 million.

(IV) Credit Card Business

The Bank enhanced the product innovation of credit card. In order to optimize the customer structure and introduce high quality consumer credit customers, the Bank developed and launched "Sun•Elite Card" (太陽•菁英卡), "Sun•Unicom Co-branded Card" (太陽•聯通聯名卡), "Sun•Rongxin Card" (太陽•融鑫卡), "Sun•Jingdong Financial Co-branded Card" (太陽•京東金融聯名卡) and other products. Closely keeping up with the pace of consumption upgrades, the Bank continued to empower with science and technology, and, through data analysis and precision marketing, maintained sound operation based on the customer groups and interest rates of different products for existing customers, improved the professionalism, scientificity and systematicness of data application, with an aim to provide quality financial services for customers.



MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, the Bank issued 1,767.7 thousand credit cards, an increase of 11.0% as compared to the end of last year. The number of new customers of credit cards was approximately 150.6 thousand, representing a year-on-year increase of 12.1%. The number of newly activated customers of credit cards was 99.4 thousand, representing a year-on-year increase of 6.1%. In 2020, the Bank's intermediate income from credit card business amounted to RMB526 million, and the operating income generated from the credit card business of the Bank reached RMB773 million.

III. Financial Market Business

The Bank's financial market business mainly covered fund operation business, investment business, bill rediscounting business, asset custody business and wealth management business. In 2020, the supply side structural reform of the domestic financial industry was further promoted, and the battle against systemic financial risks achieved remarkable results. In order to comply with the development trend of the financial industry and promote the steady development of financial market business, the Bank adhered to the business philosophy of compliance, prudence and steadiness, adjusted its investment strategy in a timely manner and promoted the transformation of financial business on a multi-dimensional basis from business development model, profitability model, investment decision-making mechanism, risk control, etc. On the one hand, the Bank put its focus back on financial market business, focusing on the development of low-risk business and intermediate business with the adoption of the strategy of small profit but quick turnover, and supplementing price with quantity. On the other hand, in respect of wealth management business, the Bank focused on accelerating the transformation of products to net-value ones and actively promoting financial product innovation so as to vigorously improve investment research capability and active management capability.

In 2020, the Bank received a number of prizes in the financial market, including the "Outstanding Trading Institution in Interbank Local Currency Market 2020 (2020年度銀行間本幣市場活躍交易商)" and "2020 Top 300 for Interbank Local Currency Trading (2020年度銀行間本幣市場交易300強)" awarded by the National Interbank Funding Centre, "2020 Top 100 Settlement Companies – Excellent Dealers (2020年度結算100強–優秀自營商)" awarded by the China Central Depository & Clearing Co., Ltd., and "Best Rural Commercial Bank in Financial Bonds of 2020 (2020年度金融債券最佳農商行獎)" and "Excellent Underwriter in Financial Bonds of 2020 (2020年度金融債券優秀承銷商獎)" awarded by the Agricultural Development Bank of China. The Bank received a letter of thanks from the Ministry of Finance for the strong support of the Special Treasury Bonds against the pandemic issued by the Ministry of Finance during the the pandemic period. With respect to the wealth management, the Bank won the "2019 Golden Bull Wealth Management Bank Award (2019年度金牛理財銀行獎)", the first "Bank Wealth Management Golden Bull Award (銀行理財金牛獎)", eight products of the Bank, including Sun Great Wealth (太陽嘉富) No. 2 and Enjoy Wealth 35-Day Type-A (私享嘉富35天A款) won the "Golden Bull 5-Star Net Worth Product (金牛5星淨值型產品)" title, "Tianji Prize for Investment Banking Business of Small and Medium-sized Banks of 2020 (2020年度中小銀行理財品牌天璣獎)", "Golden Sinan Award of China Asset Management Industry – Best Asset Management Rural Commercial Bank (中國資產管理行業金司南獎-最佳資產管理農村商業銀行)"; and ranked first in terms of comprehensive wealth management capabilities among rural financial institutions under PY Standard for four consecutive seasons in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Fund Operation Business

The fund operation business of the Bank mainly comprised the interbank placements, bond repurchase business, open market business and issuance of interbank deposit certificates. The fund trading business of the Bank was relatively active, and its counterparty base basically covered member institutions in the interbank market including banks, securities companies, fund companies and insurance companies, which continuously enhanced the Bank's influence in the interbank market.

(II) Investment Business

The Bank invested in various types of debt securities, as well as asset management plans, trust fund plans, monetary market funds issued by financial institutions, wealth management products issued by other financial institutions and non-standard assets permitted by regulatory authorities. The debt securities invested by the Bank mainly included treasury bonds, financial bonds, local government bonds, short-term financing bills, medium-term notes, corporate bonds and asset-backed securities. The Bank continuously improved its investment and development capability and improved its market research ability. For the purpose of higher profits, the investment approach was adjusted based on the changes in market conditions. The Bank also continuously enhanced its sensitivity to macroeconomy and regulatory policies and opportunities from market volatility.

Based on the business models and contractual cashflow characteristics of the investments, the Bank classified its investment business into financial assets measured at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

(III) Bill Rediscounting Business

The Bank conducted bill transaction business with financial institutions to obtain liquidity or earn interest margin income. The Bank engaged in various bill transaction products such as bill rediscounting, bill pledge and repurchase, bill buy-outs repurchase, etc. The Bank cooperated with permitted members of the Shanghai Commercial Paper Exchange Corporation Ltd. such as commercial banks, fund companies and securities companies. In 2020, the trading volume of the Bank's commercial bills was RMB232.83 billion.

(IV) Asset Custody Business

In line with the transformation direction of financial market business, the Bank strengthened the marketing of public funds, private equity funds and bank financial management custody, strictly implemented risk prevention and control, steadily developed asset custody business. In 2020, the Bank's average daily scale of custody assets amounted to RMB372.638 billion, with a cumulative settlement amount of RMB2,900 billion and 86 thousand settlements made. The Bank continued to put in place the safekeeping of custody assets by providing efficient and quality services on settlement, accounting and investment supervision, etc., as such, the custody operation was safe and no risk events occurred.

(V) Wealth Management Business

The Bank revised the wealth management business portfolio proactively to diminish the portion of interbank wealth management and boost the retail wealth management business. As of the end of 2020, the balance of wealth management products was RMB85.481 billion.



MANAGEMENT DISCUSSION AND ANALYSIS



From the perspective of product operation mode, we constantly increased our marketing effort for open wealth management products and optimized the customer experience on products. As of the end of 2020, the balance of open wealth management products amounted to RMB47.265 billion, accounting for 55.29%. In terms of product innovation, the Bank continuously promoted the transformation to net-value products and newly launched open net-value wealth management products of Quasi Money Fund and long-term hybrid. As to business channels, in 2020, the Bank comprehensively commenced its entrusted agents-selling business of Renminbi wealth management products. As of the end of 2020, 82 phases of wealth management products were entrusted for agents-selling and the balance of products amounted to RMB13.199 billion.

The Bank's wealth management investment focused on money market instruments, debt securities and enhanced bond fund. As of the end of 2020, the investment in debt securities and money market instruments accounted for 62.70% of the total, the investment in enhanced bond fund accounted for 9.68% of the total, and other investments accounted for 27.62%.

IV. Inclusive and SME Businesses

In 2020, the Bank thoroughly implemented the decisions and deployment of inclusive finance and the SME-supporting refinancing policies of governments at all levels and regulatory institutions, supported epidemic prevention and control through timely release of guiding opinions, innovative research and development of special products, and facilitated the "incremental expansion, quality improvement and cost reduction" of the inclusive and SME business financial services, so as to support the high-quality development of the real economy, and the "two additions and two controls" indicators of micro-financial services have fully met standard.

As of the end of 2020, the balances of the inclusive and SME loans of the Bank amounted to RMB31.621 billion, an increase of 36.01%. It served 24,554 SME loan customers, an increase of 7,147 over the beginning of the year. The SME non-performing loans rate was 1.08%. The regulatory requirements were met; the spending on SME loans was RMB29.86 billion with a weighted average interest rate of 5.02%, which was lower than the weighted average interest rate of the spending on similar business of the previous year (5.96%).

(I) Implementation of Regulatory Policies

The Bank actively implemented the People's Bank of China's refinancing policies for small businesses, made full use of the two innovative monetary tools of the People's Bank of China: supporting credit loans and delaying the repayment of principal and interest, enhanced the investment in credit loans, ensured that small and micro loans should be extended as long as possible, strengthened financial services, supported the return to work and production of inclusive SME customers, and tide over the COVID-19 pandemic with inclusive SME customers.

As of the end of 2020, the Bank launched RMB28.6 billion of loans met the requirements of the policy with a weighted average interest rate of 4.57%, and RMB15.684 billion of loans were obtained from the People's Bank of China, ranking first of local legal person bank in Guangzhou.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Building Institutions and Branches

The Bank has continuously improved the construction of inclusive financial franchise system, established 12 inclusive and SME business centers in Guangzhou, under which 33 inclusive and SME marketing teams were set up, and 8 inclusive and SME marketing teams were set up in the branches in Guangdong Province. By learning from the inclusive small loans model from the Bank of Taizhou, the Bank has specially set up sub branch Zhujiang sub-branch to develop business in accordance with this model.

Leveraging on the development of large-scale mature community customer clusters, the Bank has established 2 inclusive financial community banks, with the anticipation of gradually forming an umbrella-shaped “marketing fortress cluster” (i.e., “1+N model”) with the central branch as the center and the inclusive financial community bank as the connecting point, so as to fully enhance the availability and convenience of inclusive financial services..

(III) Product Innovation

The Bank launched the “Sun•SME Loan Emergency Loan for Anti-pandemic and Poverty Relief”(太陽小微貸•抗疫扶困應急貸) to actively support inclusive and small and micro-sized customers to cope with the adverse impact of the pandemic; launched a series of products such as “Sun, Small and Micro-sized Patent Loan” (太陽小微貸•專利貸), “Sun Accounts Receivable Pledge Loan” (太陽•應收賬款質押貸) and Yinbao Loan, enriched product guarantee methods, extended loan terms and optimized repayment methods to meet the diversified financing needs of customers; launched the “Sun First Loan Easy” (太陽•首貸易) product to specifically support the financing needs of small and micro-sized enterprises without loan information of the banking financial institution system in the credit records of the PBOC.

(IV) Financial Technology

The Bank updated and iterated the product model to improve the ability of intelligent risk control through access to third-party data such as taxation, industry and commerce, online property valuation, etc. The Bank enriched the functions of mobile marketing platform to help customer managers expand marketing. The Bank added WeChat application entry for new products to broaden the online application channels for customers.

(V) Construction of Foundation

Adhering to the principle of localized development, the Bank continued to promote the grid inclusive small and micro financial service projects of village communities, communities and specialized markets. Through business cooperation with market managers and business circle industry associations, the coverage rate of financial services for small and micro businesses can be achieved in batches. Relying on the core enterprises of the supply chain, the Bank customized a comprehensive service plan regarding the business model based on the characteristics of the supply chain and the financing needs of each transaction process, in a bid to expand the financing needs of small and micro enterprises of the core enterprises in the upstream and downstream parts of the supply chain in batches.



(VI) Soul Casting Project

The Bank explored the "soul casting project" to shape the team personality, give full play to the exemplary, guidance and radiation effects of advanced models, cultivate characteristic culture, comprehensively enhance the combat power of the team, enhance business capability, strengthen enterprise cohesion, and build the core competitiveness of inclusive and small and micro businesses.

V. Distribution Channels

(I) Physical Outlets

As of the end of 2020, the Bank had 642 outlets, of which 624 outlets were located in the Guangzhou region and 18 outlets were non-local outlets in the Guangdong province. The number of outlets of the Bank in the Guangzhou ranked first in the industry. The Bank operated five non-local branches in Foshan, Qingyuan, Heyuan, Zhaoqing and Zhuhai, twelve sub-branches (of which two sub-branches were newly established in 2020) and one sub-office.

(II) Self-service Banking

As of the end of 2020, the Bank established 75 24-hour self-service banking facilities. The number of ATMs, self-service inquiry terminals and smart service terminals of the Bank amounted to 2,719, among which 1,713 were ATMs, 685 were self-service inquiry terminals and 321 were smart service terminals.

(III) Smart Banking

As of the end of 2020, the Bank has a total of 187 smart banking outlets, including VTM, STM and other smart devices. In 2020, the financial transaction volume of smart banking of the Bank was RMB4.965 billion.

(IV) Internet Finance

1. Mobile banking

Around the customer experience, the Bank makes full use of financial technology approach to optimize and enrich risk control capability and service level of mobile banking, launches face recognition authentication and "mobile phone shield," and effectively increases transaction limit. The transaction authentication ways are increased from two to four, and the authentication method is upgraded from the original medium authentication to the non-medium authentication. The Bank launches the "gadget" function of mobile banking to facilitate customers to quickly access the common functions of personal mobile banking APP. In June 2020, the Bank's mobile banking was successfully included in the first batch of mobile financial apps in China through comprehensive security assessment and professional assessment by the National Internet Finance Association of China and other authoritative institutions. As of the end of 2020, the Bank's customers of mobile banking reached 4,522.8 thousand, financial transactions reached 14.4591 million, representing a year-on-year increase of 5.90%, and transaction amount reached RMB383.706 billion, representing a year-on-year increase of 10.17%, among which, the mobile banking enterprise customers of the Bank reached 19,100. The enterprise customers of the Bank had 421,400 mobile banking financial transactions, with a transaction value of RMB21.560 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Internet banking*

The Bank continues to enrich its online banking product system and optimizes customer experience. The Bank increases the payment limit of personal online banking, and launches wealth management transfer, foreign currency time-demand transfer and closed-end wealth management products and services. The enterprise online banking of the Bank continued to upgrade iteratively, improve customer experience, provide more stable, safe and efficient financial services, safeguard the smooth processing of various fund transfers during the epidemic period, and undertake the mission of the main channel of enterprise electronic settlement. As the end of 2020, the Bank had approximately 2.2318 million internet banking individual customers, with 6.4795 million financial transactions, and the transaction amount was RMB251.409 billion. The number of enterprise online banking customers reached 24,800. The Bank had 2.3816 million financial transactions, with the transaction amount of RMB1,241.555 billion.

3. *Direct banking*

With the goal of building an open, shared and win-win financial ecology, the Bank actively explored the integration of financial services and convenience scenarios, deepened the self-built “smart campus” and “smart community” scenarios, launched foreign currency exchange services in cooperation with Ctrip financial services, and tried to develop online and offline tourism scenarios to provide users with diversified financial value-added service experience. In 2020, the Bank’s “financial technology empowerment of all ecological Pearl River direct banking system 2.0” won the bank science and technology development award of the People’s Bank of China in 2019, and obtained 4.5-star rating in the “2020 direct banking evaluation” carried out by Sina Financial evaluation office, ranking the top among the evaluated banks. As of the end of 2020, the Bank had approximately 1.4156 million direct banking customers, with a financial transaction volume of 1.5167 million, representing a year-on-year increase of 13.70%, and a transaction amount of RMB31.998 billion, representing a year-on-year decrease of 31.08%.

4. *WeChat Banking*

WeChat banking of the Bank integrates publicity, customer service and financial tools to provide customers with fast and simple financial services, such as financial purchase, financial information, latest offer, account enquiry and appointment for corporate account opening, gradually becoming an important channel for the Bank’s brand promotion and business promotion by spreading the Bank’s products in a casual manner. WeChat bank of the Bank was connected to “Guangdong Province Matters” (粵省事) to provide customers with government affairs and life services other than financial services. As of the end of 2020, the Bank’s customers of WeChat banking reached 858.6 thousand, representing an increase of 22% as compared with the beginning of the year.



5. *Online mall (Sun Market (太陽集市))*

In light of its active response to the rural revitalization strategy of the provincial Party Committee and the provincial government, the Sun Market online mall platform strived to integrate the advantageous agricultural service resources to achieve the disintermediation of the agricultural industry chain, thereby establishing a new golden age for the transformation and upgrade of modern agricultural enterprises and farmers; actively introduce poverty alleviation merchants, strive to explore a new model of e-commerce poverty alleviation, give full play to the innovative leading role of sun market in poverty alleviation; and vigorously promote cooperation with municipal state-owned enterprises business cooperation, focus on the main line of life service, open resources equally, carry out a package of in-depth cooperation around cross customer groups, create an interactive and sharing ecosystem; elaborately create a lightweight, multi-level offline activity scene, and build a diversified network service channel. In 2020, the total platform sales of the Bank's Sun Market amounted to RMB53.5858 billion, the number of trading orders reached 483,700, the number of goods sold reached 740,400, and the number of active customers reached 186,600.

(V) Cash Management

Through cash management services, the Bank provided customers with real-time capital flow, which allowed customers to obtain financial information easily, improved the efficiency of customer capital use and reduced customer capital cost, thereby creating financial value effectively. In 2020, the accumulated transaction amount of the Bank's cash management corporate users reached RMB137.127 billion.

VI. Principal Subsidiaries

Zhujiang County Bank is a general name for the village and township banks established by the Bank as a major promoter. The establishment of county banks is of great significance for performing social responsibility by the Bank, increasing the breadth and depth of the service to new rural construction, expanding the space for business growth and establishing a sustainable model for the growth of profit of the Bank. During the Reporting Period, the Bank put more efforts in the assistance to the county banks and steadily improved the operations of the county banks. As of the end of 2020, the Bank established 25 Zhujiang County Banks in 9 provinces and cities of China.

The Bank promoted and established Zhujiang Financial Leasing Co., Ltd., a wholly-owned subsidiary, which was incorporated and commenced operation in December 2014, with a registered capital of RMB1 billion. It is mainly engaged in financial leasing related business.

The Bank established four rural commercial banks by investment, of which, Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd. was incorporated and commenced operation in December 2017, with a registered capital of RMB600 million. It is mainly engaged in monetary financial business. Chaozhou Rural Commercial Bank Co., Ltd. was incorporated and commenced operation in June 2019, with a registered capital of RMB2.63 billion. It is mainly engaged in monetary financial business. Guangdong Nanxiong Rural Commercial Bank Co., Ltd. completed its restructuring and was commenced operation in July 2019, with a registered capital of RMB430 million. It is mainly engaged in monetary financial business. Shaoguan Rural Commercial Bank Co., Ltd. was incorporated and commenced operation in June 2020, with a registered capital of RMB1.374 billion. It is mainly engaged in monetary financial business.

MANAGEMENT DISCUSSION AND ANALYSIS

VII. Information Technology

In 2020, the Bank proactively propelled the establishment of information system and constantly intensified the supporting role of information technology in the development of banking business. The Bank continuously increased its investment in technological innovation and application with the annual investment in information technology amounting to RMB416 million and 277 information technology technicians were hired, accounting for 3.38% of the total number of employees of the Bank. In 2020, all important information systems of the Bank maintained a stable operation, no unplanned system outages occurred and the network operation was stable.

(1) Technology Governance

The Bank has made great efforts to enhance the ability of science and technology governance and management, established a top-down information technology management framework, established a science and technology finance committee, business continuity management committee and other decision-making authorities, thereby forming the “three lines of defense” for information technology risk management. The Board and the senior management conscientiously performed their responsibilities of science and technology governance. The senior management and committees at all levels have organized several meetings to consider the important resolutions, such as the Information Technology Plan (2020–2022) (《信息科技規劃(2020–2022)》) and the Request for Instructions on Building a Distributed Financial Cloud Platform (《關於建設分佈式金融雲平臺的請示》), improved the software research and development management system, strengthened the management and control of the IT structure, and enhanced the technology outsourcing management, effectively improved the independence of science and technology research and development capability and business support capability, vigorously promoted the implementation of science and technology plan and digital transformation throughout the Bank, and strengthened the science and technology support work of business development and operation management.

(2) Information Security Guarantee

The Bank continued to strengthen its capability of information security guarantee by strictly protecting the data center and key information infrastructure. It also actively introduced new technologies and mature systems, timely upgraded security equipment and enhanced external protection capability, continuously carried out penetration tests on the Internet application system, host vulnerability scanning and security baseline inspection, conducted application access review and information security assessment, strengthened system risk prevention and control, improved the data security management system, and strictly implemented the data security control strategy. By carrying out the systematic information security management, the Bank effectively enhanced the level of information security guarantee and achieved the goal of no major information security incidents occurred throughout the year.



(3) Business Continuity Management

The Bank successfully completed the remote disaster recovery optimization project and achieved 100% coverage of remote data level disaster recovery of important systems. The Bank organized 11 sets of important business systems in an orderly manner, including core, process banking, mobile banking, carried out the local disaster recovery backup switch drills and local environment takes over real businesses, so as to improve the ability of business continuity guarantee. The Bank completed 157 sets of local availability switch drills of information systems, and the coverage rate of business system disaster recovery backup switch drills has reached 100% in the past two years. The Bank has implemented business impact analysis, identified 64 businesses, comprehensively sorted out and evaluated the list of important businesses and business recovery objectives. The Bank has planned and organized 9 important business drills to further improve the effect of business continuity drills.

(4) Development of Information Technology

The Bank continued to increase the investment in technology resources, and promoted the construction of “smart banking” by adhering to its “customer-centered” business philosophy. The Bank deepened the in-depth integration of technology and business with a view to enhancing product research and development in the real economy, inclusive small and micro-sized businesses, and Sannong business. The Bank actively responded to the changes in operation and management model caused by the COVID-19 pandemic, and through the application of emerging technologies such as big data, artificial intelligence, cloud computing, etc., promoted financial product innovation and business model reform. In 2020, a total of 33 information technology projects commenced operation.

VIII. Human Resources

(I) Basic Information of Employees

As of the end of 2020, the Group had 13,941 regular employees in total, representing an increase of 1,273 employees or 10% as compared to the end of last year. Of which 13,470 employees entered into labor contracts with the Group, an increase of 1,536 employees as compared to the end of last year; and 471 employees were dispatched workers, a decrease of 263 employees as compared to the end of last year.

(II) Human Resources Management

In 2020, focusing on the bank-wide business development strategy, the Bank continued to promote the optimization of human resources structure, expanded the scale of recruitment and talent introduction, strengthened personnel assessment management at the same time, ensured the supply of high-quality and key positions of human resources, continuously enhanced the information management level, built a reserve of talent team in the Bank, focused on improving the organizational effectiveness and human resources effectiveness, created a highly competitive, cohesive, professional and united staff's team in the modern commercial bank which provided sufficient talent foundation guarantee and flexible talent mechanism for the sustainable development of the Bank through expanding channels to attract external talents and optimizing the internal selection mechanism to facilitate the rational flow and allocation of personnel.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Training

The Bank stayed committed to the improvement of the professional level and occupational quality of staff. In 2020, the Bank went on perfecting our internal corporate university “Zhujiang Business School”. By adhering to the learning philosophy of the “unity of knowledge and action” and based on the working requirements of the Bank, the Bank strengthened business drive, highlighted market-oriented function, innovated online and offline learning methods, integrated resources inside and outside the Bank, build a professional, practical and open learning platform for employees, promoted staff education and training throughout the Bank in a planned way, achieved the progressive key talent training project tasks, implemented precise training, and promote the growth of both organizations and individuals. In 2020, more than 450 training programs were organized and launched, which covered a total of over 50 thousand attendees across all levels of employees. Meanwhile, by fully leveraging the platform advantages to create air business school, 202 live online trainings with more than 400 thousand online participants were carried out, 240-hour key business courses were provided for all employees in the system and 90 hours of online learning per individual was recorded.

PROTECTION OF THE INTERESTS OF FINANCIAL CONSUMERS

I. Pre-event risk management

- (I) Establishing consumer dispute resolution mechanism. The Bank formulated the “Administrative Measures of Handling Complaints from Consumers of Guangzhou Rural Commercial Bank” (《廣州農村商業銀行消費投訴處理管理辦法》) to clarify the main responsibilities of various business management departments for handling complaints, and required relevant business management departments to handle complaints from consumers in a timely manner, so as to improve the mechanism for handling consumer disputes.
- (II) Continuing to implement the pre-audit and management mechanism for new products and services. In the stage of product design and development, the Bank implemented the requirements of consumer protection into products and services, and implemented regulatory requirements. In 2020, the Bank issued audit opinions on 36 new products and services.
- (III) Carrying out consumer education activities. The Bank organized activities to publicize financial knowledge to consumers, such as “3•15” Week for Promoting Education of Consumer Rights Protection (3•15消費者權益保護教育宣傳周)”, “Promoting Financial Knowledge, Guarding Your Money Bag (普及金融知識·守住‘錢袋子’)”, “Month for Promoting Financial Knowledge of Guangdong(廣東金融知識普及月)”, and special law promotion campaign against malicious complaints and reporting of violations of laws and regulations to promote financial knowledge to consumers. In the online live broadcasting activities of “Jinsheng Yueyun – Promoting Financial Knowledge, Guarding Your Money Bag in 2020 (金聲粵韻– 普及金融知識·守住‘錢袋子’)”, the Bank’s publicity program of “Moderate Consumption and Refusion of Routine (《消費有度·拒絕套路》)” won the “Excellent Program Award”. In the activity of “Promoting Positive Energy and Defending Money Bag – 2020 Financial Security Shield Praise List (弘揚正能量捍衛錢袋子–2020年金融安全盾點讚榜)”, the Bank was awarded the title of “Golden Shield Team”.



MANAGEMENT DISCUSSION AND ANALYSIS



- (IV) Carrying out staff learning and training. The Bank organized training on analyzing complaint cases, consumer care services and new employee service skills, with a total of 113,873 participation of employees.
- (V) Protecting the safety of customer funds. In 2020, the Bank successfully blocked 14 fraud cases, such as telecommunications and online loans, recovering RMB454,700 economic losses from customers.

II. Post-event Risk Management

- (I) Handling consumer complaints in a timely manner. In 2020, the Bank accepted a total of 1,176 consumer complaints from various channels. The areas involved are mainly concentrated in Guangdong Province, and the types of complaints are mainly related to credit card business and retail loan business. The Bank has verified the situation and replied to consumers in accordance with the complaint handling process.
- (II) Carrying out special inspections on consumer rights protection. The Bank conducted supervision and inspection of the sales of products and services, and took effective measures to rectify the problems found to effectively protect the rights and interests of consumers.

RISK MANAGEMENT

I. Credit Risk Management

Credit risk refers to the risk of economic losses of the Bank arising from failure of the borrower or the counterparty to fulfil relevant obligations as per the contract for various reasons.

The Bank established a comprehensive risk management structure of independent functions, balance of risks, and three lines of defense performing their respective duties, and established a risk management model consisting of “delegation-based risk management and matrix area dual reporting”. The Risk Management Department, Credit Approval Department and Asset Monitoring Department at the head office are responsible for credit risk management. The Bank continued to pursue the balanced development of scale, efficiency and quality, emphasize the matching between business revenue and risk-bearing. By adhering to the core principle of steady and progressing risk management, the Bank improved the comprehensive process of credit risk management, and effectively enhanced its credit risk management level.

1. The Bank pushed forward the optimization of asset structure, and issued annual basic credit policies and credit sub-policies in key industries based on the Bank’s risk preference and asset portfolio allocation plan, in an effort to guide the credit resources focus towards local enterprises and further increase the support for private enterprises, inclusive and small and micro-sized businesses, and Sannong. The Bank supported the construction and rural revitalization of the Guangdong-Hong Kong-Macau Greater Bay Area, and continued to promote the optimization of credit risk and asset portfolio structure.
2. The Bank continued to optimize its authorization management system. By combining with the risk management status, the Bank conducted the differentiated authorization of organization and personnel of review and inspection, while the head office strengthened the supervision and management after the operating organization’s exercise of the authorities.

MANAGEMENT DISCUSSION AND ANALYSIS

3. The Bank strengthened the management of the lending procedures by revising the credit management measures and operating procedures. It enhanced its centralized and unified management and control of the implementation of credit conditions regarding the lending procedures. The Bank also formulated the credit resources allocation plan, released plans and satisfaction models to guide the allocation of credit resources in accordance with the strategic intention of the Bank.
4. The Bank strengthened the asset quality control by effectively integrating all kinds of risk information inside and outside the Bank, established and continuously improved the automatic alert system based on big data, to ensure early detection and early disposal of the risks. The Bank revised post-loan management measures so as to specify the required post-loan actions and strengthen the post-loan management. Through organizing risk prevention campaigns, the head office established and dynamically adjusted the credit list for risk prevention, in a bid to promote the supervision on operating organizations' efforts in risk mitigation.
5. The Bank strengthened the disposal of non-performing assets by continuously carrying out the absolute collection campaign on non-performing assets and accelerated the disposal of non-performing assets through formulating the objectives and tasks of the collection, strengthening the process supervision, broadening the collection channels, improving the incentive assessment mechanism and other measures.

During the Reporting Period, through the above key measures, the Bank's overall credit risk asset quality was effectively controlled, which matched with the expected control objectives of the Bank.

II. Market Risk Management

Market risk refers to the risk of losses in on- and off-balance sheet businesses from adverse changes in market prices (interest rate, exchange rate, stock prices and commodity prices). Interest rate risk is the major market risk of bank accounts. The Group calculates interest rate sensitivity gap on a regular basis, and evaluates, through gap analysis, the interest rate risk that it undertakes, and further evaluates the impacts of changes in interest rate on net interest income and enterprises' net worth under different interest rates.

The Bank established an effective market risk governance structure and division of management responsibilities. The Board of Directors is the highest decision-making body of market risk management and assumes the ultimate responsibility thereof. The senior management and its subordinate committees are responsible for examining and approving the major issues of market risk management within the authorization scope of the Board of Directors and regularly receiving reports on the implementation of market risk management. The head office's risk management department is the leading management department for the market risk of the Bank. The Bank established a more comprehensive process for market risk management. During the Reporting Period, in order to enhance the market risk management capability effectively, the Bank took the following measures:

1. the Bank issued the annual basic investment policy which specified the management regulations on admission, concentration, leverage, duration, warning and stop-loss, further optimizing the market risk management limit system to ensure the risk was under control.





2. the Bank enhanced the development of investment research capability by actively cultivating investment research talents.
3. according to the business nature, scale and risk characteristics of the Bank, it established an appropriate market risk monitoring plan, as such, the market risk business risk monitoring mechanism was effectively implemented and timely response was made and investment policies were optimized based on the risk profile.
4. the Bank carried out stress tests towards market risk business quarterly, and enhanced proactive and active management of investment business.

III. Liquidity Risk Management

Liquidity risk refers to the risk that sufficient funds cannot be obtained at a reasonable cost in time to meet debts falling due, perform other payment obligations and meet other capital needs of normal business.

The objective of liquidity risk management of the Bank is to meet the liquidity needs arising from assets, liabilities and off-balance sheet businesses and fulfil payment obligations to external parties in a timely manner under the normal operating environment of the Bank or at a highly stressed condition through the establishment of a scientific and comprehensive liquidity risk management mechanism and effective identification, measurement, monitoring and reporting of liquidity risks, so as to maintain the balance between effectiveness and security of funds.

The Board of Directors of the Bank assumes the ultimate responsibility for liquidity risk management, while the Asset/Liability Management Committee under the senior management is responsible for formulating policies and strategies related to the overall liquidity risk management of the Bank, and the Asset/Liability Management Department is responsible for the daily liquidity risk management of the Bank under the guidance of the Asset/Liability Management Committee. Each of the business lines cooperated to perform active liquidity management.

The Bank continued to optimize its liquidity risk management framework and management strategies, and established a comprehensive liquidity risk management system, and continuously implemented the liquidity risk policies and various liquidity risk management measures. The specific measures included:

1. Ensured the management of daily capital positions in order to achieve centralized management of funds of the Group, and conduct timely monitoring and proper supplementation to guarantee the safety of provisions;
2. Included the requirements for liquidity risk management into its business plan to ensure limiting the existing quality liquidity assets within a safe range;
3. Based on the risk preference in liquidity risk approved by the Board of Directors, the Group formulated limits on liquidity risk every quarter, and monitored the execution of the risk limit every month and assessed the execution every quarter to ensure liquidity risk is under control;

MANAGEMENT DISCUSSION AND ANALYSIS

4. Monitored liquidity indicators monthly and made forward-looking predictions of liquidity indicators and gaps, and timely identified risks, and made reasonable capital arrangement;
5. Carried out stress testing for liquidity risk quarterly to timely assess the Group's liquidity risk tolerance and risk mitigating capability, and added special stress testing during the important sensitive period to enhance the monitoring and prevention of liquidity risk on a timely basis;
6. Regularly carried out liquidity risk emergency drills to timely assess the rationality and effectiveness of the Group's emergency plan;
7. Strengthened the guidance on liquidity risk management of subsidiary banks, which further enhanced the capability of preventing and controlling liquidity risk of the Group.

During the Reporting Period, the overall liquidity risks of the Bank were under control, without any significant liquidity risk incidents, all main liquidity risk indicators of each month were able to meet the standards, and results of the stress test also showed that the Bank had adequate risk mitigating capability to deal with the crises under pressure.

IV. Operational Risk Management

Operational risk refers to the risk of losses caused by imperfections or faults of internal procedures, staff, information technology systems and external events. Operational risks of the Bank are classified mainly into internal risks and external risks in accordance with the source of risk factors. Internal risks mainly refers to the risk caused by internal factors, including inappropriate personnel, procedures and operational process, and the risk caused by internal IT system failure. External risk mainly refers to the risks caused by external emergencies.

In order to actively push forward the implementation and improvement of its operational risk management system, the Bank continued to strengthen the standardization and management of business procedures, and promoted a normalized, standardized and scientific operational risk management mechanism.

1. Established the "1+2+3" internal supervision system throughout the Bank. In 2020, the Bank carried out the wide system inventory of the Bank, system re-examination, blank investigation of business system, online system query platform, and formulated the system to strengthen the internal control management throughout the Bank in an all-round way, and guard against operational risks through management measures, system hard control investigation and system execution inspection;
2. Did a good job in employee behavior management, to make clear the inspection attributes, inspection methods and mutual supervision relationship of employee behavior, so as to realize a complete closed-loop investigation at all levels;
3. Strived for comprehensive risk management, implemented the responsibility of risk internal control to all departments, all organization, all post and all sectors of the Bank, enhanced the overall awareness and control concept of employees, optimized and improved the risk internal control mechanism of the whole process before, during and after the event;



MANAGEMENT DISCUSSION AND ANALYSIS



4. Carried out in-depth rectification of business continuity risk, and effectively prevented and resolved information technology risks through a number of risk assessment and problem rectification “retrieving” inspection.

During the Reporting Period, the Bank’s operational risk management capability improved steadily.

V. Money Laundering Risk Management

During the Reporting Period, the Bank’s money laundering risk management was in accordance with the “risk-based” principle. The Bank combed and improved the internal control system of anti money laundering, established the self-assessment management system of money laundering risk, optimized the business money laundering risk assessment mechanism, improved the system’s risk identification, monitoring and early warning capabilities, supplemented by self-examination, self-correction and internal control assessment, further improved the Bank’s money laundering risk management system, and continuously improved the level of money laundering risk prevention and control.

1. Comprehensively sort out the internal control system of anti-money laundering according to the Guidelines for the Management of Money Laundering and Terrorist Financing Risks of Corporate Financial Institutions (for Trial Implementation);
2. Carry out risk assessment to grasp the money laundering risk situation of the Bank’s institutions, businesses and customers, dynamically identify the money laundering risk points, and improve the ability of money laundering risk prevention;
3. Strive to improve the system guarantee and optimize the monitoring indicators and models;
4. Carry out the inspection and assessment of all levels of coverage to give full play to the role of supervision and management;
5. Normalize the professional management of personnel to improve their anti-money laundering ability;
6. Carry out diversified publicity to create a good social atmosphere.

INTERNAL AUDIT

The Bank has established an independent and vertical internal audit management system. The independent internal audit department was established under the Board of Directors. Under the leadership and guidance of the Bank’s Party committee and the Board of Directors and the supervision and guidance of the Board of Supervisors, the internal audit department is responsible for the overall management of the Bank’s internal audit work. The internal audit department regularly reports to the Party committee and the Board of Directors, and submits major audit matters to the Bank’s Party committee for pre-study and consideration before submitting to the Board of Directors for consideration.

MANAGEMENT DISCUSSION AND ANALYSIS

The internal audit department fully performed the audit supervisory function of the third risk defence, and established a beneficial cooperation mechanism with various business management departments such as business management department, risk management department, discipline inspection and supervision department, etc. Through audit and evaluation, the internal audit department continued to improve the Bank's operation management, risk management, internal control and corporate governance, so as to help the Bank to enhance operation management and curb irregularities.

During the Reporting Period, the internal audit department fully implemented the work requirements of the superior management organizations and the work arrangements of the Bank's Party committee and the Board of Directors, improved political position, and made efforts to promote the reform of the internal audit supervision system. It initially established a centralized, vertical, independent, comprehensive, authoritative and efficient internal audit supervision system. Utilizing systematic and standardized audit methods, it conducted various audit projects guided by compliance and risk, promoted the overall improvement of the Bank's internal control level, and promoted the sustainable and steady development of various businesses. During the Reporting Period, the internal audit department conducted a series of research on business, performance appraisal, information technology and business linkage Special audit on continuity, anti-money laundering, related party transactions and risk management, internal control evaluation audit on the Bank, comprehensive business audit on subsidiaries, and carried out dynamic tracking of rectification of problems found in audit and follow-up audit. The internal audit department consolidated basic audit management, improved audit system construction, steadily promoted science and technology audit, normalized audit specialization, and continued to build a high-quality and professional audit team.



CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

Unit: Share, %

	As at 31 December 2019		Change during the Reporting Period Amount of change	As at 31 December 2020	
	Quantity	Proportion		Quantity	Proportion
Non-overseas listed shares held by legal persons	5,501,947,888	56.09	10,000,000	5,511,947,888	56.20
Including: Shares held by state-owned legal person shareholders	1,796,589,712	18.32	–	1,796,589,712	18.32
Non-overseas listed shares held by natural persons	2,485,985,651	25.35	(10,000,000)	2,475,985,651	25.24
Including: Shares held by internal staff members	370,778,208	3.78	–	370,778,208	3.78
Overseas listed foreign shares (H shares)	1,820,335,000	18.56	–	1,820,335,000	18.56
Total share capital	9,808,268,539	100	–	9,808,268,539	100

Notes:

- (1) As of the end of the Reporting Period, the total number of shareholders of the Bank's non-overseas listed shares was 29,145, and all the non-overseas listed shares were deposited in China Securities Depository and Clearing Corporation Limited. The total number of registered shareholders of H Shares was 91 (of which HKSCC Nominees Limited, as a nominee, acted on behalf of several shareholders).
- (2) The shares held by state-owned legal persons represent the non-overseas listed shares of the Bank held by 14 state-owned legal person shareholders, including Guangzhou Finance Holdings Group Co., Ltd., Guangzhou Pearl River Enterprises Group Co., Ltd., etc.
- (3) As of the end of the Reporting Period, 37,227,888 non-overseas listed shares of the Bank were involved in judicial freezing, representing 0.38% of the total share capital of the Bank.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

II. ISSUE, PURCHASE, SALE AND REDEMPTION OF SECURITIES

During the Reporting Period, the Bank did not issue any ordinary shares or convertible bonds. For the issuance of preference shares by the Bank, please refer to the section titled “Issuance of Offshore Preference Shares through a Private Offering” in this annual report.

During the Reporting Period, the Bank and its subsidiaries did not purchase, sell and redeem any securities of the Bank.

III. SHAREHOLDINGS OF SHAREHOLDERS

(I) Total Number of Shareholders

As of 31 December 2020, the Bank had a total share capital of 9,808 million shares, comprising 7,988 million non-overseas listed shares and 1,820 million overseas listed shares. There were 715 legal person shareholders in possession of 5,512 million non-overseas listed shares, accounting for 56.20% of the total share capital. Among which, 14 were state-owned shareholders in possession of 1,797 million shares, accounting for 18.32% of the total share capital, while 28,430 were natural person shareholders in possession of 2,476 million non-overseas listed shares, accounting for 25.24% of the total share capital.

(II) Top Ten Shareholders as of the End of the Reporting Period

As of the end of the Reporting Period, the top ten shareholders of the Bank together held 41.56% of the Bank’s total share capital, with no single holder of non-overseas listed shares having control of more than 5% of the total share capital, marking a dispersed shareholding structure. Among the top ten shareholders, the largest shareholder of non-overseas listed shares was Guangzhou Finance Holdings Group Co., Ltd., which held 3.73% of the total share capital. The second largest shareholder was Guangzhou Pearl River Enterprises Group Co., Ltd. with 3.45% of the total share capital, and the third largest was Guangzhou Vanlead Group Co., Ltd. with 3.26% of the total share capital. All of these top three shareholders of non-overseas listed shares are enterprises solely-owned by the state.



CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

The top ten shareholders are as follows:

No.	Name	Class of Shareholder	Nature of Shareholder	Number of Shares (Share)	Shareholding Proportion (%) ⁽²⁾
1	HKSCC Nominees Limited ⁽¹⁾	H Shares	Other	1,819,981,900	18.56
2	Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司)	Non-overseas listed shares	State-owned legal person	366,099,589	3.73
3	Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司)	Non-overseas listed shares	State-owned legal person	338,185,193	3.45
4	Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司)	Non-overseas listed shares	State-owned legal person	319,880,672	3.26
5	Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司)	Non-overseas listed shares	State-owned legal person	310,728,411	3.17
6	Shanghai Dazhan Investment Management Co., Ltd. (上海大展投資管理有限公司)	Non-overseas listed shares	Non-state-owned legal person	250,000,000	2.55
7	Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司)	Non-overseas listed shares	State-owned legal person	191,749,019	1.95
8	Nanjing Gaoke Co., Ltd. (南京高科股份有限公司)	Non-overseas listed shares	Non-state-owned legal person	180,000,000	1.84
9	Guangdong Zhujiang Roads & Bridges Investment Co., Ltd. (廣東珠江公路橋梁投資有限公司)	Non-overseas listed shares	Non-state-owned legal person	160,020,000	1.63
10	Shenzhen Weiluo Investment Holding Co., Ltd. (深圳市偉祿投資控股有限公司)	Non-overseas listed shares	Non-state-owned legal person	140,010,000	1.43
Total				4,076,654,784	41.56

Notes:

(1) HKSCC Nominees Limited, as a nominee, held 1,819,981,900 H Shares in aggregate in the Bank on behalf of several clients, representing approximately 18.56% of the issued share capital of the Bank. As a member of CCASS, HKSCC Nominees Limited conducts registration and custodian business for clients.

(2) Calculated on the basis of the total share capital of the Bank of 9,808,268,539 shares.

(III) Internal Staff Members' Shareholdings

As of 31 December 2020, the Bank had a total of 5,688 internal staff member shareholders, holding 370 million shares, which accounted for 3.78% of the total share capital of the Bank.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(IV) Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares under the Regulations of Hong Kong

Based on the knowledge of the directors or chief executives of the Bank, as at 31 December 2020, the following persons (other than the directors, chief executives and supervisors of the Bank) had, or were deemed or taken to have interests and short positions in the shares and underlying shares of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO. The details are as follows:

Name of shareholder	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Guangzhou Municipal People's Government ⁽¹⁾	Interest of a controlled corporation	Non-overseas listed shares	Long	1,786,589,712	18.22%	22.37%
Aeon Life Insurance Company Limited	Beneficial owner	H Shares	Long	295,229,000	3.01%	16.22%
Guangzhou Honghui Investment Co., Ltd ⁽²⁾	Beneficial owner	H Shares	Long	200,991,000	2.05%	11.04%
Zeng Weipeng ⁽²⁾	Interest of a controlled corporation	H Shares	Long	114,558,840	1.17%	6.29%
Liu Feng ⁽³⁾	Interest of a controlled corporation	H Shares	Long	294,530,203	3.00%	16.18%
Good Prospect Corporation Limited ⁽³⁾	Beneficial owner	H Shares	Long	294,530,203	3.00%	16.18%
Deng Geng ⁽⁴⁾	Interest of a controlled corporation	H Shares	Long	294,554,000	3.00%	16.18%
East Lake Technology Limited ⁽⁴⁾	Beneficial owner	H Shares	Long	294,554,000	3.00%	16.18%
Su Jiaohua ⁽⁵⁾	Interest of spouse	H Shares	Long	221,424,797	2.26%	12.16%
Lin Xiaohui ⁽⁵⁾	Interest of a controlled corporation	H Shares	Long	221,424,797	2.26%	12.16%
Manureen Investment Limited ⁽⁵⁾	Beneficial owner	H Shares	Long	221,424,797	2.26%	12.16%
Lead Straight Limited ⁽⁶⁾	Beneficial owner	H Shares	Long	195,229,000	1.99%	10.72%



CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Name of shareholder	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Grandbuy International Trade (HK) Limited ⁽⁶⁾	Interest of a controlled corporation	H Shares	Long	195,229,000	1.99%	10.72%
Guangzhou Business Investment Holding Group Co., Ltd. ⁽⁶⁾	Interest of a controlled corporation	H Shares	Long	195,229,000	1.99%	10.72%
Guang Rong Finance Company Limited ⁽⁷⁾	Beneficial owner	H Shares	Long	104,530,000	1.06%	5.74%
GuangZhou Finance Holdings (HK) Co., Ltd. ⁽⁷⁾	Interest of a controlled corporation	H Shares	Long	104,530,000	1.06%	5.74%
GuangZhou Finance Holdings Group Co., Ltd. ⁽⁷⁾	Interest of a controlled corporation	H Shares	Long	104,530,000	1.06%	5.74%

Notes:

- (1) These 1,786,589,712 shares include 366,099,589 shares directly held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), 338,185,193 shares directly held by Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司), 319,880,672 shares directly held by Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), 310,728,411 shares directly held by Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), 191,749,019 shares directly held by Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司), 137,283,914 shares directly held by Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), 45,312,844 shares directly held by Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司), 33,405,752 shares directly held by Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), 18,304,522 shares directly held by Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), 9,152,261 shares directly held by Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司), 7,052,469 shares directly held by Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), 9,152,261 shares directly held by Guangzhou Development Zone Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司), and 282,805 shares directly held by Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司).

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

By virtue of the SFO, Guangzhou Municipal People's Government is deemed to be interested in the shares held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司), Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司), Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司), Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司) and Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), which are directly or indirectly wholly-owned by Guangzhou Municipal People's Government, and in the shares held by Guangzhou Development Zone Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) and Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司), which are controlled by Guangzhou Municipal People's Government.

- (2) Guangzhou HongHe Investment Co., Ltd. is owned as to 90% by Zeng Weipeng, and Guangzhou HongHui Investment Co., Ltd. is owned as to 63.33% by Guangzhou HongHe Investment Co., Ltd. Therefore, Zeng Weipeng is deemed to be interested in the 200,991,000 shares by virtue of the SFO.
- (3) Liu Feng wholly owns Good Prospect Corporation Limited. Therefore, Liu Feng is deemed to be interested in the 294,530,203 shares by virtue of the SFO.
- (4) Deng Geng wholly owns East Lake Technology Limited. Therefore, Deng Geng is deemed to be interested in the 294,554,000 shares by virtue of the SFO.
- (5) Manureen Investment Limited is owned as to 70% by Lin Xiaohui. Therefore, Lin Xiaohui is deemed to be interested in the 221,424,797 shares by virtue of the SFO. Su Jiaohua is the spouse of Lin Xiaohui. Therefore, Su Jiaohua is deemed to be interested in the 221,424,797 shares by virtue of the SFO.
- (6) Guangzhou Municipal People's Government wholly owns Guangzhou Business Investment Holding Group Co., Ltd., and Guangzhou Business Investment Holding Group Co., Ltd. wholly owns Grandbuy International Trade (HK) Limited, which in turn wholly owns Lead Straight Limited. Therefore, Guangzhou Municipal People's Government, Guangzhou Business Investment Holding Group Co., Ltd. and Grandbuy International Trade (HK) Limited are deemed to be interested in the 195,229,000 shares by virtue of the SFO.
- (7) Guangzhou Municipal People's Government wholly owns Guangzhou Finance Holdings Group Co., Ltd., Guangzhou Finance Holdings (HK) Co., Ltd. is owned as to 62.49% by Guangzhou Finance Holdings Group Co., Ltd., and Guang Rong Finance Company Limited is wholly owned by Guangzhou Finance Holdings (HK) Co., Ltd.. Therefore, Guangzhou Municipal People's Government, Guangzhou Finance Holdings Group Co., Ltd. and Guangzhou Finance Holdings (HK) Co., Ltd. are deemed to be interested in the 104,530,000 shares by virtue of the SFO.

Save as disclosed above, the Bank was not aware of any other person (other than the directors, chief executives and supervisors of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at 31 December 2020 which should be recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.



CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(V) Major Shareholders under “Interim Measures for Equity Management of Commercial Banks” (《商業銀行股權管理暫行辦法》)

Pursuant to the requirements concerning major shareholders under “Interim Measures for Equity Management of Commercial Banks”, the shareholders listed in the table below were the major shareholders of the Bank as at the end of the Reporting Period:

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over 50% of the shares held were pledged	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners	Related parties
1	Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司)	366,099,589.00	Largest shareholder	No	Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Finance Holdings Group Co., Ltd.	18 related natural persons and 72 related legal persons
2	Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司)	319,880,672.00	Delegated supervisor Mr. Huang Yong	No	Guangzhou Industrial Investment Holding Group Co., Ltd. (廣州工業投資控股集團有限公司)	Guangzhou Municipal People's Government	-	Guangzhou Vanlead Group Co., Ltd.	3 related natural persons and 208 related legal persons
3	Guangdong Zhujiang Roads & Bridges Investment Co., Ltd. (廣東珠江公路橋梁投資有限公司)	160,020,000.00	Delegated director Mr. Zhu Kelin	Yes	Guangdong Pearl River Investment Management Group Co., Ltd. (廣東珠江投資管理集團有限公司)	Zhu Yihang (朱一航)	-	Zhu Yihang	4 related natural persons and 595 related legal persons
4	Guangzhou Chimelong Group Co., Ltd. (廣州長隆集團有限公司)	60,020,000.00	Delegated director Mr. Su Zhigang	No	Guangzhou Chimelong Group Co., Ltd. (廣州長隆集團有限公司)	Su Zhigang, Zhang Liushen (張柳深)	-	Guangzhou Chimelong Group Co., Ltd.	2 related natural persons and 42 related legal persons
5	Guangzhou Haojin Motorcycle Co., Ltd. (廣州豪進摩托車股份有限公司)	20,000,000.00	Delegated director Mr. Liu Guojie	No	Liu Guojie	Liu Guojie	-	Guangzhou Haojin Motorcycle Co., Ltd.	2 related natural persons and 18 related legal persons

Note : For the definition of major shareholders, controlling shareholders, de facto controllers, related parties, parties acting in concert and ultimate beneficial owners, please see the relevant requirements of the Interim Measures for Equity Management of Commercial Banks. The major shareholders of the Bank have submitted their lists of related parties, and the Bank regularly maintains and updates the list of related parties to continuously lift the level of management of related party transactions. The Bank has disclosed the related party transactions for 2020 in this annual report. Due to limitations on space, it does not provide the list of related parties of major shareholders.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(VI) Issuance of Offshore Preference Shares through a Private Offering

1. Issuance and listing of offshore preference shares

To supplement the capital of the Bank in a diversified way, further enhance the capital strength of the Bank and enhance its ability to resist risks, upon approval by Guangdong Bureau of China Banking and Insurance Regulatory Commission (Guangdong Bureau of CBIRC) (Yue Yin Bao Jian (Chou) Fu [2018] No. 27) and China Securities Regulatory Commission (CSRC) (Zheng Jian Xu Ke [2019] No. 355), the Bank issued the Non-cumulative Perpetual Offshore Preference Shares in the amount of USD1,430 million on 20 June 2019. The Offshore Preference Shares (abbreviated as GRCB 19USDPREF with code of 04618) were listed on the Hong Kong Stock Exchange on 21 June 2019 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 71,500,000, all of which were issued and fully paid in US dollars.

Based on the Renminbi central parity rate published by the China Foreign Exchange Trade System on 20 June 2019, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB9.839 billion. The proceeds raised from the issuance of the Offshore Preference Shares, after deduction of the issuance expenses, as of the end of the Reporting Period, have been fully used to replenish the additional tier 1 capital of the Bank, increase the tier 1 capital adequacy ratio of the Bank and optimize the capital structure, which is consistent with the specific use disclosed beforehand.

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to the announcements of the Bank published on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the official website of the Bank (www.grcbank.com).

2. Number of offshore preference shareholders and shareholdings

As of the end of the Reporting Period, the Bank had one offshore preference shareholder.

Shareholdings of the offshore preference shareholders (or their nominees) of the Bank are as follows (the following data are based on the register of offshore preference shareholders as at 31 December 2020):

Name of shareholder : The Bank of New York Depository(Nominees) Limited

Nature of shareholder : Foreign legal person

Class of shares : Offshore preference shares

Increase or decrease during the reporting period (share) : 0

Shareholding ratio(%) : 100

Total number of shares held : 71,500,000

Number of shares subject to selling restrictions (share): –

Number of shares pledged or frozen (share) : Unknown

Notes:

- (1) Shareholdings of offshore preference shareholders are based on the information listed in the register of offshore preference shareholders of the Bank.
- (2) As the Offshore Preference Shares were offered through a private offering, the register of offshore preference shareholders presented the information on nominees of the allotted investors.



CHANGES IN SHARE CAPITAL AND SHAREHOLDERS



3. Profit distribution of the Offshore Preference Shares

Dividends will be paid in cash by the Bank to offshore preference shareholders. Each dividend will be payable annually in arrears on the dividend payment date. During the Reporting Period, dividends for the Offshore Preference Shares of USD93,744,444.44 was distributed by the Bank on 20 June 2020, of which USD84,370,000 was paid to the holders of Offshore Preference Shares at a nominal dividend rate of 5.9%, and income tax of USD9,374,444.44 was withheld.

4. Other information on the Offshore Preference Shares

During the Reporting Period, no Offshore Preference Shares have been repurchased, converted into ordinary shares or had their voting rights restored, and there was no experience of any trigger event in which the Offshore Preference Shares need to be coercively converted into H Shares.

In accordance with Accounting Standards for Enterprise No. 22 – Recognition and Measurement of Financial Instruments (2017 revised), Accounting Standards for Enterprise No. 37 –Presentation of Financial Instruments (2017 revised) and Rules on the Differences between Financial Liabilities and Equity Instruments and Relevant Accounting Treatment promulgated by the Ministry of Finance of the PRC, as well as International Financial Reporting Standards No. 9– Financial Instruments and International Accounting Standards No. 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board, the issued and existing Offshore Preference Shares are eligible to be classified as equity instruments, and will be accounted for as equity instruments.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

IV. DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE COMPANY

As of 31 December 2020, based on the information available to the Bank and as far as the directors are aware, the interests and short positions of the directors, chief executives and supervisors of the Bank in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which he/she was deemed or taken to have under such provisions of the SFO), or the interests or short positions which have to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Directors', chief executives' and supervisors' interests in the Bank							
Name	Capacity	Nature of Interest	Class of shares	Long/short position	Number of shares held directly or indirectly (share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Yi Xuefei	Director	Beneficial owner	Non-overseas listed shares	Long	500,000	0.005%	0.006%
Su Zhigang	Director	Interest of a controlled corporation ⁽¹⁾	Non-overseas listed shares	Long	60,020,000	0.612%	0.751%
Zhu Kelin	Director	Interest of spouse	Non-overseas listed shares	Long	1,201,000	0.012%	0.015%
Liu Guojie	Director	Interest of a controlled corporation ⁽²⁾	Non-overseas listed shares	Long	20,000,000	0.204%	0.250%
Mao Yunshi	Supervisor	Interest of spouse	Non-overseas listed shares	Long	1,201,000	0.012%	0.015%
Shao Baohua	Supervisor	Beneficial owner/	Non-overseas listed shares	Long	1,201,000	0.012%	0.015%
		Interest of spouse/	Non-overseas listed shares	Long	2,407,000	0.025%	0.030%
		Interest of a controlled corporation ⁽³⁾	Non-overseas listed shares	Long	42,010,000	0.428%	0.526%
Lai Jiexiong	Supervisor	Beneficial owner	Non-overseas listed shares	Long	452,224	0.005%	0.006%



CHANGES IN SHARE CAPITAL AND SHAREHOLDERS



Notes:

- (1) These shares were held by Guangzhou Chimelong Group Co., Ltd., which was owned as to 87.14% by Su Zhigang. Therefore, by virtue of the SFO, Su Zhigang, a director of the Bank, is deemed or taken to be interested in all the shares held by Guangzhou Chimelong Group Co., Ltd.
- (2) These shares were held by Guangzhou Haojin Motorcycle Co., Ltd. (廣州豪進摩托車股份有限公司), which was owned as to 99% by Liu Guojie. Therefore, by virtue of the SFO, Liu Guojie, a director of the Bank, is deemed or taken to be interested in all the shares held by Guangzhou Haojin Motorcycle Co., Ltd. (廣州豪進摩托車股份有限公司).
- (3) These shares were held by Guangzhou Huadu Huanyang Commerce and Trade Co., Ltd. (廣州市花都環洋商貿有限公司), which was owned as to 45.4% by Shao Baohua. Therefore, by virtue of the SFO, Shao Baohua, a supervisor of the Bank, is deemed or taken to be interested in all the shares held by Guangzhou Huadu Huanyang Commerce and Trade Co., Ltd. (廣州市花都環洋商貿有限公司).

Save as disclosed above, as at 31 December 2020, none of the directors, chief executives and supervisors of the Bank had any interests or short positions in any shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO, or otherwise have to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

V. DIVIDENDS

For details of dividends, please see “Report of the Board of Directors” in this report.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the end of the Reporting Period, the basic information of the directors, supervisors and senior management of the second session of the Board of Directors, the second session of the Supervisory Committee of the Bank is as follows:

Name	Position	Gender	Year of Birth	Duration of Appointment
Cai Jian	Secretary of the Party Committee	Male	1973	2020.12 to
Yi Xuefei	Deputy Secretary of the Party Committee, Vice Chairman, President and Executive Director	Male	1967	2014.05 to 2021.02
Zhang Jian	Deputy Secretary of the Party Committee, Executive Director	Male	1962	2020.10 to 2021.02
Liu Shaobo	Independent Non-executive Director	Male	1960	2014.05 to 2021.03
Liu Heng	Independent Non-executive Director	Male	1964	2014.05 to 2021.03
Song Guanghui	Independent Non-executive Director	Male	1961	2014.05 to 2021.03
Zheng Jianbiao	Independent Non-executive Director	Male	1964	2014.05 to 2021.03
Su Zhigang	Non-executive Director	Male	1958	2009.12 to 2021.03
Liu Guojie	Non-executive Director	Male	1970	2016.09 to 2021.03
Zhu Kelin	Non-executive Director	Male	1962	2009.12 to 2021.03
Wang Xigui	Chairman of the Board of Supervisors, Employee Supervisor	Female	1966	2018.12 to 2021.02
He Heng	Employee Supervisor	Female	1970	2016.08 to 2021.02
Lai Jiaxiong	Employee Supervisor	Male	1975	2018.12 to 2021.02
Mao Yunshi	External Supervisor	Male	1945	2016.09 to 2021.02
Chen Dan	External Supervisor	Male	1966	2016.09 to 2021.02
Shao Baohua	External Supervisor	Male	1969	2014.05 to 2021.02
Huang Yong	Shareholders' Supervisor	Male	1964	2014.05 to 2021.02
Zhao Wei	Stationed Chief of the Discipline Inspection Team	Male	1964	2019.10 to
Chen Jianming	Vice President	Male	1961	2009.12 to
Lin Ripeng	Vice President	Male	1970	2020.06 to
Tan Bo	Assistant to the President	Male	1974	2020.06 to
Chen Linjun	Business director	Female	1972	2014.01 to
Yang Xuan	Business director	Female	1976	2015.08 to
Zheng Ying	Secretary of the Board of Directors, Company Secretary	Female	1972	2019.03 to

Note : The commencement date of the appointment of directors, supervisors and senior management is the approval date by the general meeting or staff representative assembly of the Bank (as the case may be) or the approval from the regulatory authority.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the Reporting Practicable Date, the basic information of the directors of the third session of the Board of Directors and the supervisors of the third session of the Supervisory Committee is as follows:

Name	Position	Gender	Year of Birth	Duration of Appointment
Cai Jian	Secretary of the Party Committee and Executive Director	Male	1973	2021.03 to
Yi Xuefei	Deputy Secretary of the Party Committee, Vice Chairman, President and Executive Director	Male	1967	2021.02 to
Zhang Jian	Deputy Secretary of the Party Committee, Executive Director	Male	1962	2021.02 to
Yuan Xiaoyi	Non-executive Director	Male	1980	2021.03 to
Zuo Liang	Non-executive Director	Male	1979	2021.03 to
Feng Kaiyun	Non-executive Director	Female	1963	2021.03 to
Zhuang Yuemin	Non-executive Director	Male	1971	2021.03 to
Feng Yaoliang	Non-executive Director	Male	1961	2021.03 to
Lai Zhiguang	Non-executive Director	Male	1985	2021.03 to
Zhang Junzhou	Non-executive Director	Male	1962	2021.03 to
Liao Wenyi ²	Independent Non-executive Director	Male	1962	–
Du Jinmin	Independent Non-executive Director	Male	1963	2021.03 to
Zhang Hua	Independent Non-executive Director	Male	1965	2021.03 to
Ma Hok Ming ²	Independent Non-executive Director	Male	1975	–
Tan Jinsong	Independent Non-executive Director	Male	1965	2021.03 to
Wang Xigui	Chairman of the Board of Supervisors and Employee Supervisor	Female	1966	2021.02 to
He Heng	Employee Supervisor	Female	1970	2021.02 to
Lai Jiaxiong	Employee Supervisor	Male	1975	2021.02 to
Zhang Gang	Shareholders' Supervisor	Male	1970	2021.02 to
Liang Bingtian	Shareholders' Supervisor	Male	1973	2021.02 to
Feng Jintang	Shareholders' Supervisor	Male	1961	2021.02 to
Zhan Liyuan	External Supervisor	Male	1967	2021.02 to
Han Zhenping	External Supervisor	Male	1973	2021.02 to
Shi Shuiping	External Supervisor	Male	1975	2021.02 to

Notes:

- (1) The first extraordinary general meeting of the Bank in 2021 was convened on 23 February 2021 to elect the directors of the third session of the Board of Directors and the shareholders' supervisors and external supervisors of the third session of the Supervisory Committee of the Bank, and the staff representative assembly was convened on 25 February 2021 to elect the employee supervisors of the third session of the Supervisory Committee of the Bank. The commencement date of the appointment of directors, supervisors and senior management is the approval date by the general meeting or staff representative assembly of the Bank (as the case may be) or the approval from the regulatory authority.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- (2) As of the practicable date of the report, the qualifications of Mr. Liao Wenyi and Mr. Ma Hok Ming have yet to be approved by the CBIRC Guangdong Bureau.
- (3) For the biographies of the directors of the third session of the Board of Directors and the supervisors of the third session of the Supervisory Committee, please refer to the Circular and the Notice of the 2021 first extraordinary general meeting of the Bank dated 8 January 2021, the announcement on Election of Employee Supervisors of the Third Session of the Board of Supervisors dated 25 February 2021 and the announcement on (1) Approval on the Qualification of Directors by the Regulatory Authority (2) Insufficient Number of Independent Non-Executive Directors and (3) Election of Chairman, Vice Chairman and Members of Special Committees for the Third Session of the Board dated 19 March 2021.

II. REMUNERATION OF THE BANK'S SENIOR MANAGEMENT IN 2020

The remuneration of senior management by remuneration group for the year ended 31 December 2020 is as follows:

Remuneration range	Number of persons
RMB500,001 to RMB1,000,000	–
RMB1000,001 to RMB1,500,000	3
RMB1,500,001 to RMB2,000,000	1
RMB2,000,001 to RMB2,500,000	–
RMB2,500,001 to RMB3,000,000	3

III. CHANGES

In January 2020, Mr. Yung Hin Man Raymond resigned from his positions as the Bank's independent non-executive director and other positions held in the Bank due to his plan to migrate overseas. In March 2020, Mr. Zhang Dalin resigned from his position as the shareholders' supervisor of the Bank due to his personal devotion to the operation and management of his company, and submitted a written resignation report to the Board of Supervisors of the Bank. In June 2020, Mr. Lin Ripeng was appointed as vice president of the Bank and Mr. Tan Bo as assistant to the President of the Bank. In September 2020, Mr. Li Fangjin resigned from his positions as the Bank's non-executive director and other positions held in the Bank due to limited dedication, and tendered their written resignation report to the Board of Directors of the Bank. In October 2020, Mr. Zhang Jian was appointed as the executive director of the Bank. In December 2020, Mr. Cai Jian was appointed as the party secretary of the Bank, Mr. Cai Huiran resigned from his position as the Bank's Chief Information Officer due to personal reasons.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

IV. BIOGRAPHIES

Cai Jian, male, born in April 1973, graduated from Sun Yat-sen University with a master's degree, major in management, and an MBA, and is a senior economist. Mr. Cai currently serves as the Secretary of the Party Committee and executive Director at Guangzhou Rural Commercial Bank Co., Ltd.* Mr. Cai has served as a member and deputy section chief of Guangzhou Huangpu Sub-branch of Construction Bank of China (中國建設銀行廣州黃埔支行), deputy section chief and section chief of Guangzhou Economic Development Zone Sub-branch of Construction Bank of China (中國建設銀行廣州經濟開發區支行), assistant to the president of Guangzhou Development Zone Sub-branch of Construction Bank of China (中國建設銀行廣州開發區支行), vice president and member of the Party Committee of Guangzhou Haizhu Sub-branch of China Construction Bank (中國建設銀行廣州市海珠支行), department deputy general manager of Guangdong Branch of Construction Bank of China (中國建設銀行廣東省分行), senior deputy manager of the Strategic Assistance Project Office of Construction Bank of China (中國建設銀行戰略協助項目辦公室), deputy director of Financial Work Office of Guangzhou Municipal Government (廣州市政府金融服務辦公室), deputy director and member of the Party Leadership Group of the Financial Work Office of Guangzhou Municipal Government, the head of the discipline inspection team dispatched by the Guangzhou Municipal Commission for Discipline Inspection in the Financial Work Office of the Municipal Government, deputy director, head of the discipline inspection team and member of the Party Leadership Group of the Financial Work Office of the Municipal Government, member of the Party Leadership Group of the Municipal Financial Work Bureau, the head of the discipline inspection team dispatched by Guangzhou Municipal Commission for Discipline Inspection in the Municipal Financial Work Bureau, Secretary of the Disciplinary Committee of the Bank of Guangzhou (廣州銀行), member of the Standing Committee of Huadu District Committee of Guangzhou, deputy secretary of the Party Leadership Group of Huadu District People's Government, deputy secretary of the Party Committee, vice chairman and president of Bank of Guangzhou.

Yi Xuefei, male, was born in November 1967. He graduated from Jiangxi University of Finance and Economics and obtained a master's degree in international economics and trade. He also obtained a master's degree in executive business administration from Sun Yat-sen University and is qualified as an economist. He now serves as Deputy Secretary of the Party Committee, Vice Chairman and President of Guangzhou Rural Commercial Bank. He once served as staff of Jiangxi Sanbo Electric Machinery Group, staff member of accounting division of Second Sub-branch of Guangzhou Branch of Construction Bank, staff member, principal staff member, deputy section chief, section chief, assistant to director, deputy director and deputy chief of Guangzhou Branch of Construction Bank, vice president of Foshan Branch of Construction Bank and concurrently president of Nanhai Sub-branch, deputy secretary of the Party Committee and vice president of Dongguan Branch of Construction Bank, deputy general manager (in charge of overall works) and general manager of financial planning department of Guangdong Branch of Construction Bank, director of assets and liabilities management department and director of restructuring office of Guangdong Branch of Construction Bank, secretary of the Party Committee and president of Shantou Branch of Construction Bank, member of the Party Committee and deputy director of Guangzhou Rural Credit Cooperative Union, member of the Party Committee and Vice President of Guangzhou Rural Commercial Bank.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhang Jian, male, was born in June 1962. He graduated from Jilin University, and obtained a master's degree in executive business administration from Sun Yat-sen University and the qualification of economist. He now serves as Deputy Secretary, Executive Director of the Party Committee of Guangzhou Rural Commercial Bank. He once served as a staff member and deputy section chief of Agricultural Bank of China, Taobei Sub-branch of Baicheng, Jilin Province; a staff member, deputy section chief and section chief of Comprehensive Planning division of Planning and Statistics Department of the Jilin Branch of Bank of China; deputy director of Capital Planning Division of the Jilin Branch of Bank of China; deputy general manager and general manager of office of Guangzhou Commercial Bank; assistant to the president, secretary to the board of directors, deputy secretary of the discipline inspection commission of Guangzhou Commercial Bank, and president and vice president of Zhujiang Sub-branch of Guangzhou Commercial Bank; and deputy secretary of the Party Committee and director of Guangzhou State-owned Capital Operation Holdings Co., Ltd. (廣州國資發展控股有限公司).

Liu Shaobo, male, was born in September 1960. He graduated from Sun Yat-sen University and obtained a doctor's degree in management. He now serves as professor and doctoral tutor of Department of Finance of School of Economics and director of the Institute of Finance of Jinan University, an Independent Non-executive Director of Guangzhou Rural Commercial Bank, an independent non-executive director of Jiangmen Rural Commercial Bank, decision-making consultant expert of Guangzhou Municipal People's Government, vice president of Guangdong Economic Association and vice president of Tertiary Industry Research Association of Guangdong.

Liu Heng, male, was born in January 1964. He is a Doctor of Economics with a Postdoctoral Degree in Law. He now serves as professor and doctoral tutor of Law School of Sun Yat-sen University, Director of the Institute of Administrative Law of Sun Yat-sen University, and an Independent Non-executive Director of Guangzhou Rural Commercial Bank.

Song Guanghui, male, was born in March 1961. He graduated from Renmin University of China and obtained a doctor's degree in statistics. He now serves as professor and doctoral tutor of School of Business Administration of South China University of Technology, and an Independent Non-executive Director of Guangzhou Rural Commercial Bank. He once served as teaching assistant, tutor, associate professor and acting director of foreign affairs office of Henan University of Economics and Finance, vice general manager of investment banking department and general manager of research and development department of China Southern Securities Co., Ltd. (Guangzhou Branch).

Zheng Jianbiao, male, was born in April 1964. He graduated from Research Institute for Fiscal Science of the MOF and obtained a master's degree in economics. He now serves as a partner of Partner Management Committee of Grant Thornton China, and an Independent Non-executive Director of Guangzhou Rural Commercial Bank. He also serves as the vice president of China Mergers & Acquisitions Association (全聯併購公會中國併購公會), the vice president of Beijing Institute of Certified Public Accountants and a member of the Listing Committee of the STAR Market of the Shanghai Stock Exchange. He once served as a cadre of the Beijing Municipal Bureau of Finance, a manager of Shenzhen Shekou Zhonghua Certified Public Accountants, a deputy director of Beijing Jingdu Public Accounting Firm, an assessment expert for the First Corporate Annuity Management Agency of Ministry of Labor and Social Security, an expert member of the 9th Stock Issuance Review Committee of CSRC and a member of the 1st to 3rd Sessions of Expert Consultancy Committee of Merger and Restructuring of Listed Companies of CSRC.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Su Zhigang, male, was born in June 1958. He now serves as chairman of Guangdong Chimelong Group Co., Ltd., Non-executive Director of Guangzhou Rural Commercial Bank, member of National Committee of the Political Consultative Conference, vice chairman of All-China Federation of Industry and Commerce (“ACFIC”) (全國工商聯中國民間商會), chairman of Guangdong Federation of Industry and Commerce and Co-Chairman of Guangdong-HK-Macao Bay Area Entrepreneurs Union. He once served as the vice chairman of the 11th Session of ACFIC, a member of the 9th and the 10th Congress of National People’s Congress, vice chairman of the 10th and the 11th Session of Chinese People’s Political Consultative Conference Guangzhou Committee and president of the 12th and the 13th Session of Guangzhou Federation of Industry and Commerce Executive Committee. He founded Guangdong Chimelong Group, including Guangzhou Chimelong Tourist Resort, Zhuhai Hengqin Chimelong International Ocean Tourist Resort and Qingyuan Chimelong International Forest Tourist Resort (under construction).

Liu Guojie, male, was born in December 1970. He graduated from Guangdong Academy of Social Sciences and obtained an on-job postgraduate degree in economic management. He now serves as chairman and president of Guangzhou Haojin Group Co., Ltd., chairman of Guangzhou Haojin Motorcycle Co., Ltd., chairman of Guangzhou Zengcheng Xinyue Small Loan Co., Ltd. and Non-executive Director of Guangzhou Rural Commercial Bank. He once served as chairman and general manager of Zengcheng Haojin Trading Co., Ltd..

Zhu Kelin, male, was born in October 1962. He graduated from Western Sydney University (Australia) and obtained a master’s degree in business administration. He now serves as Non-executive Director of Guangzhou Rural Commercial Bank. He once served as director of GF Securities Co., Ltd., director of Pearl River Life Insurance Co., Ltd., vice chairman and chairman of Guangdong Pearl River Investment Holdings Group Co., Ltd and chairman of Guangdong Pearl River Investment Co., Ltd..

Wang Xigui, female, was born in August 1966. She graduated from Zhongnan University of Finance and Economics and obtained a bachelor’s degree in economics and the qualification of accountant. She now serves as chairman of the Board of Supervisors and employee supervisor of the Board of Supervisors of Guangzhou Rural Commercial Bank. She once served as teacher of Hubei School of Finance of Zhongnan University of Finance and Economics, clerk of the finance division of the freight insurance department, vice section chief, section chief and assistant to chief director of the accounting division of the Guangzhou Branch of PICC, deputy general manager of the finance department, deputy general manager (responsible for the operations) and general manager of the information technology department/channel management department (now known as the information technology department/sales management department) of Guangzhou Branch of PICC Property and Casualty Company Limited, researcher of the accounting department and the general office of the Bureau of Finance of Guangzhou, and chairman of the board of supervisors of Guangzhou City Construction Investment Group and Guangzhou Water Investment Group assigned by Guangzhou SASAC.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

He Heng, female, was born in April 1970. She graduated from Hunan Institute of Finance and Economics and obtained a master's degree in economics and the qualification of economist. She now serves as employee supervisor, general manager of office of Board of Supervisors, general manager of rural financial restructuring office of Guangzhou Rural Commercial Bank and chairman of board of supervisors of Zhujiang Financial Leasing Co., Ltd.. She once served as deputy director of teaching and research section, Secretary of Youth League general branch of Xiangtan University, staff member and deputy principal staff member of operation supervision division of PBOC Guangzhou Branch, deputy principal staff member and principal staff member of foreign bank and other financial institutions supervision department of PBOC Guangzhou Branch, deputy principal staff member, principal staff member, assistant consultant and deputy chief of policy and regulation section, deputy chief and deputy chief (responsible for the overall works) of business innovation supervision and cooperation section of CBRC Guangdong Office, deputy general manager of risk management department and credit management department (secondment position) of Guangdong Branch of Industrial and Commercial Bank of China, assistant to president of Zhujiang Financial Leasing Co., Ltd., deputy general manager (in charge) and general manager of performance management department and chief senior manager of investment and institution management department of Guangzhou Rural Commercial Bank.

Lai Jiaxiong, male, was born in October 1975. He graduated from Guangdong College of Commerce and obtained a master's degree in laws. He now serves as employee supervisor and general manager of the Compliance and Legal Affairs Department (Anti-money Laundering Center, Consumer Rights Protection Center) of Guangzhou Rural Commercial Bank. He once served as clerk of the planning and credit department, section-level member of the loan approval committee and deputy general manager of the loan approval department of Guangzhou Rural Credit Cooperative Union, deputy director of Huangpu Credit Cooperative Union (黃埔信用社), deputy general manager of loan approval department of Guangzhou Rural Credit Cooperative Union, deputy general manager of credit approval department of head office of Guangzhou Rural Commercial Bank, chairman of Huixian Zhujiang Rural Bank, chief senior manager of the rural banking division (institutional development department), chief senior manager of the risk management department, deputy general manager (temporary person in charge), general manager of the credit management center and deputy general manager of the compliance and risk management department and deputy general manager of the compliance and legal affairs department of Guangzhou Rural Commercial Bank.

Huang Yong, male, was born in November 1964. He graduated from Beijing Jiaotong University and obtained a doctor's degree in transportation and management. He now serves as vice chairman and general manager of Guangzhou Inspection and Certification Group Co., Ltd. (廣州檢驗檢測認證集團有限公司) and shareholder supervisor of Guangzhou Rural Commercial Bank. He once served as cadre, deputy chief staff member and assistant to director of the safety and quality department of Guangzhou Port Authority, assistant to general manager of Hainan Port Group Corporation, secretary of the general Party branch's committee, deputy general manager (responsible for administrative work) and general manager of Guangzhou Port Freight Corporation, general manager of Guangzhou Port Group Xinsha Stevedoring Co., Ltd. He served as assistant to general manager and deputy general manager of Guangzhou Port Group Co., Ltd., deputy secretary of the Party Committee, vice chairman and general manager of Guangzhou International Group Co., Ltd., and deputy secretary of the Party Committee, vice chairman and general manager of Guangzhou Vanlead Group Co., Ltd..



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mao Yunshi, male, was born in December 1945. He obtained a doctor's degree in world economics from Wuhan University and a master's degree in business administration (MBA) from Catholic University of Leuven (Belgium). He now serves as professor and doctoral tutor of School of Management of Sun Yat-sen University and director of Enterprise and Market Research Center of Sun Yat-sen University, DBA tutor of Grenoble Graduate School of Business, external supervisor of Guangzhou Rural Commercial Bank, external director of Foshan Public Utilities Holding Co., Ltd., independent director of Huizhou Huayang Group Co., Ltd. (惠州市華陽集團股份有限公司), independent director of Guangdong Zhongke Baiyun Emerging Industry Venture Capital Fund Co., Ltd. (廣東中科白雲新興產業創業投資基金有限公司), and editor of Journal of Management Science, Academic Research and Sun Yat-Sen Management Review of Taiwan. He once served as associate professor of department of economics and management, director of the teaching and research office, department deputy director, professor and deputy dean of the School of Management of Wuhan University, dean of the School of Management of Sun Yat-sen University, independent director of China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. (華潤三九醫藥股份有限公司), external director of Guangzhou Construction Group, independent director of Guangxi Beibu Gulf Bank, member of the Guangdong Provincial Degree Committee, member of the Discipline Review Group on Business Administration of Academic Degrees Committee of the State Council, member of Discipline Review Group on Management of National Natural Science Foundation of China, member of the Standing Committee of the Guangdong Provincial People's Political Consultative Conference, and Counsellor of Guangdong Provincial People's Government.

Chen Dan, male, was born in October 1966. He graduated from National University of Singapore and obtained a master's degree in business administration. He now serves as chairman of Guangdong Evergreen Conglomerate Co., Ltd., chairman of Guangdong Evergreen Feed Industry Co., Ltd., honorary president of Guangdong Provincial Chamber of Commerce, vice chairman of the 13th Session of Chinese People's Political Consultative Conference Zhanjiang Committee and external supervisor of Guangzhou Rural Commercial Bank. He once served as member of the 10th, 11th and 12th Congress of National People's Congress, member of the Standing Committee of the 11th and 12th Congress of Guangdong Provincial People's Congress, standing member of All-China Federation of Industry and Commerce, member of the 9th Session of Chinese People's Political Consultative Conference Zhanjiang Committee and vice chairman of the 10th, 11th and 12th Session of Chinese People's Political Consultative Conference Zhanjiang Committee.

Shao Baohua, male, was born in May 1969. He graduated from Jinan University and obtained a doctor's degree in international relations. He now serves as chairman of Guangzhou College of Technology and Business, external supervisor of Guangzhou Rural Commercial Bank, chairman of Guangzhou Huadu Huanyang Trading Co., Ltd., member of the 9th Session of Chinese People's Political Consultative Conference Guangzhou Huadu District Committee, member of the 15th Congress of People's Congress of Guangzhou Huadu District, member of the standing committee of Guangzhou Youth Federation, vice president and council member of the Guangzhou Branch of the Alumni Association of School of International Studies, Peking University, and member of the 14th Congress of People's Congress of Guangzhou. He once served as teacher of Huadu Xinhua Songbai Primary School of Guangzhou, executive director of Guangzhou Huadu Huanyang Trading Co., Ltd., and principal of Guangzhou Huadu Huanyang School of Commerce.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhao Wei, male, was born in September 1964. He graduated from Jinan University and obtained a master's degree in management and the qualification of intermediate accountant. He now serves as the Chief of the Discipline Inspection Team of the Commission for Discipline Inspection and the National Supervision Commission of Guangzhou stationed in Guangzhou Rural Commercial Bank. He once served as a key officer and director of the quality office (at department level) of the finance department of Guizhou Rubber Parts Factory (貴州橡膠配件廠); key accountant and chief of finance department of Shunde Zhujiang Packaging Company in Guangdong Province (廣東省順德珠江包裝公司); cadre, principal staff member and deputy director (responsible of the operations) of the audit office of foreign capital administration in the Guangzhou Resident Office of the Audit Commission; deputy director (responsible of the operations) of the first division of the financial audit department in the Guangzhou Resident Office of the Audit Commission; director of Fixed Assets Investment Audit Office, director of Social Security Audit Office and director of Foreign Funds Utilization Audit Office; dispatched chairman of the board of supervisors of Guangzhou state-owned enterprises, namely Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司) and Guangzhou Public Transportation Group (廣州市公共交通集團有限公司); dispatched chairman of the board of supervisors of Guangzhou Flagship Development Group Co., Ltd. (a Guangzhou state-owned enterprise), and chairman of the board of supervisors and secretary of Commission for Discipline Inspection of Flagship Development Group.

Chen Jianming, male, was born in November 1961. He graduated from the Open University of China (formerly China Central Radio and TV University) and obtained a master's degree in executive business administration from Sun Yat-sen University and the qualification of economist. He now serves as Vice President of Guangzhou Rural Commercial Bank. He once served as deputy sector chief and sector chief of PBOC Panyu Sub-branch; chief (secondment position) of Panyu Urban Credit Union; vice president of PBOC Panyu Sub-branch and vice president of SAFE Panyu Sub-branch; deputy director of Guangzhou Panyu Rural Credit Cooperative; director of Guangzhou Panyu Rural Credit Cooperative; assistant to director of Guangzhou Rural Credit Cooperative Union and secretary of the Party Committee and director of Panyu Credit Cooperative; assistant to director of Guangzhou Rural Credit Cooperative Union and secretary of the Party Committee of Panyu Credit Cooperative; member of the Party Committee and deputy director of Guangzhou Rural Credit Cooperative Union.

Lin Ripeng, male, was born in January 1970. He graduated from Guangdong Academy of Social Sciences, and obtained a master's degree in advanced business administration from the Management School of Sun Yat-sen University and the qualification of political engineer and human resources professional. He now serves as Vice President of Guangzhou Rural Commercial Bank. He once served as staff member of Shijing Credit Cooperative of Guangzhou Rural Credit Cooperative Union, assistant to section chief and deputy section chief of personnel and political engineering section of Guangzhou Baiyun Sub-branch of Agricultural Bank of China, deputy manager and manager of personnel department of Baiyun Credit Cooperative of Guangzhou Rural Credit Cooperative Union, deputy general manager and general manager of personnel and education department (human resources department) of Guangzhou Rural Credit Cooperative Union cum deputy secretary of commission for discipline inspection and director of supervision office of Guangzhou Rural Credit Cooperative Union, general manager of human resources department, office general manager and general manager of property management center of Guangzhou Rural Commercial Bank, president of Henan Xinyang Zhujiang Rural Bank, and chairman of board of supervisors of Bank of Guangzhou.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Tan Bo, male, was born in May 1974. He graduated from Zhongnan University of Economics and Law, and obtained a doctoral degree in economics and the qualification of economist. He now serves as the assistant to the President of Guangzhou Rural Commercial Bank. He once served as a staff member of financial institutions supervision department of PBOC Yangjiang City Branch; member of the Party Leadership Group and vice president of PBOC Yangdong County Branch; deputy director of preparatory division office, chief of supervisory section 1, deputy director of office, deputy director of the party committee office (in charge of overall works), director of office, director of the Party Committee Office and head (director) of personnel department (organization division) of Yangjiang sub-division of CBRC (陽江銀監分局); member of the Party committee and deputy head of Meizhou sub-division of CBRC (梅州銀監分局); member of the Party committee and secretary of Commission for Discipline Inspection of Zhaoqing sub-division of CBRC (肇慶銀監分局); member of the Party Committee and deputy head of Yangjiang sub-division of CBRC (陽江銀監分局); secretary of the Party committee and head of Yunfu sub-division of CBRC (雲浮銀監分局); leading post cadre of divisions, secretary of the Party Committee and head of Yunfu sub-division of CBRC (雲浮銀監分局) and secretary of the Party Committee and head of Jiangmen sub-division of CBRC (江門銀監分局).

Chen Linjun, female, was born in November 1972. She graduated from the Open University of China (formerly China Central Radio and TV University) and obtained the qualification of assistant economist. She now serves as business director of Guangzhou Rural Commercial Bank. She once served as system administrator of computer management department and deputy section chief (responsible of the operations) of accounting department of Huangpu Sub-branch of Guangzhou Branch of China Construction Bank Corporation; assistant to general manager of business operations center of Guangdong Branch of China Construction Bank Corporation; assistant to general manager of personal banking department and general manager of e-banking center of Guangdong Branch of China Construction Bank Corporation; deputy general manager (responsible of the operations) of accounting management department of Guangzhou Rural Credit Cooperative Union; general manager of Operational Management Department of Guangzhou Rural Commercial Bank, general manager of E-banking Department and general manager of Operation management Department, person-in-charge of E-commerce and Process Bank Project Team, president of Retail Financial Business Group and general manager of Retail Financial Business Management Department of Guangzhou Rural Commercial Bank.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Yang Xuan, female, was born in December 1976. She graduated from Shanghai University of Finance and Economics and obtained a master's degree in business administration, a master's degree in law in Jinan University and the qualification of economist. She now serves as business director of Guangzhou Rural Commercial Bank and president of Sun Financial Business Department. She once served as credit staff of credit planning department, deputy manager of legal office, deputy manager of asset security department and manager of marketing department of operation center of Guangzhou Tianhe Rural Credit Cooperative Union; deputy general manager of corporate business department and general manager of compliance and risk department of Guangzhou Rural Credit Cooperative Union; general manager of Corporate Financial Department, general manager of International Business Department of Guangzhou Rural Commercial Bank and general manager of Corporate Financial Department of the Bank, deputy general manager of Guangzhou Region Business Management Department, vice president and executive president of Corporate Financial Management Department and general manager of Guangzhou Region Business Management Department, president of Free Trade Zone Nansha Branch of Guangzhou Rural Commercial Bank and chairman of board of supervisors of Zhujiang Financial Leasing Co., Ltd..

Zheng Ying, female, was born in May 1972. She graduated from Central South University (formerly Changsha Railway College (長沙鐵道學院)) and obtained a bachelor's degree in engineering and the qualification of intermediate economist. She now serves as Secretary of the Board of Directors, Company Secretary and General Manager of Office of the Board of Directors of Guangzhou Rural Commercial Bank. She once served as an engineer of engineering department of Guangzhou Xingchen Group Co., Ltd. (廣州星晨集團有限公司); manager of comprehensive business department of Beijing management head office of Xiangcai Securities; secretary of the board of directors of Hunan Tianyi Science and Technology Co., Ltd. (湖南天一科技股份有限公司); deputy general manager of human resources department and general manager of capital business department of Guangzhou Rural Credit Cooperative Union; general manager, office general manager and Board office general manager of Capital Management Department (Listing Office) of Guangzhou Rural Commercial Bank.

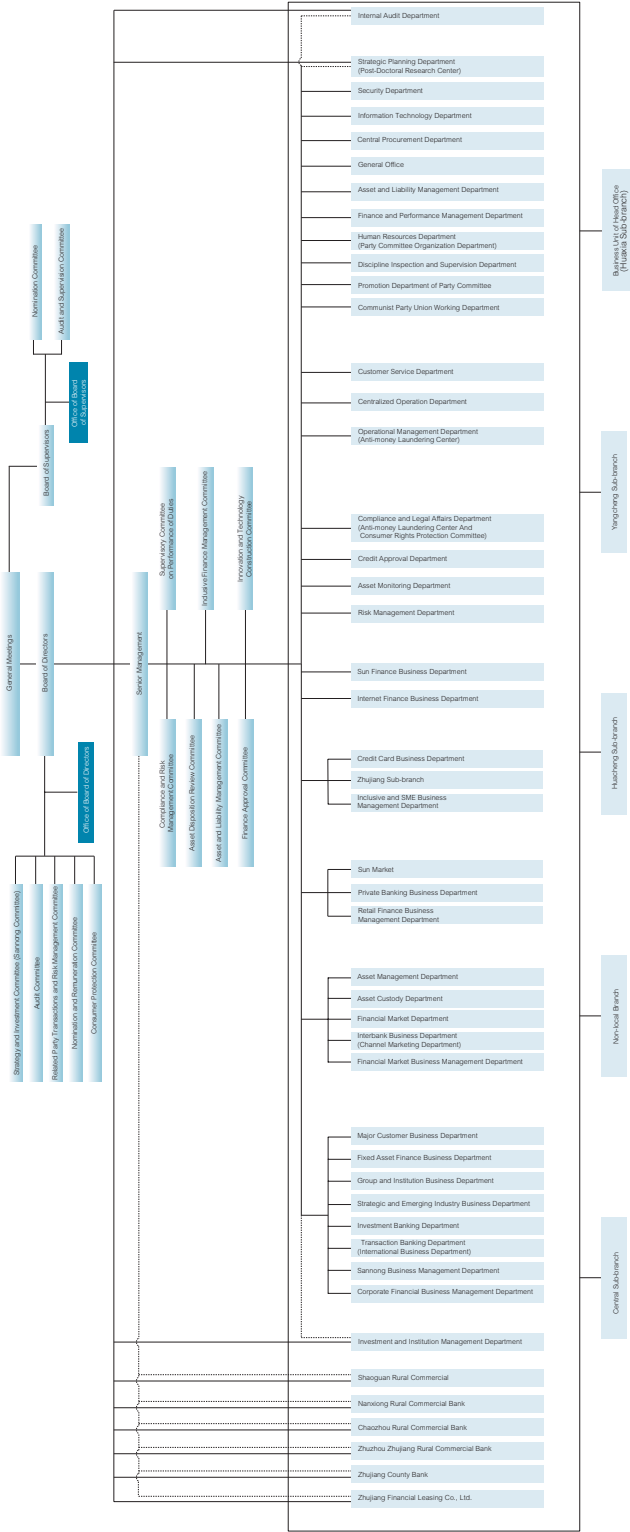




CORPORATE GOVERNANCE REPORT

I. CORPORATE STRUCTURE

The corporate structure of the Group as at the end of the Reporting Period is as follows:



CORPORATE GOVERNANCE REPORT

II. CORPORATE GOVERNANCE OVERVIEW

The Bank continued to improve the standardization of corporate governance to ensure that it meets the corporate governance standards of listed companies. This aims to safeguard the interests of stakeholders and enhance corporate value.

The Bank had strictly complied with the code provisions under the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules, and had also followed most of the recommended best practices contained therein. The Bank has also strictly complied with the relevant laws and regulations and the Hong Kong Listing Rules in respect of management of inside information. There was no significant difference between the corporate governance of the Bank and the Company Law as well as the relevant requirements of CSRC and the Hong Kong Stock Exchange.

To the best of knowledge of the directors of the Bank, there is no reasonable statistics indicating that the Bank was in violation of the Corporate Governance Code during the year ended 31 December 2020.

The Bank will continue to review and enhance its corporate governance to ensure that it will continue to meet the requirements of the Corporate Governance Code and the rising expectations of shareholders and investors.

III. GENERAL MEETING

The Bank convened one general meeting during 2020, namely, the 2019 Annual General Meeting. The details are as follows:

On 22 May 2020, the Bank convened the 2019 Annual General Meeting, which mainly reviewed and passed 14 resolutions, namely, the 2019 Work Report of the Board of Directors, the 2019 Work Report of the Board of Supervisors, the 2019 Annual Report, the 2019 Report on Final Accounts, the 2020 Financial Budgets and the 2019 Profit Distribution Proposals and 7 reports were listened. The convening of this general meeting fulfilled the corresponding legal procedures in accordance with laws and regulations. During the Reporting Period, three of the then Directors, namely, Mr. Yi Xuefei, executive Director of the Bank, Mr. Liu Shaobo and Mr. Song Guanghui, independent non-executive Directors, attended the 2019 Annual General Meeting.

IV. BOARD OF DIRECTORS

(I) Implementation of the Resolutions of the General Meetings by the Board of Directors

During 2020, the Board of Directors strictly implemented the resolutions passed at the 2019 Annual General Meeting and conscientiously implemented various proposals reviewed and passed at the general meetings.



(II) Board Composition

As of the practicable date of the Report, the Board of Directors comprised a total of 13 Directors, including three executive Directors, namely Mr. Cai Jian (Party Secretary), Mr. Yi Xuefei (Vice Chairman and President) and Mr. Zhang Jian; seven non-executive Directors, namely Mr. Yuan Xiaoyi, Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin, Mr. Feng Yaoliang and Mr. Lai Zhiguang; and three independent non-executive Directors, namely Mr. Du Jinmin, Mr. Tan Jinsong and Mr. Zhang Hua.

Each term of office of a Director (including non-executive Directors) is three years and he/she may serve consecutive terms if re-elected. Upon expiry of the office term of three years, an independent non-executive Director shall be eligible for re-election and reappointment as independent non-executive Director of the Bank. An independent non-executive Director shall serve in the Bank for no more than a cumulative period of six years.

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

(III) Diversification Policies of the Board of Directors

The Bank believes that a diversified Board of Directors will be beneficial to enhance the Bank's performance. The Bank considers the increasing diversification at the level of Board of Directors as a key factor in achieving sustainable development, supporting its achievement of strategic objectives and maintaining good corporate governance.

In setting the composition of the Board of Directors, the Bank will consider the diversification of members of the Board of Directors from various aspects, including but not limited to, gender, aspect and industry experience, skills, knowledge and educational background. All appointments to the Board of Directors shall follow the principle of meritocracy, taking into account objectively the benefits of diversification of members of the Board of Directors when considering the candidates.

The Nomination and Remuneration Committee will review the policy in due time to ensure its effectiveness in performance. The Nomination and Remuneration Committee will discuss any possible amendments needed, and offer the advice on amendments to the Board of Directors for its consideration and approval.

CORPORATE GOVERNANCE REPORT

(IV) Changes of Board Members

For details of changes of the Directors, please refer to the section headed “Directors, Supervisors and Senior Management” of this annual report.

(V) Chairman and President

Mr. Yi Xuefei, as the vice chairman and president of the Bank: Since July 2019, Mr. Yi Xuefei has temporarily chaired the Board of Directors and performed the following duties: to preside over general meetings; to convene and preside over board meetings; to supervise and examine the implementation of resolutions of the Board of Directors; to manage the business operation of the Bank; and to report to the Board of Directors, etc..

(VI) Operation of the Board of Directors

The Board of Directors convenes regular meetings, generally no fewer than four times a year; extraordinary meetings are convened if and when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for board meetings is drafted upon regular consultation with each director. Regular meeting papers and relevant materials are usually circulated to all directors and supervisors at least 14 days in advance of board meetings. All directors keep contact with the office of Board of Directors, to ensure compliance with board procedures and all applicable rules and regulations.

Detailed minutes of meetings of the Board of Directors are maintained and are available to all Directors for their review and comments after the conclusion of such meeting. The finalized minutes of meetings of the Board of Directors will be sent to all directors as soon as possible. The minutes of meetings of the Board of Directors are kept according to the file management regulations of the Bank and are available for inspection by directors at any time.

A good communication and reporting mechanism has been established among the Board of Directors, directors and senior management of the Bank. The senior management and its members of the Bank report to and are supervised by the Board of Directors. Relevant members of senior management are invited to participate in meetings of the Board of Directors from time to time to provide explanations and answers to inquiries.

Directors can express their opinions freely at meetings of the Board of Directors, and major decisions are made after detailed discussions. A director shall abstain from discussion and voting at a meeting of the Board of Directors on any proposal in which he is materially interested, and shall not be counted in the quorum for such proposal.

The Board of Directors has set up an office as its working body, which is responsible for preparation of general meetings, meetings of the Board of Directors and meetings of the special committees under the Board of Directors, information disclosure and other routine matters.



(VII) Duties of the Board of Directors

The Board of Directors is responsible for formulating the corporate governance system and monitoring the Group's business and financial strategy decisions and performance and reporting to the shareholders at the general meeting. The Board of Directors has conferred the rights and duties of the Group's governance to the management. In addition, the Board of Directors has assigned the respective responsibilities to the Strategy and Investment Committee (Sannong Committee), Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee, Audit Committee, and Consumer Protection Committee. The details of the above committees are set out in this Report.

The Board of Directors is also responsible for performing corporate governance functions. During the year ended 31 December 2020, the Board of Directors has fulfilled its corporate governance functions as set out in Code D.3.1 of the Corporate Governance Code.

According to the Articles of Association, the Board of Directors assumes the ultimate responsibility for the Bank's operations and management and exercises the following duties and powers according to law:

- To convene shareholders' general meetings and report its work to the shareholders' general meetings;
- To implement the resolutions of the shareholders' general meetings;
- To formulate the development strategy of the Bank and its specific development strategies in green credit, financial innovation and protection of consumers' interests, and supervise the implementation of the said strategies, and decide on the business plans and investment plans of the Bank;
- To prepare the annual financial budgets and final accounts of the Bank;
- To prepare the venture capital distribution plan, profit distribution plan and the plan for making up the losses of the Bank;
- To formulate the capital planning and take ultimate responsibility for capital management, and formulate plans for increase or reduction of the registered capital, issue of corporate bonds or other securities and listing;
- To prepare plans for the Bank's material acquisitions, acquisitions of the Bank's shares, or merger, division, dissolution and alteration of corporate form of the Bank;
- To approve, other than daily operation of the Bank, the external investments, purchase or disposal of assets, pledge of assets, external guarantees, entrustments of others to manage the Bank's funds or other assets of the Bank, except for material matters regulated in the Articles of Association of the Bank, which shall be decided by the shareholders' general meeting;

CORPORATE GOVERNANCE REPORT

- To approve material related party transactions of the Bank, unless otherwise regulated in the Articles of Association of the Bank;
- To decide on the establishment of internal management structure of the Bank;
- As proposed by the Nomination and Remuneration Committee, to decide on the appointment or removal of the President, the chief officer and the secretary to the Board of Directors and their remuneration based on the proposals of the Chairman; to decide on the appointment or removal of the vice president, the assistant to the president, the business director and other senior management and their remuneration based on the proposals of the President;
- To formulate the basic management system of the Bank;
- To take the ultimate responsibility for specific risk management of the Bank such as the comprehensive risk management and compliant operation, liquidity risk management, reputation risk management and management of consolidated financial statements, and certain material responsibilities such as protection of consumers' interests;
- To develop risk management culture, formulate the comprehensive risk management policy of the Bank, formulate relevant risk management systems for risk tolerance, risk preference, internal control, reputation risk, financial innovation risk management and fraud risk management as the main contents of the risk management of the Bank;
- To prepare any amendment proposals to the Articles of Association;
- To be responsible for information disclosure of the Bank and take the ultimate responsibilities for the truthfulness, accuracy, completeness and timeliness of accounting and financial reports of the Bank;
- To determine the job responsibilities for any manager, including the President, the Vice President, the chief officer, the assistant to president, the secretary to the Board of Directors and the business directors;
- To monitor and ensure the performance of senior management and ensure their effective performance;



CORPORATE GOVERNANCE REPORT



- To receive the work report from the President and inspect the work of the President;
- The Board of Directors shall establish a supervisory system for the management to formulate the code of conduct and terms of reference for the management and business officers and that the normative documents shall specifically require employees at all levels to report any potential conflict of interests in a timely manner, provide particular rules and establish corresponding measures;
- The Board of Directors shall establish a reporting system and require the senior management to report to the Board of Directors and Directors the operation and management issues of the Bank, and the reporting system shall cover provisions for the matters below;
 1. the content of the information reported to the Board and Directors and the minimum reporting standards;
 2. the reporting frequency;
 3. the reporting method;
 4. the responsible body and liabilities arising from postponed or incomplete reporting;
 5. the confidentiality obligations.
- To evaluate and refine the corporate governance of the Bank on a regular basis;
- To protect the legitimate interests of depositors and other interested parties;
- To establish the mechanism for identification, verification and management of the conflict of interest between the Bank and shareholders, in particular Substantial Shareholders; and
- To exercise any other duties and power conferred by laws, regulations, regulatory requirements and the Articles of Association of the Bank.

CORPORATE GOVERNANCE REPORT

(VIII) Board Meetings

During the Reporting Period, the Bank convened 16 board meetings (including communication meetings) in total (including six on-site meetings and 10 communication meetings), at which 103 proposals were considered and approved on the matters mainly including the 2019 Annual Report, the 2020 Interim Report and 33 reports were listened.

The list of directors participating in the meetings during 2020 is as follows:

Attendance/meetings convened	Director	Board meetings ¹	Meetings of Strategy and Investment Committee (Sannong Committee) ¹	Meetings of Related Party Transactions and Risk Management Committee ¹	Meetings of Audit Committee ¹	Meetings of Consumer Rights Protection Committee ¹	Meetings of Nomination and Remuneration Committee ¹
Executive Director	Yi Xuefei	16/16	7/7	-	-	-	2/3 ²
	Zhang Jian	4/16 ³	-	-	-	-	-
Independent non- executive Directors	Song Guanghui	16/16	7/7	14/14	0/7 ⁴	3/3	3/3
	Zheng Jianbiao	16/16	7/7	-	7/7	-	3/3
	Liu Heng	16/16	7/7	14/14	7/7	3/3	2/3 ⁵
	Liu Shaobo	16/16	7/7	1/14 ⁶	0/7 ⁷	3/3	3/3
	Yung Hin Man Raymond ⁸	0/16	0/7	-	0/7	-	0/3
Non-executive Director	Su Zhigang	16/16	7/7	-	-	3/3	-
	Liu Guojie	16/16	-	14/14	-	3/3	-
	Zhu Kelin	16/16	-	14/14	7/7	-	-
	Li Fangjin ⁹	10/16	-	11/14	6/7	-	1/3

Notes:

- (1) Directors who did not attend in person but appointed other directors to attend the meetings on their behalf, and Directors who abstained from voting on related party transactions, were deemed to attend the meetings.
- (2) Yi Xuefei, an executive Director, became an additional member of the Nomination and Remuneration Committee on 20 November 2020. Therefore, he participated in two meetings of the Nomination and Remuneration Committee during the Reporting Period.
- (3) Zhang Jian, an executive Director, was approved for regulatory qualification on 22 October 2020. Therefore, he participated in four Board meetings during the Reporting Period.
- (4) Song Guanghui, an independent non-executive Director, became an additional member of the Audit Committee on 20 November 2020. There were no meetings of the Audit Committee from the supplemental period to the end of the Reporting Period.





- (5) Liu Heng, an independent non-executive Director, became an additional member of the Nomination and Remuneration Committee on 20 November 2020. Therefore, he participated in two meetings of the Nomination and Remuneration Committee during the Reporting Period.
- (6) Liu Shaobo, an independent non-executive Director, became an additional member of the the Related Party Transactions and Risk Management Committee on 20 November 2020. Therefore, he participated in one meeting of the Related Party Transactions and Risk Management Committee during the Reporting Period.
- (7) Liu Shaobo, an independent non-executive Director, became an additional member of the Audit Committee on 20 November 2020. There were no meetings of the Audit Committee from the supplemental period to the end of the Reporting Period.
- (8) In January 2020, Mr. Yung Hin Man Raymond resigned as an independent non-executive Director of the Bank due to his plan to migrate overseas.
- (9) In September 2020, Mr. Li Fangjin resigned as a non-executive Director of the Bank due to limited dedication.

(IX) Continuous Professional Development Program for Directors

During the Reporting Period, the Strategy and Investment Committee (Sannong Committee) of the Board of Directors held seminars on the topics of agriculture, farmer and rural in Conghua, in order to understand the economic development of the villagers in the recent years and future plans for the development of the village community, in terms of the independent and objective professional advice on the implementation of the Rural Revitalization Strategy, the improvement of the rural financial services, the credit granting of the senior management of the village community, the channel of wealth appreciation of the villagers and the development direction of the homestay industry.

The Bank pays attention to the continuous training of the Directors to ensure that all Directors have a proper understanding of the Bank's operations and businesses and ensure that they understand their duties and responsibilities conferred by the relevant laws and regulations of the CBIRC, the CSRC, the Hong Kong Stock Exchange and the Articles of Association. During the Reporting Period, the members of the Board of Directors participated in the training on the "Interpretation of the Supervision and Assessment Measures on the Corporate Governance of Banks and Insurance Institutions (Provisional)" (《銀行保險機構公司治理監管評估辦法試行解讀》), "Interpretation of the Amendments to the New Securities Law and the Impact on Corporate Listings" (《新《證券法》修訂及對企業上市的影響解讀》), "Interpretation of the Provisional Administrative Measures on Financial Holding Companies" (《金融控股公司監督管理試行辦法解讀》) and "Study and Interpretation of the Civil Code of the People's Republic of China" (《<中華人民共和國民法典>學習解讀》), broadening the Board of Directors' visions of macro-level decision-making, enhanced their ability to comprehend major policies and consolidated the intellectual capital of the Board of Directors.

(X) Performance of Independent Non-executive Directors

During the Reporting Period, the Company had four independent non-executive directors, the number and proportion of which were in compliance with the relevant requirements of the CBIRC, the CSRC and the Listing Rules. The Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee, Audit Committee and Consumer Protection Committee of the Bank are all chaired by independent non-executive Directors. During the Reporting Period, the independent non-executive Directors actively participated in the Board meetings and meetings of the respective

CORPORATE GOVERNANCE REPORT

special committees, provided advice and suggestions, played their due role effectively, and continued to effectively communicate with the Bank through various ways such as participating in field trips, special investigations and attending training.

The independent non-executive Directors issued written independent opinions on major issues such as the profit distribution plan, senior management appointments, engagement of auditors, and major related party transactions. In addition, the independent non-executive Directors of the Bank also took full advantages of their professional advantages in the special committees of the Board of Directors and provided professional and independent opinions on the corporate governance and operation management, which has provided a powerful guarantee for the scientific decision-making process of the Board of Directors.

(XI) Directors' duties in preparing financial statements

The Directors acknowledge that they are responsible for the preparation of the financial statements of the Bank for the year ended 31 December 2020.

The Directors are responsible for reviewing and confirming the financial statements for each accounting period so that the financial statements give a true and fair view of the financial position, operating results and cash flows of the Bank.

In preparing the financial statements for the year ended 31 December 2020, the Directors have selected and applied applicable accounting policies consistently and have made prudent and reasonable judgments.

(XII) Special committees of the Board of Directors

The Board of Directors established five special committees in accordance with relevant laws and regulations, the Articles of Association and the Listing Rules, namely, the Strategy and Investment Committee (Sannong Committee), Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee, Audit Committee and Consumer Rights Protection Committee.

During the Reporting Period, the special committees of the Board of Directors exercised their duties in an independent, regulated and effective manner in accordance with the law, which effectively enhanced the corporate governance of the Board of Directors, improved the working efficiency and ensured the stable and healthy development of various businesses of the Bank.

1. Strategy and Investment Committee (Sannong Committee)

As of the practicable date of the Report, the Strategy and Investment Committee (Sannong Committee) of the Bank consisted of 11 Directors. Its chairman was Mr. Cai Jian, executive Director. The members included executive Directors, Mr. Yi Xuefei, Mr. Zhang Jian, independent non-executive Directors, namely Mr. Tan Jinsong, Mr. Du Jinmin, non-executive Directors, Mr. Yuan Xiaoyi, Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin and Mr. Feng Yaoliang.





The key terms of reference of the Strategy and Investment Committee (Sannong Committee) during the Reporting Period included:

- Formulating the long-term development strategy and medium and long-term development objective of the Bank, and making recommendations to the Board of Directors;
- Formulating the development strategies of Sannong financial services, green credit and financial innovation, and promoting the establishment of the relevant work mechanisms;
- Making recommendations on the adjustments of strategies in response to the change in the operation environment, supervising and assessing the implementation of strategies and making relevant recommendations;
- Conducting research on and formulating relevant systems for external investment, making recommendations on and formulating plans for the major investment decisions of the Bank (including fixed asset investment and equity investment) and implementing group management on our subsidiaries;
- Conducting research on and formulating relevant system for external mergers and acquisitions, conducting research on the strategy for mergers and acquisitions and making recommendations on the implementation plan, including acquisition target, acquisition method, reorganization and consolidation;
- Conducting research on and planning diversified operation and development models, conducting research on and formulating organization models and management methods of finance group companies;
- Conducting research on the implementation of other major issues concerning the strategic development of the Bank.

In 2020, the Strategy and Investment Committee (Sannong Committee) held a total of seven meetings, at which it reviewed and approved 27 resolutions such as the 2019 Report on the Implementation of Strategic Implementation Plan of Guangzhou Rural Commercial Bank Co., Ltd., the 2019 Final Accounts of Guangzhou Rural Commercial Bank Co., Ltd. and the 2019 Profit Distribution Plan of Guangzhou Rural Commercial Bank Co., Ltd.. It also held two Sannong forums.

2. Related Party Transactions and Risk Management Committee

As of the practicable date of the Report, the Related Party Transactions and Risk Management Committee of the Bank consisted of five Directors. Its chairman was Mr. Du Jinmin, independent non-executive Director. The members included Mr. Tan Jinsong, independent non-executive Directors, and Mr. Yuan Xiaoyi, Mr. Zuo Liang and Mr. Zhuang Yuemin, non-executive Directors.

CORPORATE GOVERNANCE REPORT

The key terms of reference of the Related Party Transactions and Risk Management Committee during the Reporting Period included:

- Supervising senior management's risk control in terms of credit risk, market risk and operational risk, regularly assessing the Bank's risk and management status, risk tolerance and level and fraud prevention work, and advising on the improvement of risk management and internal control of the Bank;
- Making suggestions on improving the Bank's economic capital management and implementing the new capital agreement;
- Managing and examining related party transactions of the Bank in a timely manner and providing opinions thereon in order to control the risks arising from related party transactions.

During 2020, the Related Party Transactions and Risk Management Committee held 14 meetings, at which it reviewed and approved 40 resolutions such as the 2019 Work Report and the 2020 Work Plan on Comprehensive Risk Management of Guangzhou Rural Commercial Bank Co., Ltd., the 2019 Work Report and the 2020 Work Plan on Compliance Risk Management of Guangzhou Rural Commercial Bank Co., Ltd..

3. *Nomination and Remuneration Committee*

As of the practicable date of the Report, the Nomination and Remuneration Committee of the Bank consisted of five Directors. Its chairman was Mr. Du Jinmin, independent non-executive Director. The members included Mr. Zhang Hua, independent non-executive Director, Mr. Zuo Liang, Mr. Feng Yaoliang and Mr. Lai Zhiguang, non-executive Directors.

The key terms of reference of the Nomination and Remuneration Committee during the Reporting Period included:

- setting up the selection procedures and criteria for directors and senior management, conducting preliminary review on the qualifications and credentials of candidates for directors and senior management and making recommendations to the Board of Directors;
- considering the compensation management system and policy of the Bank;
- formulating the remuneration plan for directors, Supervisors and senior management, making recommendations on the remuneration plan to the Board of Directors and supervising the implementation of the plan;
- dealing with other matters conferred by the laws, regulations, regulatory requirements and the Board of Directors.



During 2020, the Nomination and Remuneration Committee held a total of three meetings, at which it reviewed and approved seven resolutions such as the 2019 Performance Report of Directors of Guangzhou Rural Commercial Bank Co., Ltd., the election of director candidates of the third session of the Board, and the appointment of Mr. Tan Bo as assistant to President of Guangzhou Rural Commercial Bank.

4. Audit Committee

As of the practicable date of the Report, the Audit Committee of the Bank consisted of five directors. Its chairman was Mr. Tan Jinsong, independent non-executive Director. The members included Mr. Du Jinmin and Mr. Zhang Hua, independent non-executive Directors, Mr. Yuan Xiaoyi and Mr. Zhuang Yuemin, non-executive Directors.

The key terms of reference of the Audit Committee during the Reporting Period included:

- reviewing the accounting policies, financial position and financial reporting procedures of the Bank, and reviewing the risk and compliance conditions of the Bank;
- conducting the annual audit work of the Bank, preparing analytical report on the authenticity, completeness and accuracy of the information set out in audited financial reports and submitting the same to the Board of Directors for review and consideration.

During 2020, the Audit Committee held seven meetings, at which it reviewed and approved thirteen resolutions such as the 2019 Annual Audit Report and Financial Statements of Guangzhou Rural Commercial Bank Co., Ltd. (Chinese Accounting Standard), the 2019 Internal Audit Work Report of Guangzhou Rural Commercial Bank Co., Ltd. and the 2020 Internal Audit Work Plan of Guangzhou Rural Commercial Bank Co., Ltd., and heard 4 circulars.

5. Consumer Protection Committee

As of the practicable date of the Report, the Consumer Protection Committee of the Bank consisted of five Directors. Its chairman was Mr. Zhang Jian, executive Director. The members included Mr. Yuan Xiaoyi, Mr. Zuo Liang, Mr. Zhang Junzhou and Mr. Lai Zhiguang, non-executive Directors.

The duties of the Consumer Protection Committee included: formulating the strategies, policies and objectives of the Bank's protection of consumer rights and interests, assisting the Board of Directors to urge the senior management to effectively conduct and implement relevant work, and supervising and assessing the consumer protection work regarding its comprehensiveness, timeliness and effectiveness, and the senior management's performance of duties.

During 2020, the Consumer Protection Committee held three meetings, at which it reviewed and approved two resolutions such as "2019 Work Summary and 2020 Work Plan on Protection of Consumers' Interests of Guangzhou Rural Commercial Bank (《廣州農村商業銀行消費者權益保護2019年工作總結及2020年工作計劃》)", and heard 2 circulars.

CORPORATE GOVERNANCE REPORT

(XII) The election process of Board members

According to the provisions of the Articles of Association, Directors shall be elected or replaced at a shareholders' general meeting. The term of office of the directors shall be 3 years, and a Director may be re-elected and re-appointed upon expiry of his/her term of office. The term of office of a Director shall commence from the date on which directorship of the said Director was confirmed by the banking insurance regulatory authority of the PRC to the expiry of the current term of the Board of Directors. Before the expiry of the director's term of office, the shareholders' general meeting shall not dismiss any Director without any reason.

Where re-election is not carried out promptly after a Director's term of office expires, the Director shall continue to perform the duties owed by a director before a new Director is elected to take up the office, subject to the laws, regulations, regulatory requirements and the Articles of Association.

The president or other senior management personnel may concurrently serve as a Director, provided that the aggregate number of the Directors who concurrently serve as senior management and employee representative Directors shall not exceed one half of the total number of Directors, and the number of the Directors in the Board of Directors who serve as senior management shall be no less than two.

The Board of Directors may comprise employee representative(s) of the Bank. Employee representatives who serve as Directors shall become members of the Board of Directors after elected by employee representatives at the staff representative assembly of the Bank, which shall be reported by the Board of Directors to the shareholders' general meeting.

The Board of Directors may duly increase the proportion of Directors and independent non-executive Directors with international exposure and management experience as well as professional knowledge in areas such as finance, accounting, risk management, financial management and financial technology.

After a Director is elected and his/her directorship is approved by the banking insurance regulatory authority of the PRC, the Bank shall enter into an employment contract with such Director in a timely manner, which shall specify, among others, rights and duties between the Bank and the Director, term of office of the Director, liability of the Director due to violation of laws, regulations and the Articles of Association of the Bank, and compensation on early termination of the said employment contract for any reason by the Bank, in compliance with the laws, regulations and provisions of the Articles of Association.





V. BOARD OF SUPERVISORS

(I) Composition of Board of Supervisors

As of the practicable date of the Report, the Board of Supervisors of the Bank consisted of nine Supervisors, comprising three employee Supervisors (being Ms. Wang Xigui (Chairman of the Board of Supervisors), Ms. He Heng and Mr. Lai Jiexiong); three external Supervisors (being Mr. Zhan Liyuan, Mr. Han Zhenping and Mr. Shi Shuiping); and three shareholder Supervisors (Mr. Zhang Gang, Mr. Liang Bingtian and Mr. Feng Jintang).

(II) Duties of Board of Supervisors

According to the Articles of Association of the Bank, the Board of Supervisors assumes supervisory responsibility and exercises the following duties and powers according to law:

- To supervise the Board of Directors in establishing sound business philosophy, value standard and formulating development strategies according to the actual situation of the Bank;
- To make periodical assessments on the scientificity, reasonableness and effectiveness of the development strategies formulated by the Board of Directors and form the assessment reports;
- To conduct supervision and assessment over the performance of duties by the Board of Directors and senior management in respect of the key responsibilities including strategic management, operation decisions, financial management, remuneration management, capital management, internal control, comprehensive risk management, liquidity risk management, compliance management, fraud prevention, Sannong financial services, related party transactions and anti-money laundering and to report the same to the general meetings in accordance with the requirements, to consider relevant audit reports in accordance with the requirements, and to provide guidance with respect to the work of internal audit department of the Bank;
- To inspect and supervise the business decision, risk management and internal control of the Bank and supervise rectifications;
- To examine and supervise the Bank's financial affairs and the management of consolidated financial statements;
- To examine the regular reports of the Bank compiled by the Board of Directors and submit its opinion of examination in writing;
- To review the financial reports, operation reports, profit distribution plans and other financial information to be submitted by the Board of Directors to the general meetings; if any queries arise, to engage, in the name of the Bank, certified accountants and practicing auditors for assistance in the review;
- To supervise on the scientificity and reasonableness of the remuneration management system and policy of the Bank and the remuneration plan of the senior management officers, and to propose the remuneration (allowance) arrangement of Supervisors;

CORPORATE GOVERNANCE REPORT

- To conduct investigation if any abnormality is found in the operations of the Bank; and when necessary, to engage professional organizations such as accounting firms and law firms for assistance in its work at the expense of the Bank;
- To supervise the selection and appointment of directors;
- To make comprehensive assessment and conduct inquires to the directors, Supervisors and senior management on their performance of duties, to report the assessment results of the performance of duties to the general meetings, and to file the same to regulatory authorities;
- To organize audits on economic responsibilities of the directors and senior management upon resignation;
- To require corrections by directors and senior management where the behaviors of such directors and senior management harm the Bank's interests;
- To supervise the performance of duties of the directors and senior management, and to propose dismissal of directors and senior management who violate the laws, rules, Articles of Association of the Bank or resolutions of the general meetings;
- To represent the Bank to negotiate with the directors and senior management, or to bring the lawsuits against the directors and senior management according to the Company Law;
- To submit proposals to the general meetings;
- To propose the convening of extraordinary general meetings, to convene and preside over the general meetings when the Board of Directors fails to perform its responsibility of convening and presiding over the general meeting as required by the Company Law;
- To communicate with the banking regulatory authorities of the State Council regularly in relation to the condition of the Bank;
- To exercise other duties and powers which should be exercised by the Board of Supervisors as provided by laws, regulations, regulatory requirements and the Articles of Association of the Bank.



(iii) Meetings of Board of Supervisors

During the Reporting Period, the Board of Supervisors convened a total of ten meetings (including communication meetings), at which 28 resolutions were considered and approved, including the 2019 work report of the second session of the Board of Supervisors, the 2019 annual report of the Bank, the 2019 profit distribution plan, 2019 Performance Assessment Report of Supervisors, 2019 Performance Assessment Report of the Board and its members, 2019 Performance Assessment Report of senior management and its members, candidates for external Supervisors and shareholder Supervisors of the third session of the Board of Supervisors and candidates for employee Supervisors of the third session of the Board of Supervisors of the Bank.

The following table set out the attendance of Supervisors in 2020 at the meetings of the Board of Supervisors and the special committees thereof:

Supervisors	Board of Supervisors	Meetings of Nomination Committee	Meetings of Audit and Supervision Committee
Wang Xigui	10/10	5/5	–
He Heng	10/10	5/5	–
Lai Jiexiong	10/10	–	5/5
Mao Yunshi	10/10	5/5	–
Chen Dan	10/10	–	5/5
Shao Baohua	10/10	5/5	5/5
Huang Yong	10/10	–	5/5
Zhang Dalin ¹	1/10	–	0/5

Note:

- (1) In March 2020, Mr. Zhang Dalin resigned from his positions as a shareholder supervisor as he needs to devote more efforts to the operation and management of his other companies.

(IV) Special Committees of the Board of Supervisors

The Board of Supervisors established the Nomination Committee and the Audit and Supervision Committee. The Nomination Committee consist of five Supervisors, whereas the Audit and Supervision Committee consist of five Supervisors, and the chairmen are all served by external Supervisors.

1. Nomination Committee

As of the practicable date of the Report, the Nomination Committee of the Bank consisted of five Supervisors. The chairman was Mr. Zhan Liyuan and the members included Ms. Wang Xigui, Mr. Liang Bingtian, Ms. He Heng and Mr. Lai Jiexiong.

The key terms of reference of the Nomination Committee during the Reporting Period included:

- Studying the selection and appointment criteria and procedures for Supervisors;

CORPORATE GOVERNANCE REPORT

- Conducting preliminary review on the qualifications of supervisor candidates;
- Advising the Board of Supervisors on the number and composition of the Board of Supervisors;
- Conducting comprehensive evaluation of the performance of directors, Supervisors and senior management and reporting to the Board of Supervisors;
- Conducting extensive search for qualified candidates of Supervisors;
- Supervising the procedure of selection and appointment of the directors;
- Supervising on the scientificity and reasonableness of the remuneration management system and policy of the Bank and the remuneration plan of the senior management;
- Performing other duties as authorized by the Board of Supervisors.

In 2020, the Nomination Committee held five meetings, at which eight resolutions were considered and approved, including the 2019 Work Report of the Nomination Committee of the Second Session of the Board of Supervisors, the 2019 Performance Assessment Report of Supervisors, the 2019 Performance Assessment Report of Board and its members, the 2019 Performance Assessment Report of Senior Management and its members and the 2019 Measures for Assessment of the Chairman of Boards of Supervisors of Subsidiaries.

2. *Audit and Supervision Committee*

As of the practicable date of the Report, the Audit and Supervision Committee of the Bank consisted of five Supervisors. The chairman was Mr. Han Zhenping and the members included Mr. Shi Shuiping, Mr. Zhang Gang, Mr. Feng Jintang and Mr. Lai Jiexiong.

The key terms of reference of the Audit and Supervision Committee during the Reporting Period included:

- Supervising the performance of duties of the Board of Directors and its members and senior management;
- Conducting mid-term economic liability audit and off-office audit for the economic liability of directors and senior management by the Board of Supervisors;
- Formulating supervision programs for financial activities of the Bank and conducting related inspections;
- Supervising, examining or reviewing business decisions, risk management, internal control and fraud prevention of the Bank, as well as providing guidance for the internal audit department of the Bank;



- Conducting supervision and assessment over the performance of duties by the Board of Directors and senior management in respect of the key responsibilities including strategic planning, operation decisions, financial management, remuneration management, capital management, internal control, comprehensive risk management, liquidity risk management, compliance management, fraud prevention, Sannong financial services, related party transactions and anti-money laundering and reporting the same to the general meetings in accordance with the requirements, considering relevant audit reports in accordance with the requirements, and providing guidance for the internal audit department of the Bank;
- Supervising the Board of Directors in establishing sound business philosophy, value standard and formulating development strategies according to the actual situation of the Bank;
- Making periodical assessments on the scientificity, reasonableness and effectiveness of the development strategies formulated by the Board of Directors and forming the assessment reports;
- Performing other duties authorized by the Board of Supervisors.

In 2020, the Audit and Supervision Committee held five meetings, at which eleven resolutions were considered and approved, including the 2019 Work Report of the Audit and Supervision Committee of the Second Session of the Board of Supervisors (《第二屆監事會審計與監督委員會2019年度工作報告》), Comprehensive Risk Management 2019 Work Report and 2020 Work Plan (《全面風險管理2019年工作報告及2020年工作計劃》), 2019 Report on the Implementation of Strategic Implementation Plan (《2019年度戰略實施綱要執行情況報告》) and 2020 Strategic Implementation Plan (《2020年度戰略實施綱要》).

(V) Continuous Professional Development Program for Board of Supervisors

The Bank pays attention to the continuous training of the Supervisors. Through study, exchange and research, the Board of Supervisors strengthened the ability to perform duties. During the Reporting Period, the Board of Supervisors organized field research in various places where it gained in-depth insights into the pioneer supervisory experience of the board of Supervisors of other banks, organized advanced seminar in corporate governance of small-to-medium sized banks and training courses on corporate governance and regulatory assessment for members of the Board of Supervisors to participate in and carried out various training programs, such as Interpretation of the Supervision and Assessment Measures on the Corporate Governance of Banks and Insurance Institutions (Provisional), Interpretation of the Amendments to the New Securities Law and the Impact on Corporate Listings and Interpretation of the Provisional Administrative Measures on Financial Holding Companies, strengthening the study of regulatory policies, laws and regulations and the work practices of the Board of Supervisors; at the same time, the chairman of Board of Supervisors of the subsidiaries held a special training course on the improvement of the ability to perform duties, which enhanced the overall performing duties ability of the Supervisors.

CORPORATE GOVERNANCE REPORT

(VI) Work of External Supervisors

During the Reporting Period, the external Supervisors of the Bank performed their supervisory duties in strict accordance with relevant laws, regulations, the Bank's Articles of Association and relevant requirements for the performance of duties of Supervisors. They performed their duties diligently by taking part in the meetings of the Board of Supervisors on time, carefully studying and reviewing every proposals, participating in the general meetings, attending the meetings of the Board of Directors and its special committees, and expressing their opinions independently and impartially. Also, they devoted sufficient time and effort to participate in relevant supervision and inspections, investigation and research and training, which played a proactive role in facilitating the improvement of the Bank's corporate governance, internal control, risk prevention and control standards.

VI. SENIOR MANAGEMENT

The Bank has one president who shall be appointed or dismissed by the Board of Directors. The Bank has vice presidents, assistants to the president, certain business directors and one board secretary. The vice presidents, assistants to the president, business directors are appointed or dismissed by the Board of Directors according to the president's nomination. The board secretary shall be appointed or dismissed by the Board of Directors according to the chairman's nomination. The senior management members are in compliance with the laws and regulations and the qualifications as required by the banking regulatory institutions.

VII. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and relevant employees, the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries, all Directors and Supervisors confirmed that they have complied with the Model Code during the year ended 31 December 2020.

VIII. RELATIONSHIP BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

IX. AMENDMENT TO ARTICLES OF ASSOCIATION

No amendment to the Articles of Association was made by the Bank during the Reporting Period.

X. COMPANY SECRETARIES

Ms. Zheng Ying and Mr. Ngai Wai Fung are the joint company secretaries of the Bank, and the main internal contact person of the Bank is Ms. Zheng Ying. Each of the Directors can discuss with the company secretaries for seeking opinions and obtaining information. Ms. Zheng and Mr. Ngai have confirmed that they attended no less than 15 hours of relevant professional training during the Reporting Period.



XI. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

After Ernst & Young completed the review of the Group's 2018 interim financial statements, due to the expiry of the term of office, the Group replaced the auditor. Since the audit in 2018, PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers have been the Group's auditors of PRC standards and international standards, respectively.

In 2020, the Group engaged PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the auditor to audit the financial statements for 2020 (Chinese accounting standards), and engaged PricewaterhouseCoopers as the auditor to review the interim financial statements for 2020 (International Financial Reporting Standards) and audit the financial statements for 2020 (International Financial Reporting Standards). In 2020, the remunerations as agreed to be paid by the Group to the above auditors for the audit and review of the financial statements were RMB9.363 million in total.

XII. RISK MANAGEMENT, INTERNAL CONTROL AND INSIDE INFORMATION MANAGEMENT

For the Group's risk management and internal controls, please refer to section headed "Management Discussion and Analysis".

During the Reporting Period, in line with regulatory requirements and the actual situation of the Bank, the Bank established the daily working mechanism of inside information, strengthened the Bank's confidential information management and registration management of inside information through various means, established a record system at all levels of the Bank, and strengthened the management of inside information.

XIII. SHAREHOLDER'S RIGHTS

(1) Convening Extraordinary General Meetings

The Shareholders shall enjoy the following rights in accordance with the Articles of Association:

If the Board of Directors is unable or fails to perform its duties of convening the shareholders' general meeting, the Board of Supervisors shall convene the meeting in due course; if the Board of Supervisors does not convene the meeting, the shareholders who individually or jointly hold more than 10% of the Bank's shares for more than 90 consecutive days may convene such meetings on their own initiative. The Board of Directors shall provide a written response as to whether or not it agrees to convene the extraordinary general meeting within ten days upon receipt of the proposal in accordance with the requirements of the laws, regulations, regulatory requirements and the Articles of Association of the Bank;

If the Board of Directors agrees to convene the extraordinary general meeting, a notice convening such meeting shall be issued within five days after the resolution of the Board of Directors is passed. If the Board of Directors does not agree to convene the extraordinary general meeting, it shall provide reasons;

CORPORATE GOVERNANCE REPORT

In case the Board of Directors refuses to convene the extraordinary general meeting or class meeting, or does not give any response within 10 days upon receipt of the request, the shareholders who individually or jointly hold more than 10% of the voting shares at such proposed meeting shall have the right to propose to the Board of Supervisors for the convening of the extraordinary general meeting or class meeting, and shall make such request to the Board of Supervisors in the form of writing;

If the Board of Supervisors agrees to convene the extraordinary general meeting or class meeting, a notice convening the general meeting or class meeting shall be issued within five days upon receipt of the request. Changes made to the original request in the notice shall be approved by relevant shareholders; and

If the Board of Supervisors fails to give the notice of a general meeting or class meeting within the specified time limit, it shall be deemed to have failed to convene and preside over the meeting, in which case, the shareholders who individually or jointly hold more than 10% of the Bank's shares (such shares shall have voting rights at such proposed meeting) for more than 90 consecutive days may convene and preside over the meeting by themselves.

(2) Proposals to Shareholders' General Meetings

When the Bank convenes shareholders' general meetings, the Board of Directors, the Board of Supervisors and the shareholders who individually or jointly hold more than 3% of the total number of the Bank's shares carrying the right to vote shall be entitled to submit their proposals in writing to the Bank. The Bank shall include matters in the proposal which are within the scope of responsibilities of the shareholders' general meeting into the agenda.

Shareholders who individually or jointly hold more than 3% of the total number of the Bank's shares carrying the right to vote shall be entitled to submit temporary proposal 10 days prior to the convening of the shareholders' general meeting, and such proposal shall be made to the convener in writing. The convener shall, within 2 days upon receipt of the proposal, issue a supplementary notice of the shareholders' general meeting, and announce the contents of the temporary proposal. If otherwise specified in the listing rules of the stock exchange where the securities of the Bank are listed, such requirements shall be fulfilled at the same time.

(3) Enquires from Shareholders

If shareholders have any enquiries on matters relating to the H Shares held, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, etc., please send the enquiries in writing to the following address:

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



If shareholders have any enquiries on matters relating to the Non-overseas listed Shares held, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, etc., please send the enquiries in writing to the following address:

the Bank's Board of Directors' Office
No. 1 Huaxia Road, Tianhe District, Guangzhou, PRC
Tel.: (8620)28019324
Fax: (8620)22389227

(4) Management of Investor Relations

Shareholders and investors may send enquiries to the Board to:
the Bank's Board of Directors' Office
No. 1 Huaxia Road, Tianhe District, Guangzhou, PRC
Tel.: (8620)28019324
Fax: (8620)22389227
Email: ir@grcbank.com

(5) Information Disclosure

The Bank attaches importance to communication with shareholders, and seeks to improve understanding and communication among shareholders through various channels including general meetings, receiving guests and telephone consultation.

XIV. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AS SET OUT IN HONG KONG LISTING RULES

The Bank agrees to the principles contained in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to Hong Kong Listing Rules. The Company has been in full compliance with the provisions of the Code during the Reporting Period.

XV. REMUNERATION MANAGEMENT

In 2020, the Bank further improved its remuneration performance system, mainly formulated the Administrative Measures on Employees' Welfare of Guangzhou Rural Commercial Bank (《廣州農村商業銀行職工福利管理辦法》), and mainly revised the Measures on Employees' Performance Assessment of Guangzhou Rural Commercial Bank (revised in 2020) (《廣州農村商業銀行員工績效考核辦法(2020年修訂)》). In addition to the abovementioned systems formulated and revised in 2020, the Bank's current related remuneration systems include the Administrative Measures on Remuneration of Guangzhou Rural Commercial Bank (Trial) (《廣州農村商業銀行薪酬管理辦法(試行)》), the Administrative Measures on Deferred Payment of Remuneration of Guangzhou Rural Commercial Bank (《廣州農村商業銀行薪酬遞延支付管理辦法》) and the Administrative Measures on Performance Contract of Guangzhou Rural Commercial Bank (《廣州農村商業銀行績效合同管理辦法》). The Bank has established a remuneration and performance system in line with the organizational structure and position system of the Bank, and made use of the performance management system to conduct scientific assessments, thereby enhancing the external market competitiveness and internal fairness of remuneration. In addition, the Bank has established incentive and constraint mechanism in line with the requirements of the development of modern financial enterprises. The mechanism fully mobilized the employees' enthusiasm for work and effectively played the role of salary guarantee and incentive.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors hereby presents the Report of the Board of Directors together with the audited financial statements of the Group for the year ended 31 December 2020.

I. BUSINESS REVIEW

(1) Business Review

The Group is primarily engaged in PRC banking and related financial services, primarily including corporate banking, retail banking and financial market businesses.

Further discussion and analysis of the business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including the key risks and uncertainties faced by the Group and the possible future development plan of the Group's business, are set out in the sections headed "Management Discussion and Analysis" and "Directors, Supervisors and Senior Management" in this annual report. Such discussions form an integral part of this Report of the Board of Directors.

(2) Employment Relationship

The Bank always attaches importance to employees' work-life balance, strives to create a warm and harmonious working atmosphere, and works together to promote its business development.

The Bank continuously propelled the echelon training program for all kinds of professional talents, initially built a reserve of talent team including management trainees, "Post 80s and 90s Talent Plan" and "Plan of the Cultivators-Sannong financial service commissioners" to solve the problem of lacking talents gradually. Moreover, the Bank established a direct communication system between the leading group and all staff members and collected employees' opinions and suggestions in a timely manner, so as to build a positive working atmosphere.

The Bank stayed committed to the improvement of the professional level and occupational quality of staff. In 2020, the Bank went on perfecting our internal corporate university "Zhujiang Business School". By adhering to the learning philosophy of the "unity of knowledge and action" and focusing on the strategic development and major working requirements of the Bank, the Bank strengthened business drive, highlighted its market-oriented function, innovated online and offline learning methods, integrated resources inside and outside the Bank, promoted staff education and training throughout the Bank in a planned way, implemented the key talent training project tasks at the present stage, organized precise training, and fully empowered employees and the organization. In 2020, more than 450 training programs were organized and launched, which covered a total of over 50 thousand attendees across all levels of employees. Meanwhile, by fully leveraging on the advantages of the platform, the Bank built an air business school, conducted 202 online live training sessions, with more than 400,000 online participants; 240-hour online courses were provided for all employees in the Group and 90 hours of online learning per individual was recorded.



(3) Relationship with Customers and Suppliers

The Bank actively promotes the financial services of deposit customers, loan customers and interbank customers, and strives for customers' understanding, trust and support. The Bank insists on the market principle for all customers who apply for loans, especially related customers, and avoids special credit aid priority.

The Bank adheres to the principles of openness, fairness and impartiality, employs suppliers in the form of tenders, negotiations and price quotations, and maintains good communication and cooperation with various suppliers.

(4) The Environmental Policy and Performance of the Bank

The Bank is committed to the long-term sustainability of the environment and community in which it operates. The Bank acted in an environmentally responsible manner and tried its best to comply with laws and regulations concerning environmental protection, and took effective measures to make effective use of resources, save energy and reduce waste.

On top of the overall orientation of the annual basic credit policy, the Bank emphasized the promotion of green credit from the strategic perspective and speeded up the development of green financial service system, while formulating the segmented credit policy for industries, including green industry, strategic and emerging industry and NEVs industry and increasing support for green economy, low-carbon economy and circular economy. Meanwhile, customers and businesses in industries with high energy consumption, high pollution or over-capacity remained to be listed in the withdrawn and restricted category, and the policy of orderly exit and pressure reduction was implemented incessantly. The Bank strictly prohibited the creation of any form of credit support for projects with serious environmental protection violations, prevented environmental and social risks and improved its environmental and social performance. Thus, the credit structure was optimized and the service level was improved to better serve the real economy. This helped promoting the green transformation of the Bank's investment and financing structure and business development, and advocating the development of green credit.

The Bank also continued to promote the concept of low-carbon and environmentally-friendly operations, advocated the concept of "green office, energy conservation and environmental protection" and integrated it into the construction and operation of office premises and business outlets gradually. The Bank minimized printing, promoted paperless counters and green office, purchased energy-saving equipment, continued to reduce energy consumption and carbon emissions, and intensified efforts to cultivate employees' awareness of environmental protection and actively performed environmental protection work.

REPORT OF THE BOARD OF DIRECTORS

(5) Details of Major Events Affecting the Company that Occurred after the Review of the Financial Year

The Bank conducted a comprehensive review of 2020 financial performance in compliance with national laws and regulatory requirements and prepared the 2020 annual report. After the end of the annual financial review, the Bank did not have any events or cases that had a significant impact on the Bank.

(6) Permitted Indemnity Provision

According to code provision A.1.8, the Bank shall maintain appropriate insurance to cover the potential legal litigations initiated against directors of the Bank. In order to comply with such code provision, the Bank has purchased appropriate liability insurance for directors to provide indemnity for their liabilities incurred during the operations of the Bank for the year ended 31 December 2020.

No permitted indemnity provision previously or currently in effect benefitted the directors of the Bank (whether entered into by the Bank or by others) or the directors of the Bank's associates (if entered into by the Bank) at any time during the financial year and up to the date of the report of the Board of Directors.

(7) Equity-linked Agreement

During the year ended 31 December 2020, the Bank did not enter into any equity-linked agreement.

II. PROFITS AND DIVIDENDS

(1) Dividends

The revenue for the year ended 31 December 2020 and the financial condition of the Bank as at that date are set out in the "consolidated financial statements" in this annual report.

Pursuant to the resolution passed at the 2019 Annual General Meeting held on 22 May 2020, the Bank paid a dividend of RMB0.20 (tax inclusive) per share for 2019 to all shareholders in an aggregate amount of approximately RMB1.962 billion (tax inclusive). Such dividend was paid to the Shareholders whose names appeared on the register of members after the closing of market on 4 June 2020. Such dividends were denominated in Renminbi and paid to holders of non-overseas listed shares and holders of H shares in Renminbi and Hong Kong dollars, respectively. The exchange rate for dividend paid in Hong Kong dollars was the average middle rate of Renminbi against Hong Kong dollars for the five business days preceding the date of declaration of such dividend at the 2019 Annual General Meeting (i.e. 22 May 2020, inclusive) as announced by the PBOC (i.e. HK\$1.00 to RMB0.91517), and the final dividend per H Share was HK\$0.21854 (tax included). Such dividend was paid on 22 June 2020.



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has proposed the payment of a cash dividend of RMB0.2 (tax inclusive) per share for 2020 to all shareholders in an aggregate amount of approximately RMB1.962 billion (tax inclusive). The payment of such dividend is subject to consideration at the 2020 Annual General Meeting, and, if approved, such dividend is expected to be paid on or before 31 July 2021 to our non-overseas listed shareholders and H shareholders. Such dividend will be denominated in Renminbi, and paid to the non-overseas listed shareholders and H shareholders in Renminbi and Hong Kong dollars, respectively. The exchange rate for dividend to be paid in Hong Kong dollars shall be the average middle rate of Renminbi against Hong Kong dollars for the five business days preceding the date of declaration of such dividend at the 2020 Annual General Meeting (inclusive) as announced by the PBOC. For details of the distribution of annual dividend of the Bank, please see the circular of 2020 Annual General Meeting of the Bank.

The Bank has not proposed any resolutions to convert the capital reserve to increase the share capital in the past three years. The cash dividend distribution for ordinary shareholders of the Bank for the past three years is as follows:

Item	2019	2018	2017
Distribution amount per share (tax inclusive, RMB)	0.2	0.2	0.2
Cash dividend (tax inclusive, RMB100 million)	19.62	19.62	19.62
Percentage of net profit attributable to the Bank (%)	25.91	30.06	34.36

(2) Tax on Dividends

According to the applicable provisions of the "Enterprise Income Tax Law of the People's Republic of China" and the "Individual Income Tax Law of the People's Republic of China" and its implementation rules, for the non-overseas listed shares and the holding of the Bank's shares via Hong Kong Stock Connect, the Bank shall withhold and pay the individual income tax at the rate of 20% according to the national tax law for the dividends of natural person shareholders, while corporate shareholders shall make its own declaration in accordance with the requirements of the national tax law.

Taxes on dividend of H Shares are subject to the Hong Kong tax law.

According to the Enterprise Income Tax Law and its implementation rules, both effective on 1 January 2008, before distribution of dividends, the Bank shall withhold and pay the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose names appear on the Bank's register of members for H Shares.

According to the Notice on Issues Concerning Taxation and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the Bank shall withhold and pay individual income tax for individual holders of H Shares.

REPORT OF THE BOARD OF DIRECTORS

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries or regions which have an agreed tax rate of 10% under the relevant tax treaties with the PRC, the Bank will withhold and pay individual income tax at the rate of 10% on behalf of such shareholders.

If the individual holders of H Shares are residents of the countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Bank will withhold and pay individual income tax at the rate of 10% on behalf of such shareholders. If such shareholders claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Bank can apply on behalf of such shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment, provided that the relevant shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement, 2019, No. 35) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to approval of the competent tax authority.

If the individual holders of H Shares are residents of the countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Bank will withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such shareholders.

If the individual holders of H shares are residents of the countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Bank will withhold and pay individual income tax at the rate of 20% on behalf of such shareholders.

(3) Dividend Distribution Policy

The Bank emphasizes reasonable investment return to investors in regard to its profit distribution, maintains continuity and stability of profit distribution policy, and takes into account the interests of all shareholders as a whole and the sustainable development of the Bank. The remaining after-tax profits of the Bank after making up losses, contributing to the statutory reserve fund and general reserve and payment of dividends of preference shareholders may be distributed based on the proportion of shares held by the shareholders according to the profit distribution plan approved by the shareholders' general meeting. The payment of dividends on preference shares shall be executed in accordance with laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authority of the place where the shares of the Bank are listed and the place where the preference shares are issued or the place where the shares of the Bank are listed, and the Articles of Association of the Bank.

The Bank's cash dividend policy, which has been commented by the Independent Non-executive Directors, accords with the provisions stipulated in the Articles of Association and the requirements provided in the resolutions of the shareholders' general meeting. The dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Minority shareholders can fully express their opinions and appeals, to completely safeguard their legitimate rights.



III. ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For details of the 2020 Annual General Meeting and closure of register of members, please refer to the notice of 2020 Annual General Meeting and the circular of the Bank.

IV. RESERVES

Details of the movements of the Group's reserves available to Shareholders for the year ended 31 December 2020 are set out in the consolidated statement of changes in equity.

V. SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's operating results, assets and liabilities for the year ended 31 December 2020 is set out in the summary of financial data in this annual report.

VI. DONATIONS

Donations made by the Group during the year ended 31 December 2020 for charitable and other purposes amounted to RMB5.3896 million. Sun Charity Foundation, which was established by the Bank, made an external donation of RMB7.07 million.

VII. PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group for the year ended 31 December 2020 are set out in note 2 "Property and Equipment" to the "Financial Statements" of this annual report.

VIII. RETIREMENT BENEFITS.

Details of the retirement benefits provided to employees of the Group are set out in note 34 "Salaries, bonuses, allowances and subsidies payable" to the "Financial Statements" of this annual report.

IX. ULTIMATE PARENT AND ITS SUBSIDIARIES

Details of the Bank's ultimate parent and its subsidiaries as at 31 December 2020 are set out in the relevant sections of "Changes in Share Capital and Shareholders" and notes to the "Financial Statements" of this annual report, respectively.

X. PURCHASE, SALE AND REDEMPTION OF SHARES OF THE BANK

During the Reporting Period, the Bank and its subsidiaries did not purchase, sell or redeem any shares of the Bank.

REPORT OF THE BOARD OF DIRECTORS

XI. PRE-EMPTIVE RIGHTS

The Articles of Association and relevant PRC laws did not grant the shareholders of the Bank the terms of pre-emptive rights. The Articles of Association provide that based on the requirements for operation and development and in accordance with laws and regulations and the Articles of Association, after the Shareholders' general meeting has made its resolution and the approval has been obtained from the banking regulatory authorities of the State Council, the Bank may increase its registered capital in the following ways: offering new shares to non-specific investors; issuing new shares to specific investors; allotting new shares to existing Shareholders; distributing new shares to existing Shareholders; converting capital reserve into share capital; or any other methods approved by laws and administrative regulations.

XII. MAJOR CUSTOMERS

As at the end of the Reporting Period, the balance of the Bank's loans to any single borrower did not exceed 10% of the Bank's net capital. The interest income from the five largest customers of the Bank did not exceed 30% of the Bank's total interest income. Mr. Su Zhigang, a non-executive Director of the Bank, and his close associates own 100% equity interest of Zhuhai Chimelong Investment & Development Co., Ltd., one of the five largest customers mentioned above. Save as disclosed above, none of the directors of the Bank and their close associates or any shareholder which to the knowledge of the directors own more than 5% of the number of issued shares of the Bank had any interest in the abovementioned five largest customers.

XIII. SHARE CAPITAL

Details of the movement in share capital of the Bank during the Reporting Period are set out in note 35 "Share Capital" to the "Financial Statements" of this annual report.

XIV. TOP TEN SHAREHOLDERS AND SHAREHOLDINGS

The top ten Shareholders and their shareholdings as at the end of 2020 are set out in "Changes in Share Capital and Shareholders" of this annual report.

XV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The list of the members of the Board of Directors, and details of their biographies and changes as at the end of the Reporting Period are set out in "Directors, Supervisors and Senior Management". Such section also forms an integral part of the report of the Board of Directors.

XVI. CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received from each of its independent non-executive Directors the annual confirmation of his/her independence. The Bank considers that all independent non-executive Directors are in compliance with the relevant guidelines set out in Rule 3.13 of the Hong Kong Listing Rules, and are accordingly independent.



XVII. FINANCIAL, BUSINESS AND FAMILY RELATIONSHIP BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

XVIII. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

XIX. DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those continuing connected transactions which can be exempted from the reporting, annual review, announcement and independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules, no director or supervisor of the Bank or entities related to such persons had a material interest, whether directly or indirectly, in material transactions, arrangements and contracts in relation to the Group's businesses to which the Bank, its holding company, any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period (excluding service contracts).

XX. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Directors and Supervisors entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

XXI. MANAGEMENT CONTRACTS

As of the end of the Reporting Period, there was no management and administrative contract in respect of all or any of the principal activities being entered into by or existed in the Bank.

XXII. DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors and Supervisors had any interest in businesses that constitute or may constitute competition, directly or indirectly, with the business of the Bank.

XXIII. CORPORATE GOVERNANCE

During the Reporting Period, the Bank continued to refine its corporate governance mechanism and improve its corporate governance in strict compliance with laws and regulations such as the Company Law of the People's Republic of China, the Commercial Banking Law of the People's Republic of China as well as the Listing Rules and in line with actual conditions of the Bank.

During the Reporting Period, the Bank had been observing and complying with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Meanwhile, the Bank had been complying with most of the recommended best practices set out in the aforementioned code.

REPORT OF THE BOARD OF DIRECTORS

XXIV. CONNECTED TRANSACTIONS

The transactions entered into among the Bank and its connected persons (as defined in the Hong Kong Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules, subject to the exemption from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all connected transactions and confirmed that such transactions were in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the IASB. Related party transactions set out in note 46 to the consolidated financial statements do not constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules.

During the Reporting Period, the connected transactions of the Bank were entered into in the ordinary course of business on normal commercial terms, and were in compliance with the disclosure exemption requirement under the Hong Kong Listing Rules.

XXV. REMUNERATION POLICY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank has endeavored to improve its remuneration management measures and performance assessment systems for its directors, supervisors and senior management under the guidance of relevant policies of the PRC.

The remuneration of the Directors, Supervisors and senior management personnel appointed by the municipal party committees shall be implemented in accordance with the requirements of relevant regulatory authorities. The remuneration of independent non-executive Directors, non-executive Directors, external Supervisors and shareholder Supervisors of the Bank include basic salary and allowances. The Bank's remuneration policy for other senior management is based on the principle of combining rights, responsibility and benefits, taking into account short-term benefits and long-term incentives, and governmental regulation and market adjustment, and has defined a structured remuneration system comprising basic salary, performance-based salary, allowances and subsidies as well as medium and long-term incentives.

The Bank participates in various statutory contribution retirement plans of Chinese governmental organizations of different levels for its employees including directors, supervisors and senior management. Since the State has not issued relevant policies, the Bank has not implemented mid-term and long-term incentive plans for directors, supervisors, senior management and other staff members.

XXVI. SUFFICIENT PUBLIC FLOAT

As of 31 December 2020, the public float for H Shares was 18.56%. Based on information that is publicly available to the Bank and to the knowledge of the directors, as at the date of this report, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange.





XXVII. TAX RELIEF (H SHAREHOLDERS)

(1) Non-resident Shareholders

Pursuant to the relevant requirements of Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and related implementation rules, Notice of the State Administration of Taxation on Issues Relating to PRC Resident Enterprises' Withholding Enterprise Income Tax in Respect of Dividends to Be Received by Non-resident Enterprise Holders of H Shares (Guoshuihan [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) and Notice of the State Administration of Taxation on Delivering the Table of Negotiated Dividends and Interest Rates to Lower Levels (Guoshuihan [2008] No. 112) (《國家稅務總局關於下發協議股息稅率情況一覽表的通知》(國稅函[2008]112號)), the Bank shall temporarily withhold the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose names appear on the register of members in respect of H shares. The effective tax rate will be subjected to the tax treaty.

(2) Non-resident Individual Shareholders

According to Guoshuihan [2011] No. 348 documents issued by the State Administration of Taxation, the Bank should sign the taxation agreements with the PRC for countries that our non-resident individual holders of H shares reside in and the regulation on taxation arrangements between the Mainland and Hong Kong (Macau) for the entitlement of relevant preferential tax.

1. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a tax rate lower than 10%, the Bank will apply for the relevant entitlements thereunder on their behalf.
2. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a 10% tax rate, the Bank will withhold individual income tax at the rate of 10%.
3. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a tax rate between 10% and 20%, the Bank will withhold individual income tax at the actual rate agreed thereunder.
4. As for non-resident individual holders of H shares in countries which have no tax agreement with China or are under any other circumstances, the Bank will withhold individual income tax at the tax rate of 20%.

XXVIII. USE OF PROCEEDS

During the Reporting Period, there was no additional fund raising of the Bank. On 23 March 2018, the Bank completed the issuance of the tier-two capital bonds in the total amount of RMB10 billion in the national inter-bank bond market. The proceeds from the issuance of the tier-two capital bonds, after deducting the issuance expense, have all been used to replenish the capital of the Bank and put into operation together with other funds of the Bank.

The Bank issued the non-cumulative perpetual offshore preference shares in the size of USD1.43 billion on 20 June 2019. The proceeds raised from the Offshore Preference Shares issuance, after deduction of the expenses relating to the issuance, were used to replenish the Bank's additional tier 1 capital.

REPORT OF THE BOARD OF DIRECTORS

XXIX. ISSUE OF DEBENTURES

For the issue of debentures by the Bank, please refer to “Changes in Share Capital and Shareholders – Issue, Purchase, Sale and Redemption of Securities” of this annual report.

XXX. SOCIAL RESPONSIBILITY

In 2020, the Bank was committed to supporting the entity economy, serving for “Sannong” business to solve the financing difficulties of small and medium-sized enterprises, and to offer strong financial support for the construction of Guangdong-Hong Kong-Macao Greater Bay Area. The Bank improved the service system and quality of outlets to provide considerate services to the general public. The Bank protected rights and interests of employees, cared for their health, and focusing on the cultivation, demands, well-being of employees. The Bank practiced charity, carried out precision poverty alleviation in multi dimensions for better effective combination of high quality development and social responsibilities. The Bank actively developed green credit, optimized green services, carried out prevention and control of environmental risks, advocated green operation, in order to contribute to win the battle against pollution and protect our motherland.

In addition, because of the business nature of the Bank, current environmental laws and regulations do not have a significant impact on the Bank.

XXXI. SUBSEQUENT EVENTS

In light of the strategic planning adjustments, the Bank decided to withdraw its application for A Share Offering after careful consideration and was accepted by the CSRC on 29 December 2020. The Bank is actively considering other suitable channels in the capital markets to seek a diversified financing path.

XXXII. OTHERS

As far as the Board of Directors is aware, the Bank has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Bank.

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 to the Hong Kong Listing Rules, a code of conduct regarding securities transactions by the Directors, Supervisors and relevant employees.

Having made specific enquiries with all Directors and Supervisors, all Directors and Supervisors have confirmed that they have complied with the aforesaid code for the year ended 31 December 2020.

During the Reporting Period, the Bank was not aware that any Shareholder had waived or agreed to any arrangement to waive dividends.

During the Reporting Period, none of the Directors waived or agreed to relevant arrangement to waive remuneration.

During the Reporting Period, the Bank had not pledged any significant assets.

During the Reporting Period, there were no significant contracts entered into between the Bank or any of its subsidiaries and a controlling Shareholder or its subsidiaries.



REPORT OF THE BOARD OF SUPERVISORS



In 2020, the Board of Supervisors of Guangzhou Rural Commercial Bank Co., Ltd. (hereinafter referred to as the "Bank") strictly followed the Company Law, the "Guidelines for Work of Board of Supervisors of Commercial Banks" and other laws and regulations and the relevant requirements of the Articles of Association. The Bank conscientiously implemented the work requirements of the regulatory authorities; with the general working concept of "improving internal control, strengthening risk management and improving supervision quality and efficiency", the Bank took a bold approach, took the initiative to put forward the idea of improving and strengthening the supervision system of the Bank, and laid a solid foundation for the supervisory work of the performance of the Board of Directors and senior management and its members, financial activities in the industry, internal control and risk management, effectively improving the corporate governance, risk prevention and internal control standards of the Bank.

(I) COMPOSITION OF BOARD OF SUPERVISORS

As at the end of 2020, the Board of Supervisors of the Bank consisted of seven Supervisors, comprising three employee representative Supervisors (being Ms. Wang Xigui, Ms. He Heng and Mr. Lai Jiaxiong); three external Supervisors (being Mr. Mao Yunshi, Mr. Chen Dan and Mr. Shao Baohua); and one shareholder Supervisor (being Mr. Huang Yong).

The Nomination Committee established by the Board of Supervisors consisted of four Supervisors, and the chairman was Mr. Mao Yunshi, external supervisor. The Audit and Supervision Committee established by the Board of Supervisors consisted of four Supervisors, and the chairmen was Mr. Shao Baohua, external supervisor.

(II) MEETINGS OF BOARD OF SUPERVISORS

In 2020, the Board of Supervisors convened a total of ten meetings, at which 28 resolutions were considered and approved, including the 2019 work report of the Board of Supervisors, the 2019 performance assessment report of Supervisors, directors and senior management and its members, candidates for external Supervisors, shareholder Supervisors and employee Supervisors of the third session of the Board of Supervisors, the 2019 annual report of the Bank, the 2020 interim result report, the 2019 profit distribution plan and 2019 Internal Control Assessment Report. Fourteen matters were reported, including the 2019 work report and 2020 work plan on internal audit, 2020 Work Report on Risk Management, Implementation of the Management Proposal of the Board of Supervisors (No. 2 of 2020) Rectification Report.

The Nomination Committee of the Board of Supervisors held a total of five meetings, at which eight resolutions were considered and approved, including the 2019 Work Report of the Nomination Committee of the Second Session of the Board of Supervisors, the 2019 performance assessment report of Supervisors, directors and senior management and its members and candidates for external Supervisors, shareholder Supervisors and employee Supervisors of the third session of the Board of Supervisors. One matter was reported, namely, the resignation of Mr. Zhang Dalin as the Supervisor of the Board of Supervisors.

The Audit and Supervision Committee of the Board of Supervisors held a total of five meetings, at which eleven resolutions were considered and approved, including the 2019 Work Report of the Audit and Supervision Committee of the Second Session of the Board of Supervisors (《第二屆監事會審計與監督委員會2019年度工作報告》), 2019 Report on the Implementation of Strategic Implementation Plan (《2019年度戰略實施綱要執行情況報告》) and 2020 Strategic Implementation Plan (2020年度戰略實施綱要》). Four matters were reported, including the the 2020 Special Audit Report on Related Party Transactions.

REPORT OF THE BOARD OF SUPERVISORS

III. SUPERVISION WORK OF THE BOARD OF SUPERVISORS

(I) Improving and Strengthening the Bank's Supervision System, promoting the improvement of corporate governance, internal control management and the compliance of operation and management.

In order to meet the requirements of improving the corporate governance mechanism and supervision system development of the Bank, in early 2020, the Board of Supervisors of the Bank put forward the "Implementation Opinions of the Board of Supervisors on Improving and Strengthening the Bank's Supervision System" from the perspective of the prevention of risk and consolidation of foundation, establishing the "1+2+3" supervision system of multi-level, full-coverage and grid-based, aiming to strengthen the management of the Bank's internal control and risk prevention from the system and mechanism. As of the end of 2020, the Bank has achieved preliminary results in the construction of the supervision system, which has strengthened the main responsibilities of the governance and management departments and business organizations, improved the internal audit supervision system and internal control system, improved the internal supervision mechanism, created a good supervision atmosphere with full participation and strengthened the re-supervision function of the Board of Supervisors. The Board of Supervisors has mainly carried out the following aspects of work:

Firstly, combining daily supervision and special supervision and promoting the initiative to assume supervisory responsibilities at all levels. By adopting various supervision methods such as access to information, listening to reports, special supervision and on-site inspection, the Bank followed up with the Board of Directors, senior management and relevant departments to ensure the construction of the Bank's supervision system, conducted routine supervision, verified their performance and the results of supervision, promptly identified deficiencies in the promotion process and urged them to perform their duties effectively. On the one hand, the Bank promoted the reform of the internal audit supervision system, adjusted the management structure, integrated the Bank's internal audit resources, supplemented the audit capability, enhanced the planning of audit, improved the long-term mechanism for rectification, improved the internal control assessment and established an authoritative and efficient internal audit supervision system. On the other hand, the Bank promoted the improvement of our internal control system and raise the level of risk prevention and control. The Bank was promoted to carry out system review, system re-examination, business system blank check, system hard control check, system execution check, etc., establish an automated management system library and carry out inspection of 153 system implementation. At the same time, during the Reporting Period, the Board of Supervisors carried out special supervisions on key part and key risk points, including financial market business and connected transactions. Through a series of measures, the Board of Supervisors made an active role in identifying problems, reflecting defects and regulating internal control.



REPORT OF THE BOARD OF SUPERVISORS



Secondly, the Bank supervised and guided operational institutions to carry out effective exploration to strengthen the front-end internal control. The Board of Supervisors of the Bank repeatedly visited the grass-root level to investigate and verify whether the management departments of the head office have fulfilled their Supervisory and management duties for the business organizations, and urged the branches to strengthen the front-end internal control; the Bank selected representative branches as a pilot program and promulgated the “Proposal on Optimizing Internal Control Management of Branches”. At the same time, the Board of Supervisors of the Company shall, in light of the actual situation, promote the construction of an internal supervision system in its subsidiaries and solidify its internal control.

Thirdly, the Bank dug into the root causes of problems and promoted the improvement of the internal control system. In response to problems identified by the regulatory authorities and the Supervisory authorities in the industry, internal and external Supervisory inspections were conducted to identify problems and rectify the accounts; regular rectification and supervision work were carried out to verify the rectification of internal and external supervision and inspection issues, and to strengthen the supervision and prompting of the problems that have not been rectified. At the same time, the Board of Supervisors dug deep into the root causes of the problem, reflected deeply on the weak links in the system and process of the Bank, urged the internal departments to formulate and improve the relevant management system in a timely manner, and constantly improved the internal control system.

(II) Carrying out duty performance supervision and evaluation in an in-depth manner, promoting the governance level to perform its duties effectively in accordance with the law

The Board of Supervisors of the Bank continued to deepen the supervision and evaluation of the performance of the governance level, adopted a combination of proactive supervision and annual evaluation, and focused on the performance of duties of the Board of Directors and senior management in the areas of corporate governance, development strategy, operation management, internal control and risk management.

Firstly, strengthening process supervision of the performance of the Board of Directors and senior management and its members. During the Reporting Period, the Board of Supervisors of the Bank, in addition to attending meetings of the Board of Directors, president office and senior management, has also established the performance files of the Directors, Supervisors and senior management. In accordance with the duty performance materials including the quarter performance report of the directors and the reports of meetings of the professional committees of senior management, the Board of Supervisors conducted interviews and discussions on a timely basis with the Directors, senior management and the officers of the relevant departments of the Bank in relation to the emerging issues, formulated and implemented the strategic outlines for the Board of Directors, senior management and its members, formulated and implemented financial decisions, improved the performance of duties of areas including internal control and risk control system and conducted proactive supervision.

REPORT OF THE BOARD OF SUPERVISORS

Secondly, carrying out annual strategic performance supervision. Based on the regulatory requirements and the Bank's practice, the Board of Supervisors will actively explore the ways and means of supervising the performance of the Board of Directors and senior management and their members. The Board of Supervisors evaluated the implementation of the 2019 strategy outline and formed an evaluation report, which put forward the continuous attention of the quality of capital. The Board of Supervisors actively guided the development of loans for inclusive financing and micro and small loans with "double increases and controls", strengthened the evaluation and suggestion on aspects including guidance of the development strategy of the Bank, assisted the implementation of the strategy, and promoted effective performance of duties of strategic management by the Board of Directors and senior management and its members Duties.

Thirdly, improving its performance assessment mechanism and conducting 2019 annual performance evaluation. The Board of Supervisors improved the evaluation measures for the performance of Supervisors, directors, senior management and its members in strict accordance with all the regulatory requirements. The Board of Supervisors combined aspects including day-to-day performance of the governance level, completion of business goals and strategic goals of the Bank and implementation of regulatory opinions. From the perspective of compliance with laws and regulations, due diligence and integration of supervision, the Board of Supervisors of the Bank carried out the 2019 performance evaluation work of the "two sessions and one level" and its members, and formed a performance evaluation report. The Board of Supervisors reported results of performance evaluation to the shareholders' general meeting and regulatory authorities as required, which strengthened the role of strategic guidance while affirming the achievements. The Board of Supervisors further refined the relevant work of the special committees and the improving suggestions including continuation to improve the risk management and control mechanism, promoted corporate governance related parties including the "two sessions and one level" to better perform their duties diligently.

(III) Adhering to "Overall Penetration with Emphases", continuously innovating the ways and methods of supervision

Firstly, attending various meetings and giving opinions and suggestions. When joining the Party committee, the Board of Supervisors, the shareholders' general meeting and attending important meetings including meetings of the Board of Directors and its committees, presidents office, professional committees of senior management and risk management conferences, the Board of Supervisors strengthened the supervision of the decision-making process of the "Three Importance and One Large". From the perspectives including strengthening legality and compliance of major decisions, improving corporate governance, strengthening risk prevention and internal control measures, the Board of Supervisors expressed opinions and suggestions in a timely manner. During the Reporting Period, the Board of Supervisors of the Bank attended more than 180 important meetings of all kinds and provided necessary reminders or suggestions on the risks involved in the relevant issues.



REPORT OF THE BOARD OF SUPERVISORS



Secondly, keeping abreast of relevant important information and strengthening the review and verification of important materials and key issues. During the Reporting Period, the Board of Supervisors of the Bank, through reviewing important information such as annual report, interim report, Board meeting materials and special audit report, put forward more than 100 suggestions and advice on important matters such as unified credit management, accountability management, information management, information technology planning and anti-money laundering management. At the same time, the Board of Supervisors interviewed the relevant officials of the internal audit department, compliance and risk control department and financial market lines, as well as the officials of the relevant subsidiaries, focusing on key issues such as internal audit and internal control compliance, financial market business and management of subsidiaries.

Thirdly, combining examination and investigation, enhancing the precision of the supervision work. The Board of the Supervisors combined the focus of the regulatory authorities and core work in the industry. During the Reporting Period, the Board of Supervisors organized 9 special supervision projects, including financial market business, connected transactions and online new loan business, carried out 4 in-depth research and development activities with branches and subsidiaries in relation to topics including the construction of the supervision system, process and efficiency and listened to the opinions and suggestions of the grass-root level. Each of the Supervisory inspections and the special investigations has formed a special report, and issued eight management proposals and four Supervisory reports to the Board of Directors, senior management and relevant departments of the industry in a timely manner, playing a role in areas including facilitating the improvement of the approval process for the financial market business and the strengthening of the unified credit, strengthening the supervision of strategic process and enhancing the effectiveness of the implementation of strategies, improving the structure of the wealth management business and strictly controlling the risk of wealth management investment business, strengthening the management of related party transactions and strengthening the construction of a comprehensive risk management system.

Fourthly, strengthening the integration of internal and external supervision resources and forming supervision synergies. In the daily work, the Board of Supervisors focused on making good use of various internal and external supervision resources. On the one hand, the Board of Supervisors strengthened its ties with the internal audit department, internal control compliance and risk management departments, effectively utilized the results of its supervision and inspection, regularly listened to its work reports, put forward work requirements on key issues and evaluated and guided the audit and supervision affairs. On the other hand, the Board of Supervisors made full use of external expertise, implemented the communication mechanism between the Board of Supervisors and external auditors and strengthened communication with the regulatory authorities. The Board of Supervisors strengthened the communication and collaboration with the external auditors, organized the convening of communication meetings of the external auditors, communicated on matters relating to the annual audit work and discovering key issues in the audit process and issued the Letter on Key Issues of the Board of Supervisors, putting forward key is-sues of the Board of Supervisors in 2020. At the same time, the Board of Supervisors regularly reported on special projects regarding the work of the Board of Supervisors to the regulatory authorities and listened to their professional guidance. Through the integration and utilization of internal and external supervision resources, the overall supervision effect of the Bank has been enhanced.

REPORT OF THE BOARD OF SUPERVISORS

Fifthly, effectively using the written carrier to propose management suggestions in a timely manner on problems identified during the supervision process. During the Reporting Period, the Board of Supervisors of the Bank issued 8 management proposals, 3 remedial notes and 4 Supervisory reports. Senior management attached great importance to the advice and suggestions of the Board of Supervisors and designated the specialized departments to lead the implementation of the rectification, effectively improving the compliance standards of the Bank.

(IV) Exploring and strengthening the management and guidance of the chairman of the Board of Supervisors of the subsidiaries, promoting the management of the operation of the subsidiaries

In order to strengthen the management of the 30 subsidiaries of the Bank, the Board of Supervisors of the Bank extended the chain of supervision, actively explored the management of duty performance and work guidance of the Board of Supervisors of the subsidiaries, promoted the role of the Board of Supervisors in the corporate governance of the subsidiaries and enhanced the governance and standards of risk prevention and control.

Firstly, organizing and carrying out the assessment and evaluation of the chairman of the Board of Supervisors of the subsidiaries in 2019. The Board of Supervisors carried out annual assessment and evaluation work in light of the daily work performance and achievements of the chairman of the Board of Supervisors of the subsidiaries, and formed an assessment and evaluation result to report to each subsidiary, so as to enhance the incentive and restraint function of assessment. At the same time, the Board of Supervisors interviewed the chairman of the Board of Supervisors of the subsidiaries with unsatisfactory annual assessment results in order to urge them to perform their duties effectively, to promote the strengthening of the Board of Supervisors of the subsidiaries, so as to give full play to their supervisory role in the governance of the subsidiaries.

Secondly, strengthening the daily supervision and special supervision over the chairman of the Board of Supervisors of the subsidiaries. On the one hand, the Board of Supervisors urged the chairman of the Board of Supervisors to submit work reports regularly and to effectively carry out supervision work by rectifying the ledgers with internal and external inspection issues, regularly tracked and evaluated the operation of the Board of Supervisors of the subsidiaries on a quarterly basis and regularly reported on the process of completion and the rectification of problems arising from the daily performance of the Board of Supervisors of the subsidiaries. During the Reporting Period, the Board of Supervisors of each subsidiary was instructed to issue 138 management proposals and risk warning letters to promote the supervision effectiveness of the Board of Supervisors of the subsidiaries. On the other hand, we carried out targeted inspections on the operation of the Board of Supervisors of our subsidiaries and the performance of the duties of the Board of Supervisors. During the year, two subsidiaries were selected to carry out on-site inspections, identified problems in a timely manner and proposed to improve the infrastructure of the Board of Supervisors, focus on the supervision, and supervise responsibilities and other suggestions to effectively promote the performance of duties by the Board of Supervisors of the subsidiaries.



REPORT OF THE BOARD OF SUPERVISORS



Thirdly, strengthening training and guidance and providing performance support. In order to fully comprehensively improved the ability of the chairman of the Board of Supervisors of the subsidiaries to perform duties, the Board of Supervisors continued to make use of training platforms including "Interpretation Today" (《今日解讀》) and "Learning and Sharing" (《學習分享》) with topics including corporate governance and the performance of duties of the Board of Supervisors, interpreted the latest regulatory policies, shared advanced peer experience and good practices of the Board of Supervisors and produced and issued the materials of the twenty-third training session. At the same time, the Board of Supervisors held the first special training session on the improvement of the ability to perform duties, organized and convened seminars on the construction of the Board of Supervisors of the subsidiaries and shared the experience of supervision, effectively improving the business capability and performance standards of the chairman of the Board of Supervisors of the subsidiaries.

(V) Strengthening the self-development of the Board of Supervisors, enhancing the ability of Supervisors to perform duties

Firstly, proactively optimizing the working system of the Board of Supervisors and further improving the duty performance guarantee mechanisms of the Board of Supervisors. The Board of Supervisors formulated Implementation Rules for the File Management of the Work of the Board of Supervisors of Guangzhou Rural Commercial Bank, and compiled and archived the work files of the Board of Supervisors, ensuring the standard and scientific file management of the Board of Supervisors.

Secondly, strengthening the training and exchange mechanism of the Board of Supervisors and enhancing the ability of Supervisors to perform duties. During the Reporting Period, the Board of Supervisors organized on-the-spot investigations at various sites for Supervisors to learn from the advanced experience of the construction and performance of the Board of Supervisors in the industry. At the same time, the Board of Supervisors organized advanced seminar in corporate governance of small-to-medium sized banks and training courses on corporate governance and regulatory assessment for members of the Board of Supervisors to participate and carried out various training programs such as Interpretation of the Supervision and Assessment Measures on the Corporate Governance of Banks and Insurance Institutions (Provisional), Interpretation of the Amendments to the New Securities Law and the Impact on Corporate Listings and Interpretation of the Provisional Administrative Measures on Financial Holding Companies, strengthening the study of regulatory policies, laws and regulations and the work practice of the Board of Supervisors, in order to enhance the overall performing duties ability of the Supervisors through forms including learning, exchanging and researching.

IV. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

Legal operation of the Bank: During the Reporting Period, the Board of Directors and senior management of the Bank determined to operate in accordance with the laws, and the decision-making procedures complied with laws, regulations and the relevant provisions of the Articles of Association of the Bank. The Board of Supervisors was not aware of any performance of it that were in breach of the laws, regulations and the Articles of Association of the Bank and jeopardized the interest of the Bank.

REPORT OF THE BOARD OF SUPERVISORS

Preparation of regular reports: During the Reporting Period, the Board of Supervisors reviewed the 2019 annual report and 2020 interim result report of the Bank, and considered that its procedures of preparation and approval were in compliance with relevant laws, regulations and regulatory requirements, and these reports give a true, accurate and complete view of the financial positions and operating results of the Bank.

Profit distribution plan: During the Reporting Period, the Board of Supervisors reviewed the 2019 Profit Distribution Plan of the Bank, and considered that the profit distribution plan complied with the relevant provisions of laws, regulations and the Articles of Association, and was in the interests of the shareholders as a whole, which was beneficial to the long-term development of the Bank.

Formulation and implementation of strategy: After its assessment on the development strategy in terms of scientific standard, rationality and effectiveness, the Board of Supervisors considered that the comprehensive and scientific strategy outline of the Bank has been implemented well, allowing the Bank to make progress in key areas effectively.

Implementation of resolutions passed at general meeting(s): The Board of Supervisors supervised the implementation of resolutions passed at general meeting(s), and concluded that the Board of Directors and the senior management were able to duly implement such resolutions.

Performance of the Board of Directors and senior management and their members: During the Reporting Period, the Board of Supervisors appraised the performance of the Board of Directors and senior management and their members over 2019, and reported result of the performance appraisal to the general meeting and regulatory authority. The result of such performance appraisal was competence and above.

Internal control and risk management: During the Reporting Period, the Board of Supervisors supervised the internal control and risk management of the Bank reviewed the 2019 Internal Control Assessment Report and 2019 Work Report on Comprehensive Risk Management. No material defects were found in the internal control and risk management of the Bank.

Performance of social responsibility: During the Reporting Period, the Bank performed its social responsibility in a proactive manner, and the Board of Supervisors had no objections to the 2019 Corporate Social Responsibility Report of the Bank.

Related party transactions: During the Reporting Period, the Bank entered into related party transactions in accordance with the laws and regulations of China and the relevant requirements of the Articles of Association. The Board of Supervisors was not aware of any activities that were in breach of the principles of honest and fair or jeopardized the interest of the Bank and its shareholders.



CORPORATE GOVERNANCE

During the Reporting Period, the Bank continued to refine its corporate governance mechanism and improved its corporate governance in strict compliance with laws and regulations such as the Company Law of the PRC, the Commercial Banking Law of the PRC as well as the Listing Rules and in line with actual conditions of the Bank.

For the 12 months ended 31 December 2020, the Bank had been observing and complying with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Meanwhile, the Bank had been complying with most of the recommended best practices set out in the aforementioned code.

IMPLEMENTATION OF DISTRIBUTION FOR DIVIDENDS

For details of the execution of distribution of dividends, please refer to “the Report of the Board of Directors – Profits and Dividends” of this annual report.

MATERIAL RELATED PARTY TRANSACTIONS

As of the end of 2020, the loan balance of material related party transactions with related parties amounted to RMB9,157 million .

MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

During the Reporting Period, there were no legal proceedings or arbitrations which has a substantial impact on the operating activities of the Bank.

As of the end of the Reporting Period, pending non-credit extension legal proceedings in which the Bank was a defendant or third party involved an amount of RMB1,534,393,578. In the opinion of the Bank, it will not have any material effect on the operating activities of the Bank.

PENALTIES IMPOSED ON THE BANK AND DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

During the Reporting Period, the Bank and all its directors, supervisors and senior management had no record of being subject to inspections, administrative penalties and circulating criticisms by the CSRC or public censures by the Hong Kong Stock Exchange, or penalties by relevant regulatory bodies that posed significant impact on the Bank’s operation.

PERFORMANCE OF UNDERTAKINGS BY THE BANK AND SHAREHOLDERS HOLDING 5% OR MORE OF THE SHARES

During the Reporting Period, no Shareholders held 5% or more of the total issued share capital of the Bank.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the Reporting Period, the Bank had no material contracts.

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

During the Reporting Period, Shaoguan Rural Commercial Bank Co., Ltd., in which the Bank holds 50.10% of the equity interests, obtained business license from the CBIRC Shaoguan Office and officially started its operations on 19 June 2020.

MAJOR CAPITAL OPERATION

During the Reporting Period, the Bank had no major capital operation.

REPORT ON SANNONG FINANCIAL SERVICES

By adhering to its objectives of keeping a foothold in "Sannong" and serving rural revitalization and leveraging on the rich experience in the rural areas and the innovative spirit of reform, the Bank has always stood at the front line of the "Sannong" finance and taken "becoming a leading domestic commercial bank" as a long-term corporate vision.

Since the beginning of the year, under the combined effect of external factors including the prevention and control of the COVID-19 pandemic and macroeconomic downturn, the development of Sannong has encountered significant challenges. Under the correct leadership of the party committee and the municipal government, the Bank has had a solid foundation, actively made responses and promoted steady development of relevant work. As of the end of December 2020, the Bank's agricultural loan balance the size of the Bank's agricultural loan balance amounted to RMB38.360 billion, representing an increase of RMB2.054 billion from the beginning of the year and a growth rate of 5.66%, among which the size of inclusive agriculture-related loans amounted to RMB6.192 billion, representing an increase of RMB1.233 billion from the beginning of the year and a growth rate of 24.85%.

The Bank's Sannong work in 2020 and the report on the work plan for 2021 are as follows:

I. SANNONG WORK IN 2020

(I) Improvement of the "Sannong" specialized framework and supporting assessment system

1. Further deepening the "Sannong" specialized framework

The Bank further optimized the professional, specialized, and dedicated management system of marketing organizations of "Sannong" business. First of all, the Bank deepened the strategic guiding role of the Strategy and Investment Committee (Sannong Committee), and carried out considerations including research on the Sannong financial services and review of strategic planning. Secondly, under the guidance of the basic logic of "market-oriented and customer-centric", we strengthened the overall management, integrated operation and structural assessment of branches and sub-branches, improved management efficiency, promoted business synergies, and provided organizational guarantee for rural revitalization.

2. Strengthening the appraisal system for "Sannong" business performance

First of all, the Bank continued to strengthen the appraisal system and the allocation of financial resources for the "Sannong" business, and encouraged the maintenance and expansion of the "Sannong" businesses. Secondly, the Bank allocated the special performance resources for inclusive agriculture-related loans so as to encourage marketing personnel to expand the inclusive agriculture-related loan business and push the growth of inclusive agriculture-related loans. Thirdly, the Bank regularly organized staff performance contract assessment, giving full play to the leading role of performance appraisal in the development of Sannong business. Fourthly, the Bank optimized the performance appraisal distribution system, further enhancing the motivation of employee.





(II) Launching the special “Sannong” financial credit policy and measures

1. *Formulation of a special credit policy*

Firstly, in the 2020 credit policy, the Bank continued to determine the strategic positioning of supporting agriculture, did well in supporting rural revitalization, the Sannong work and poverty alleviation finance, and ensured the business orientation of continuous growth in agriculture-related loans throughout the year. Secondly, according to the business characteristics of “Sannong”, the Bank also formulated segmented credit policy, which mainly includes “three old” redevelopment, economic organizations of village community, hog breeding industry and farming industry, strengthening financial guidance on agriculture.

2. *Optimization of a professional approval mechanism*

Firstly, the Bank established the green approval channels, actively supported areas including the agricultural industry, industrial parks, leading enterprises, green credit and old village reconstruction in the focus of rural revitalization, and promoted the flow of credit resources to the field of rural revitalization. Secondly, the Bank combined the financial assistance for rural revitalization with risk prevention and control to ensure that, under the premise of controllable risks, it could do well in serving rural revitalization and poverty alleviation. Areas including

3. *Active use of loans to refinance and expansion of agriculture-related loan business*

Firstly, the Bank actively expanded the agriculture-related loan business, promoted the compliance and orderly growth of agriculture-related loans business by measures including promoting the launching of agricultural-related innovative credit products, regularly monitoring the status of agricultural-related loans and conducting business inspections. Secondly, the Bank specified the work requirements for the re-lending loans in support of farmers, in-creased the allocation of agriculture-related loans through the policy of the re-lending loans in support of farmers and strived to implement policies to benefit farmers.

In 2020, the Bank successfully launched the first re-lending loan in support of farmers of RMB150 million in Guangzhou, with an average weighted interest rate of only 4.96%. As of the end of December, the Bank launched re-lending loans in support of farmers of RMB334 million, involving 519 customers of Sannong, with a weighted interest rate of only 5%.

4. *Increase of credit support for hog breeding industry*

In line with the central government’s plan of keeping hog production stable and ensuring the supply of hogs, the Bank specified the relevant work requirements, further increased credit support and promoted the active development of credit business of the hog breeding industry, through measures including innovative research and development of “Sun • Hog Breeding Loan for Rural Revitalization” special credit products, conducting precise marketing on customer in the list, providing preferential interest rate pricing and strengthening customer maintenance efforts.

REPORT ON SANNONG FINANCIAL SERVICES

5. Improvement of the diligence and liability exemption mechanism for financial services related to agriculture and poverty alleviation

To fully implement the national decision-making arrangements on financial support for Sannong and financial poverty alleviation and to further standardize the risk management mechanism for the Bank's credit business, the Bank amended the "Rules for Implementing Diligence and Liability Exemption of Financial Services Related to Agriculture and Poverty Alleviation of Guangzhou Rural Commercial Bank (Trial)" (廣州農村商業銀行涉農、扶貧金融服務盡職免責工作實施細則試行) in order to effectively ensure the financial support related to the financial service for agriculture and poverty alleviation.

(III) Construction of a comprehensive, multi-level model of rural revitalization financial service

1. Providing multi-integrated specialty village community financial services

(1) Establishing a comprehensive and multi-level village community visit system

The Bank successfully established a comprehensive village-visiting work system. In 2020, the Bank's leadership of different levels visited a total of 1,311 village communities with a coverage ratio of 100%. An effective communication mechanism between the Bank and villages was built to understand and satisfy the financial needs of rural revitalization in a timely manner.

(2) Improving the mechanism of financial service commissioners

In 2020, the Bank continued to optimize the daily management of financial service commissioners, including performance appraisal, personnel interviews, organizing relevant knowledge testing in the area of rural revitalization, and organized the "Star of Sannong" appraisal campaign to further improve the work of rural financial services in the new era.

(3) Publishing village journals and strengthening the promotion of village communities

In 2020, the Bank successfully issued three volumes of "Cuckoo • Village Journal" (布谷•村社專輯) covering 1,311 village communities, demonstrating the positive attitude of the village community and providing a cultural exchange platform for the village community.

(4) Continuing to carry out public welfare to help develop the village community

In 2020, the Bank continued to implement the project of "supporting village construction" and invested RMB1 million in special funds to support the construction of ecological and liveable villages. This year, 113 projects were launched, covering 11 administrative districts in the city, effectively promoting rural charitable undertakings.

2. Building and promoting rural inclusive financial service channels

The Bank have built diverse and wide-ranging inclusive financial service channels consisting of offline (operating outlets, rural financial service stations, cash terminals for farmers, community financial service stations, etc.) and online (online banking, mobile banking, direct-selling banking, etc.). As of the end of 2020, the Bank had a total of 624 branches in Guangzhou, 140 rural financial service stations and 1,713 ATMs, which greatly satisfied the demand for inclusive financial service in Guangzhou.





3. “Internet + Financial” to assist in rural revitalization

(1) *Accelerating the implementation of the application of mobile payment in rural areas “Ten-Hundred-Thousand Project” (十百千示范工程)* The Bank continued to promote the application of mobile payment in rural areas “Ten-Hundred-Thousand Project” to improve the payment environment in rural areas. Firstly, the Bank used the products of “Zhujiang Cashier” and “Zhujiang Fee Collection” as the starting point and through convenient scenarios as entry point, provided the customers in the village community with scenario financing services including smart party building, smart community, smart business circle and smart transportation. Secondly, the Bank responded to the requirements of the national policy of the stability on the six fronts and security in the six areas, actively constructed rural mobile payment demonstration units and constructing demonstration sites in Conghua, Zengcheng and Nansha and quickly promoted the “Ten-Hundred-Thousand Project” thoroughly.

(2) *Optimizing the farmers-supporting model of Sun Market*

Actively responding to the rural revitalization strategy, the Sun Market of the Bank was able to adjust the business model and launched a new “Outreach” business model in organizations in places including Panyu, Southern China, Airport Economic Zone, Huadu and Zengcheng. This model is based on Sun Market retail outlets, which exposes our high-quality financial services and agricultural products to surrounding outlets and communities. As of the end of 2020, there were a total of 254,600 orders from Sun Market, and the sales volume of agricultural products reached 352,000.

4. Focusing on “Rural Customs and Civilisation”, helping rural cultural construction

In 2020, the Bank continued to penetrate into the village communities to carry out “financial knowledge activities to the countryside”, relied on the rural outlets and financial service stations of the Bank throughout the city as the carriers, made full use of various advertising platforms to educate villagers both online and offline, with con-tents covering financial consumer interests, prevention of telecommunications fraud, financial management knowledge and payment settlement knowledge. As of the end of 2020, the Bank had accumulated 216 consumer protection campaigns, distributing 39,000 promotional materials, with 35,000 audience.

(IV) Optimization and innovation of “Sannong” financial services and products

1. Enrichment of deposit products for the villagers

(1) *Enrichment of deposit products and launch of exclusive interest rate*

Firstly, the Bank formulated the “Innovative Solutions for Personal Deposits Business in 2020” to promote the innovative deposit products for different customer groups. Secondly, the Bank focused on “wealthy life” and offered preferential interest rates of up to 50% for village deposits.

REPORT ON SANNONG FINANCIAL SERVICES

(2) *Enhancement of innovation of personal wealth management products for villagers*

The Bank enhanced the innovation of wealth management products for villagers, issued special wealth management products to the village customers and promoted the awareness of wealth management products in the Guangzhou village community. As of the end of 2020, the Bank had launched 37 wealth management products for the villagers, with accumulated proceeds raised to RMB2.894 billion.

2. Innovation and optimization of agriculture-related credit products

(1) *Innovative research and development of “Sun • Farming Loan for Rural Revitalization”*

This product is aimed at the new agricultural business entities (mainly including family farms, major professional farmers, farmer cooperatives, leading enterprises, etc.) and provides credit products for the needs of agricultural production and the supply of agricultural inputs. As of the end of 2020, a total of RMB12.43 million was released.

(2) *Innovative research and development of “Sun • Hog Breeding Loan for Rural Revitalization”*

This product is suitable for participants of all segments of the hog breeding industry chain, and at the same time, the product provides customers with credit funds in the process of production activities of modern hog breeding, such as innovating and satisfying various special mortgage loans including mortgage loan for live pig and floating mortgage of variable assets including breeding circle. As of the end of 2020, a total of RMB10 million was released.

(3) *Increasing the promotion and application of credit products for villagers*

Firstly, the Bank promoted the consuming credit product for villagers, “Sun • Convenient Agricultural Loans”, releasing an aggregate payment of RMB550,000 in 2020. Secondly, the Bank promoted the operating credit product for villagers, “Sun • Business Loans for Villagers”, releasing an aggregate payment of RMB97.90 million in 2020. Thirdly, the Bank promoted the online credit product for villagers, “Sun • Villager E-loan”, releasing an aggregate payment of RMB54.19 million in 2020.

(4) *Optimizing “Sun • Village Community Quick Loan for Senior Management”*

This product is an online credit-based credit enhancement product developed for senior management of the village community, which is optimized to meet the needs of the market based on the operating conditions of the previous product. As of the end of 2020, the Bank invested a total of RMB102 million.

(5) *Promoting “Agricultural Chain” modern agricultural comprehensive financial products*

The Bank launched “agricultural chain” modern agricultural comprehensive financial products targeting leading agricultural enterprises, listed public companies and special industries, with a focus on leading agricultural enterprises in various sub-segments such as hog breeding, aquaculture and integrated agricultural industries. As of the end of 2020, “Agricultural Chain” products covered 10 leading agricultural enterprises, 2 large-scale agricultural wholesale markets such as national first-class fishing ports, and the product credit amounted to RMB3,463 million.





3. *Piloting credits for the whole village, exploring new models of agricultural business*

The Bank have explored a pilot credit model for the whole village, introduced a “retail credit facility” and explored a new model of bulk agriculture-related agriculture business. As of the end of 2020, the pilot branches completed investigation of a total of 1,176 household, registered 267 households of prospective customers, with a total approval of RMB39.04 million (involving 104 households), loans of RMB28.38 million (involving 81 households), and received preliminary pilot results.

4. *Enhancement of capability of service for agriculture-related system platform*

The Bank developed various agriculture-related platforms such as rural collective funds account supervision platform, urban renewal and redevelopment funds supervision platform, “Bidding Easy” (招標易), the Party fee online payment platform and district-level financial-centralized payment system and landed in various districts, providing specialized financial services to the government and village customers.

(V) Grasping the policy market dynamics and assisting the key tasks of “Sannong”

1. *Enforcing epidemic prevention and resumption of work and production*

(1) Joint Prevention and Joint Control to enforce epidemic prevention

The Bank actively carried out the party construction campaign with village community of its operating area and carried out pandemic prevention and control jointly with village communities by reinforcing major pandemic prevention checkpoints in relevant village communities, marketing publicity in villages and quickly offering the necessities for pandemic prevention.

(2) Actively carrying out material assistance

As of the end of 2020, the Bank made a total of 577 donations to village communities, including 177,400 masks, 21,500 bottles of disinfectants, 140,900 pairs of gloves, 282 temperature guns and other anti-infective materials and cash.

(3) Credit support for agricultural enterprises to resume work and production

The Bank issued the “Work Plan of Guangzhou Rural Commercial Bank for Supporting Resumption of Work and Production of Agriculture-related Enterprises” (《廣州農村商業銀行支持農業企業復工復產工作方案》), and sorted out the key leading enterprises of agricultural industrialization and the “Vegetable Basket (菜籃子)” agricultural producers in the Guangdong-Hong Kong-Macao Greater Bay Area and introduced nine work initiatives, including preferential interest rate and credit priority.

REPORT ON SANNONG FINANCIAL SERVICES

2. Actively promoting the improvement of the construction in village-level industrial park

(1) Implementing the special supporting policies

The Bank jointly implemented the Financial Service Proposal on Supporting the Improvement of the Construction in Village-Level Industrial Park with Bureau of Industry and Information Technology of Guangzhou (《支持廣州市村級工業園整治提升金融服務方案》), specially formed a credit scale of RMB60 billion, which provided special preferential rate, built a quick-response mechanism, matched up with the bond financing and other measures by launching special credit products, so as to help the industrial park improve the construction and carry out financing with the small and micro-sized businesses in the industrial park.

(2) Creating special credit approval products

The Bank implemented the Sun • Urban Renewal Village Loans for the political enhancement project fee of the improvement of the construction in village-level industrial park in the administrative district of Guangzhou, so as to match with the existing Support Enterprises and Fight the Pandemic Loans, Sun • Zhengcai Loans and other products and effectively satisfy the improvement in the construction in village-level industrial park and the financial needs for the operation of enterprises in the industrial park.

(3) Enhancing the business promotion and recommendation

Bank addressed the concerns from the enterprises in the industrial park by participating in the Special Training and Project Matchmaking Conferences, Guangzhou Industry and Information Bureau Live Broadcast and Guangzhou SME Roving Class Online Live Seminar and other conferences.

3. Fully Supporting the “three old” redevelopment

First, the Bank continuously enriched and optimized the relevant ancillary products and services, such as building a comprehensive-process ancillary product system at each stage based on the “three old” redevelopment. In 2020, the Bank’s Urban Renewal Fund Regulatory Platform was awarded the “Top Ten Technological Rural Financing Innovative Products in China”, the “Excellent Social Responsibility Practical Case Award”. Second, “Guangzhou Old Village Redevelopment Project Pool” (廣州市舊村改造項目庫) first launched by the Bank, has recorded the widest coverage of projects in the city, the fastest updating speed in the city, and detailed project progress. Third, the Bank joined the Guangzhou Urban Renewal Association to achieve the most accurate, truthful and comprehensive capturing of the policies.





(VI) Helping the rural villages achieve targeted poverty alleviation by an innovation model

1. Party building led and promoted targeted poverty alleviation

In 2020, the Bank continuously captured the party building to promote poverty alleviation, enhancing the effort in industry, consumption and employment and poverty alleviation in order to help with the comprehensive implementation of “three guarantees” and comprehensive poverty alleviation policies, stably complete the mission of poverty alleviation, fully consolidate the effectiveness of poverty alleviation.

First, the Bank donated RMB718,900 to Qingyuan Support Village for the construction of party group activity center, giving full play to the fighting fortress of the party organization, providing a strong guarantee for the battle against poverty. Second, RMB1.065 million was invested to continue deepening the greenhouse planting industrial support project, further increasing the collective revenue in the village, which could effectively guarantee the personal income for the impoverished families. Third, the Bank actively formed labor unions and encouraged the employees to participate in the consumption poverty alleviation and purchase agricultural products from the impoverished areas in order to help the impoverished increase their revenue.

2. Steadily implementing the rural revitalization measures

First, the Bank further developed the “Thousand Enterprises Help Thousand Villages” project, donated RMB1.483 million for the “Conghua Gaoping Shangma Beautiful Village Improvement Project”, commenced party building with the party branch of Gaoping Village. By capturing the opportunity of mutual building, they jointly created a new story for the beautiful village. Second, the Bank established a joint operation mechanism, building a three-level joint support mechanism of “head office- Zengcheng Sub-branch-Paitan Sub-branch” to help Paitanzhen with “rural revitalization and woodland planting” education support and poverty alleviation project, while donating RMB35,600 to the patients with acute diseases, impoverished students and impoverished elderly via the Sun Charity Foundation of the Bank.

3. Practising e-commerce poverty alleviation strategy and showing social responsibility

The Bank actively implemented the spirit of relevant documents on “promoting e-commerce targeted poverty alleviation”, explored new models of e-commerce poverty alleviation, and played a leading role in poverty alleviation. As of the end of 2020, tens of thousands of poverty alleviation agricultural products, such as Guizhou and Qingyuan, been sold online and offline in the Sun Mart, helping get rid of poverty and further demonstrating the Bank’s social responsibility and responsibility.

REPORT ON SANNONG FINANCIAL SERVICES

II. 2021 WORK PLAN

In 2021, the Bank will continue to stand on the front line of serving Sannong and rural revitalization, pro-mote inclusive finance and realize rural revitalization from multiple perspectives such as policies, products, services and cooperation, so as to truly achieve "serving agriculture, benefiting agriculture and strengthening agriculture".

(I) Deepening the franchise structure and strengthening the assessment system

First, the Bank will deepen the "professional, exclusive, focused" business marketing structure of Sannong, constantly improve the fit between the structure setting and business development, and provide firm organizational guarantee for business development with a stable and sustainable main structure system.

Second, the Bank will adhere to the principle of "market-oriented and customer-centered", improve the overall management, comprehensive operation and structured evaluation of branches, and promote business collaboration.

Third, the Bank will continue to build the performance appraisal and financial resource allocation system for the Sannong businesses, allocate financial resources accordingly, encourage the steady and sustainable development of the Sannong businesses, and give full play to the leading role of performance appraisal in business development.

(II) Further optimizing the credit policy and measures for agriculture, rural areas and farmers

First, the Bank will continue to define the strategic positioning of supporting agriculture in the Bank's credit policy, ensure the support for rural revitalization, do the best in the business orientation of "agriculture, rural areas and farmers", and promote the credit resources to favor the field of Rural Revitalization.

Second, according to the business characteristics of "agriculture, rural areas and farmers", the hot spots of market business and the current situation of the Bank's business development, the Bank will formulate the subdivided credit policy, further improve the credit strategy in key areas, and allocate the limited credit resources to high-quality projects.

Third, the Bank will further optimize the examination and approval procedures, open a green channel for agriculture related loans, and ensure the timeliness and flexibility of financial services for rural revitalization.

Fourth, the Bank will actively use the preferential policies of the People's Bank of China on re-loans to support farmers and small and micro enterprises, increase the expansion of agriculture related loans, and take multiple measures to promote the compliance and orderly growth of agriculture related loans.

Fifth, the Bank will actively implement the policy guidance of the national and provincial governments at all levels, strengthen the promotion of agricultural credit, such as pig breeding industry and new agricultural operation, and further increase the research and development of agricultural products, so as to promote the positive development of agricultural credit.



(III) Continuing to deepen the financial service mode of rural revitalization

1. *Optimizing the characteristic village community financial multi-integration services*

First is to optimize the multi-level and three-dimensional village community visit work, so as to combine it with policy guidance and business needs; second is to give full play to the "Power of Example" and promote the demonstration role of "Star of Sannong" for rural financial service specialists; third is to optimize the special publications, so as to make more local and low-cost suggestions for the village community; fourth is to increase the assistance of "Supporting Village Construction" and enrich the village community within the jurisdiction help activities.

2. *Further strengthening the Internet+finance services to revitalize the rural area*

First is to continuously promote the construction of the People's Bank of China's mobile convenient payment and the "100 Village Demonstration Project", gradually transport modern financial technology and services to rural areas with payment settlement as the entry point, and build demonstration areas, towns and points to improve the level of rural financial services; second is to rely on the "Sun Mart" platform to create characteristic e-commerce sales of agricultural and sideline products around the upstream and downstream of the agricultural industrial chain platform and service network.

3. *Continuing to promote rural financial knowledge publicity*

First, the Bank will organize and carry out the publicity and education activities of financial knowledge through the support of village network and financial service stations, continuously improve the villagers' knowledge of financial knowledge. Second, the Bank will rely on the WeChat official account, Subscription Account and external media to publicize our products and prevent telecommunications fraud, enhance our customers' awareness of risk prevention, and improve our bank in rural areas. Corporate image.

(IV) Continuing to promote inclusive financial services and help rural revitalization

First is to adhere to the principle of localization, return to the origin, support the inclusive agriculture related business, and solidly promote the "Construction of Foundation", and consolidate the business foundation through grid marketing in village communities, communities and professional markets; second is to promote the sustainable development of traditional business, strengthen the plate linkage, carry out differentiated management and marketing in accordance with the actual situation of village communities, and "one village, one policy" to en-sure that the business of village communities will not be neglected. Thirdly, aiming at the characteristic deposit products which are highly praised by the village customers, the Bank will continuously increase the issuing strength, implement flexible deposit interest rate pricing, simplify the process, and improve the customer service level.

REPORT ON SANNONG FINANCIAL SERVICES

(V) Striving to build a financial service system at the village level

First, the Bank will optimize the internal business process, actively create a comprehensive and three-dimensional scene based financial service system for the reconstruction of old villages, further enhance the comprehensive marketing and in-depth expansion of the "three old" reconstruction project, and proactively consider and arrange the development of community retail financial business in the later stage of the reconstruction project, so as to promote the transformation of the marketing strategy of the bank's old village reconstruction project from "extensive" to "meticulous "

Second, the Bank will continue to support the whole village credit, give full play to the Bank's geographical and demographic advantages, provide the whole village credit for the village community customers in combination with the old reform, beautiful villages and other government led projects, and systematically carry out the experience replication and promotion work, so as to ensure that the Bank's rural financial services keep pace with the times.

(VI) Promoting the in-depth development of agricultural products system

First is to promote the normalization of the management of agricultural products and consolidate the management system of agricultural products in combination with the accumulation of preliminary work; second is to increase the innovation of agricultural products based on the new policy and new trend, and promote the horizontal extension of the agricultural product system with supporting products, publicity, training, marketing and other measures; third is to promote the optimization of product online projects and continuously improve the level of integration intelligence of the inclusive fund.

(VII) Continuously improving the information collection mechanism of key projects in villages and communities

The Bank will continue to refine and implement the information collection system for key village and community projects in Guangzhou, dynamically update the information base of key village and community projects in Guangzhou, timely control the information of old village reconstruction, and provide more powerful support for the old village reconstruction business. Through innovative credit products such as "Sun • Urban Renewal Village Park Loan", the Bank will promote the business return of old customers and consolidate the customer base for agriculture, rural areas and farmers.

(VIII) Striving to promote the effective connection between poverty alleviation and rural revitalization

First is to continue to implement the spirit of the central, provincial and municipal work conference, set goals, adhere to standards, constantly consolidate the effectiveness of poverty alleviation, comprehensively strengthen the summary and publicity, and strive to promote rural revitalization; second is to give full play to the innovative leading role of "Sun Mart" e-commerce platform in poverty alleviation, and boost consumption poverty alleviation through the combination of online and offline.



To the Shareholders of Guangzhou Rural Commercial Bank Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Guangzhou Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 139 to 291, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follow:

- Measurement of expected credit losses for loans and advances to customers and financial investments measured at amortized costs; and
- Consolidation of structured entities.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses for loans and advances to customers and financial investments measured at amortized costs</p>	
<p>Refer to note 2, note 3, note 21 and note 24 to the consolidated financial statements.</p> <p>As at 31 December 2020, the gross amount of GRCB's loans and advances on the consolidated balance sheet was RMB568,926 million, of which the gross amount of loans and advances measured at amortized cost was RMB522,058 million, the gross amount of loans and advances measured at fair value through other comprehensive income is RMB46,868 million; the loss allowance of RMB15,758 million was recognized by the Management for loans and advances to customers measured at amortized cost, and the loss allowance of RMB207 million was recognized by the Management for loans and advances to customers measured at fair value through other comprehensive income. The gross balance of financial assets at amortized cost amounted to RMB97,553 million, with a loss allowance of RMB953 million. The credit impairment losses on loans and advances to customers and financial assets at amortized cost recognized in the GRCB's consolidated income statement for 2020 amounted to RMB4,062 million and RMB266 million, respectively.</p> <p>International Financial Reporting Standard 9: Financial Instruments ("IFRS 9" or "the standard") is a new and complex accounting standard effective from 1 January 2018.</p>	<p>Our audit procedures relating to ECL for loans and advances to customers and financial investments measured at amortized cost are as follows:</p> <p>We understood, evaluated and tested the internal controls relating to the measurement of ECL for loans and advances to customers and financial investments measured at amortized costs, primarily including:</p> <ul style="list-style-type: none"> – The selection, approval and application of ECL modelling methodology; and the internal controls relating to the ongoing monitoring and optimization of the models; – Internal controls relating to significant management judgements and assumptions over ECL models, including the review and approval of portfolio segmentation, model selections, parameters estimation, significant increase in credit risk, and defaults or credit-impaired, forward-looking measurement;



Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses for loans and advances to customers and financial investments measured at amortized costs (continued)</p>	
<p>Following the requirements of IFRS 9, management applied expected credit losses (“ECL”) models and made the best estimation of ECL for loans and advances to customers and financial investments measured at amortized costs at 1 January 2018 (the effective date of the standard) and the reporting date. The Group assesses whether the credit risk of loans and advances to customers and financial investments measured at amortized costs have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For corporate loans and financial investments measured at amortized costs classified into stages I and II, and all personal loans, management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For corporate loans and financial investments measured at amortized costs in stage III, the management assesses loss allowance by estimating the cash flows from the loans and financial investments.</p> <p>The measurement models of expected credit losses involve significant management estimations and judgements, primarily including the following:</p> <p>(1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;</p>	<ul style="list-style-type: none"> - Internal controls over the accuracy and completeness of key inputs used by the models; - Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and financial investments measured at amortized cost in stage III; and - Internal controls over the information systems for model-based calculation. <p>The substantive procedures we performed primarily included:</p> <ul style="list-style-type: none"> - With our internal ECL modelling specialists’ assistance, we reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the portfolio segmentation, models selection, key parameters estimation, significant judgements and assumptions in relation to the models. We examined the coding for model measurement on a sample basis, to test whether or not the measurement models reflect the modelling methodologies documented by the management; - We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management’s identification of significant increase in credit risk, defaults and credit-impaired;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses for loans and advances to customers and financial investments measured at amortized costs (continued)</p>	
<p>(2) Criteria for determining whether or not there was a significant increase in credit risk, or a default or credit-impaired incurred;</p> <p>(3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and</p> <p>(4) The estimated future cash flows for corporate loans and financial investments measured at amortized costs in stage III.</p> <p>Considering the material balances of loans and advances to customers and financial investments measured at amortized costs, significant management estimations and judgements, and complex models involved for impairment assessment, we identified this as a key audit matter.</p>	<ul style="list-style-type: none"> – With the support from our internal ECL modelling specialists, we assessed the forward-looking information in ECL models used by management, including reviewing management's selection of economic indicators, economic scenarios and weightings employed, assessed the reasonableness of the prediction of economic indicators and performed sensitivity analysis of economic scenarios' weightings; – We examined major data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness; and – For corporate loans and financial investments measured at amortized costs in stage III, we examined, on a sample basis, the reasonableness of the forecasted future cash flows prepared by management, including forecasted cash flow and discount rates, etc. from financial information of borrowers and guarantors, latest collateral valuations, and other available information. <p>Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of expected credit losses for loans and advances to customers and financial investments measured at amortized costs, the models, key parameters, significant judgement and assumptions adopted by management and the measurement results were considered acceptable.</p>



Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities	
<p>Refer to note 2, note 3 and note 41 to the consolidated financial statements.</p> <p>As at 31 December 2020, the Group has managed and invested in various structured entities, such as wealth management products, trust plans and asset management plans. The Group determined whether to consolidate these structured entities based on its assessment whether the Group has control, taking into consideration the power arising from rights, variable returns, and link between power and returns.</p> <p>The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. The comprehensive analysis over these factors and the conclusion of the control in place or not, involved significant judgements and estimations. Due to the significance of the structured entities and the complexity of judgement exercised by management, whether to consolidate these structured entities is considered a key audit matter.</p>	<p>Our procedures in relation to consolidation of structured entities included:</p> <ul style="list-style-type: none"> – Understood the process and relevant controls over the assessment and disclosures of consolidation of structured entities; – Assessed the management's accounting policies about control and the application consistency of these accounting policies, which included the assessment of the Group's power, variable returns from its involvement with, and its ability to use its power to affect the amount of its return from structured entities; – Reviewed the relevant term sheets and the corresponding supporting documents on a sample basis to assess whether the Group had legal or constructive obligation to absorb any loss of the structured entities, and whether the Group has provided liquidity support or credit enhancement to the structured entities, so as to evaluate the Group's controls over the structured entities; and – Understood and evaluated the appropriateness of disclosures in the consolidated financial statements relating to structure entities. <p>Based on the procedures we have performed and the evidence obtained, we found the management's judgement on consolidation of structured entities was supportable.</p>

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.





INDEPENDENT AUDITOR'S REPORT

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yip Siu Foon, Linda.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 March 2021



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Year ended 31 December	
		2020	2019
Interest income	6	37,149,999	36,064,923
Interest expense	6	(19,502,516)	(17,181,707)
Net interest income		17,647,483	18,883,216
Fee and commission income	7	1,628,042	1,673,272
Fee and commission expense	7	(301,081)	(310,705)
Net fee and commission income		1,326,961	1,362,567
Net trading gains	8	1,976,684	2,735,012
Net gains on financial investments	9	361,338	52,590
Other income, gains or losses	10	(94,061)	623,899
Operating income		21,218,405	23,657,284
Operating expenses	11	(7,037,461)	(6,675,696)
Credit impairment losses	13	(7,851,759)	(7,078,305)
Impairment losses on other assets		(41,620)	(8,159)
Profit before income tax		6,287,565	9,895,124
Income tax expense	14	(1,010,948)	(1,984,411)
Profit for the year		5,276,617	7,910,713
Attributable to:			
Shareholders of the Bank		5,081,295	7,520,348
Non-controlling interests		195,322	390,365
		5,276,617	7,910,713
Earnings per share (RMB yuan)			
– basic and diluted	16	0.45	0.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2020	2019
Profit for the year	5,276,617	7,910,713
Other comprehensive income (after tax, net)		
Items that may be reclassified to profit or loss		
Changes in the fair value of financial assets at fair value through other comprehensive income	(1,484,369)	(567,301)
Changes in the expected credit losses of financial assets at fair value through other comprehensive income	89,612	621,324
Items that will not be reclassified to profit or loss		
Remeasurement gains/(losses) on defined benefit plans	25,677	(5,734)
Subtotal of other comprehensive income for the year	(1,369,080)	48,289
Total comprehensive income for the year	3,907,537	7,959,002
Total comprehensive income attributable to:		
Shareholders of the Bank	3,734,221	7,566,877
Non-controlling interests	173,316	392,125
	3,907,537	7,959,002



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	31 December 2020	31 December 2019
ASSETS			
Cash and deposits with central bank	17	103,784,552	99,562,341
Deposits with banks and other financial institutions	18	25,012,864	30,700,318
Placements with banks and other financial institutions	19	21,711,156	20,604,232
Financial assets held under resale agreements	20	46,447,688	28,593,493
Loans and advances to customers	21	553,168,340	463,051,371
Financial investments			
– Financial assets at fair value through profit or loss	22	90,247,494	85,432,178
– Financial assets at fair value through other comprehensive income	23	75,677,332	69,706,113
– Financial assets at amortized cost	24	96,599,360	82,536,087
Property and equipment	25	2,937,590	2,921,638
Goodwill	26	734,237	734,237
Deferred tax assets	27	6,706,441	5,054,904
Other assets	28	4,844,592	5,257,379
Total assets		1,027,871,646	894,154,291
LIABILITIES			
Due to the central bank		20,303,227	8,867,584
Deposits from banks and other financial institutions	29	41,229,918	41,039,193
Placements from banks and other financial institutions	30	1,818,581	984,917
Financial liabilities at fair value through profit or loss		5,052	–
Financial assets sold under repurchase agreements	31	10,070,054	9,730,355
Customer deposits	32	778,424,854	658,243,086
Income tax payable		1,919,918	2,323,077
Debt securities issued	33	76,643,876	79,240,055
Other liabilities	34	21,570,856	20,016,713
Total liabilities		951,986,336	820,444,980

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	31 December 2020	31 December 2019
EQUITY			
Share capital	35	9,808,269	9,808,269
Preference shares	36	9,820,734	9,820,734
Reserves	37	28,719,443	28,326,689
Retained earnings		21,138,630	20,391,000
Equity attributable to shareholders of the Bank		69,487,076	68,346,692
Non-controlling interests		6,398,234	5,362,619
Total equity		75,885,310	73,709,311
Total liabilities and equity		1,027,871,646	894,154,291

The consolidated financial statements were approved by the Board of Directors on 29 March 2021 and were signed on its behalf by:

Yi Xuefei
Vice Chairman

Chen Jianming
Chief Financial Officer

Ding Bin
Head of Financial Department



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank								Non-Controlling interests	Total	
	Share capital Note 35	Preference shares Note 36	Capital reserve	Surplus reserve	Reserves			Retained earnings			Total
					General reserve	Other comprehensive income	Subtotal Note 37				
Balance at 1 January 2020	9,808,269	9,820,734	10,920,403	5,055,777	11,236,832	1,113,677	28,326,689	20,391,000	68,346,692	5,362,619	73,709,311
Net profit for the year	-	-	-	-	-	-	-	5,081,295	5,081,295	195,322	5,276,617
Other comprehensive income for the year	-	-	-	-	-	(1,347,074)	(1,347,074)	-	(1,347,074)	(22,006)	(1,369,080)
Total comprehensive income	-	-	-	-	-	(1,347,074)	(1,347,074)	5,081,295	3,734,221	173,316	3,907,537
Capital contributed by non-controlling shareholders	-	-	-	-	-	-	-	-	-	6,000	6,000
Transactions with non-controlling interests	-	-	(2,534)	-	-	-	(2,534)	-	(2,534)	2,534	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	1,045,376	1,045,376
Shareholders' donation	-	-	35,121	-	-	-	35,121	-	35,121	12,764	47,885
Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	-	-	(1,961,654)	(1,961,654)	(204,375)	(2,166,029)
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(664,770)	(664,770)	-	(664,770)
Appropriation to general reserve	-	-	-	-	1,707,241	-	1,707,241	(1,707,241)	-	-	-
Balance at 31 December 2020	9,808,269	9,820,734	10,952,990	5,055,777	12,944,073	(233,397)	28,719,443	21,138,630	69,487,076	6,398,234	75,885,310

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank							Non-Controlling interests	Total		
	Reserves						Retained earnings			Total	
	Share capital Note 35	Preference shares Note 36	Capital reserve	Surplus reserve	General reserve	Other comprehensive income					Subtotal Note 37
Balance at 1 January 2019	9,808,269	-	10,860,995	4,398,573	9,448,545	1,067,148	25,775,261	17,277,797	52,861,327	2,719,741	55,581,068
Net profit for the year	-	-	-	-	-	-	-	7,520,348	7,520,348	390,365	7,910,713
Other comprehensive income for the year	-	-	-	-	-	46,529	46,529	-	46,529	1,760	48,289
Total comprehensive income	-	-	-	-	-	46,529	46,529	7,520,348	7,566,877	392,125	7,959,002
Capital contributed by non-controlling shareholders	-	-	-	-	-	-	-	-	-	72,280	72,280
Transactions with non-controlling interests	-	-	(43,884)	-	-	-	(43,884)	-	(43,884)	43,884	-
Issuance of preference shares	-	9,820,734	-	-	-	-	-	-	9,820,734	-	9,820,734
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	2,272,514	2,272,514
Shareholders' donation	-	-	103,292	-	-	-	103,292	-	103,292	2,583	105,875
Appropriation to surplus reserve	-	-	-	657,204	-	-	657,204	(657,204)	-	-	-
Dividends declared and paid	-	-	-	-	-	-	-	(1,961,654)	(1,961,654)	(140,508)	(2,102,162)
Appropriation to general reserve	-	-	-	-	1,788,287	-	1,788,287	(1,788,287)	-	-	-
Balance at 31 December 2019	9,808,269	9,820,734	10,920,403	5,055,777	11,236,832	1,113,677	28,326,689	20,391,000	68,346,692	5,362,619	73,709,311

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Year ended 31 December 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		6,287,565	9,895,124
Adjustments for:			
Interest income on financial investments		(6,001,534)	(6,497,535)
Interest income accrued on impaired financial assets		(55,960)	(55,366)
Interest expense on debt securities	6	2,623,903	3,046,939
Net trading gains		(677,208)	(1,406,137)
Net gains on financial investments	9	(361,338)	(52,590)
Net foreign exchange losses/(gains)		390,672	(204,704)
Negative goodwill	10	(76,229)	(86,476)
Net gains on disposal of property and equipment		(59,214)	(49,496)
Depreciation and amortization	11	876,705	903,917
Depreciation of investment properties		18,265	21,800
Interest expense on lease liabilities		54,696	53,464
Impairment losses	13	8,219,757	7,086,464
Others		21,069	3,146
		11,261,149	12,658,550
Net decrease/(increase) in operating assets:			
Balances with central bank		2,832,044	(6,053,386)
Deposits with banks and other financial institutions		153,402	5,696,722
Placements with banks and other financial institutions		(1,933,896)	(1,832,267)
Financial assets held under resale agreements		(4,874,187)	1,917,008
Loans and advances to customers		(89,285,997)	(89,595,380)
Increase in financial assets at fair value through profit or loss		(5,487,204)	15,119,509
Other assets		(1,025,449)	(143,760)
		(99,621,287)	(74,891,554)
Net increase/(decrease) in operating liabilities:			
Due to the central bank		11,340,143	6,164,680
Deposits from banks and other financial institutions		25,273	(22,176,772)
Placements from banks and other financial institutions		840,907	(568,666)
Financial liabilities at fair value through profit or loss		5,052	–
Financial assets sold under repurchase agreements		337,699	(2,087,421)
Customer deposits		109,574,574	79,453,745
Other liabilities		(642,706)	200,355
		121,480,942	60,985,921
Net cash flows from/(used in) operating activities before tax		33,120,804	(1,247,083)
Income tax paid		(2,612,528)	(2,740,431)
Net cash flows from/(used in) operating activities		30,508,276	(3,987,514)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Year ended 31 December	
		2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other long-term assets		(471,317)	(439,606)
Proceeds from disposal of property and equipment and other long-term assets		80,433	136,837
Cash paid for investments		(127,503,038)	(93,698,712)
Proceeds from sale and redemption of investments		105,712,498	76,842,924
Acquisition of subsidiaries	42	1,289,955	3,967,468
Return on investments		8,418,369	8,661,237
Net cash flows used in investing activities		(12,473,100)	(4,529,852)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of preferences shares		–	9,839,115
Cash payments for transaction cost of preferences shares issued		–	(18,381)
Capital contributed by non-controlling shareholders		6,000	72,280
Transactions with non-controlling interests		(2,445)	(43,884)
Shareholders' donation		31,525	106,343
Proceeds from debt securities issued		140,968,279	115,931,192
Repayment of debt securities issued		(143,140,563)	(101,641,783)
Interest paid on debt securities		(3,047,798)	(3,971,728)
Dividends paid on ordinary shares		(1,961,654)	(1,961,654)
Dividends paid to preference shares		(664,770)	–
Payment for lease contracts		(371,206)	(278,758)
Dividends paid to non-controlling shareholders		(204,375)	(140,508)
Net cash flows (used in)/from financing activities		(8,387,007)	17,892,234
NET INCREASE IN CASH AND CASH EQUIVALENTS		9,648,169	9,374,868
Cash and cash equivalents at the beginning of the year		86,870,896	77,319,617
Effect of exchange rate changes on cash and cash equivalents		(818,209)	176,411
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	39	95,700,856	86,870,896
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		34,321,172	28,871,526
Interest paid		(13,404,969)	(14,422,481)

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

1 CORPORATE INFORMATION AND STRUCTURE

Guangzhou Rural Commercial Bank Co., Ltd. (the "Bank"), whose predecessor was established in 1952, underwent a series of reforms in subsequent years. Under the "Approval Regarding the Opening of Guangzhou Rural Commercial Bank Co., Ltd." (Yinjianfu No. [2009]484) issued by the China Banking Regulatory Commission (the "CBRC", which was renamed to China Banking Insurance Regulatory Commission (the "CBIRC") in 2018), Guangzhou Rural Commercial Bank Co., Ltd. was incorporated on 9 December 2009.

The Bank obtained its finance permit No. B1048H244010001 from the CBIRC and its business license of Unified Social Credit code No. 914401017083429628 from the Administration for Industry and Commerce of Guangzhou Municipality. The registered office is located at No.9 Yingri Road, Huangpu District, Guangzhou, the PRC.

On 20 June 2017, the Bank was listed on The Stock Exchange of Hong Kong Limited.

The Bank and its subsidiaries (the "Group") conducts its operating activities in the PRC.

The principal activities of the Bank comprise taking deposits from the general public (including domestic and foreign currencies), granting short, medium and long-term loans (including domestic and foreign currencies), domestic and international settlements, bills acceptance and discounting, providing agency services for issuing/redemption and underwriting of government bonds, trading government bonds, trading and issuing financial bonds, inter-bank placements (including domestic and foreign currency), bank cards (including debit cards and credit cards) business, providing agency services of payment collection and insurance agency service, providing safe locker service, foreign currency remittance, foreign currency exchange, settlement and sale of foreign exchange, foreign credit investigations, advisory and attestation service, fund and insurance assets trusteeship, financing services, fund consignment business, e-bank services, securitization of credit assets, and other financial business activities approved by the CBIRC or other relevant regulators.

As at 31 December 2020, the Bank had a total of 30 subsidiaries, including 25 county banks, a financial leasing company and 4 rural commercial banks across China.

The consolidated financial statements were authorized for issue by the Board of Directors of the Bank on 29 March 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

1 CORPORATE INFORMATION AND STRUCTURE (CONTINUED)

The Bank and its subsidiaries are collectively referred to as the “Group”. As at 31 December 2020, the Bank had a total of 30 subsidiaries, including 25 county banks, a financial leasing company and 4 rural commercial banks, which are located in Guangdong, Shandong, Jiangsu, Hunan, Henan, Sichuan, Liaoning, Jiangxi and Beijing. All subsidiaries are limited companies. The details of the Bank’s subsidiaries as at 31 December 2020 are as follows:

Name	Place of registration	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	
		Laiwu Zhujiang County Bank	Laiwu, Shandong Province	60,000	60,000	51.00%	51.00%	
Jiangsu Xuyi Zhujiang County Bank	Xuyi, Jiangsu Province	50,000	50,000	51.00%	51.00%	51.00%	51.00%	Banking
Jiangsu Qidong Zhujiang County Bank	Qidong, Jiangsu Province	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Banking
Changning Zhujiang County Bank	Changning, Hunan Province	50,000	50,000	51.00%	51.00%	51.00%	51.00%	Banking
Laizhou Zhujiang County Bank	Laizhou, Shandong Province	80,000	80,000	51.00%	51.00%	56.00%	56.00%	Banking
Haiyang Zhujiang County Bank	Haiyang, Shandong Province	70,000	70,000	51.00%	51.00%	51.00%	51.00%	Banking
Huixian Zhujiang County Bank (i)	Huixian, Henan Province	100,000	100,000	35.00%	35.00%	53.57%	53.57%	Banking
Pengshan Zhujiang County Bank (i)	Meishan, Sichuan Province	100,000	50,000	62.50%	35.00%	70.50%	51.00%	Banking
Xinjin Zhujiang County Bank (i)	Xinjin, Sichuan Province	100,000	100,000	35.00%	35.00%	53.00%	53.00%	Banking
Guanghan Zhujiang County Bank (i)	Guanghan, Sichuan Province	100,000	100,000	35.00%	35.00%	51.00%	51.00%	Banking
Dalian Baoshuiqu Zhujiang County Bank	Dalian Bonded Area, Liaoning Province	350,000	350,000	81.43%	81.43%	87.44%	87.44%	Banking
Jizhou Zhujiang County Bank (i)	Jian, Jiangxi Province	87,820	87,820	33.79%	33.79%	57.19%	57.19%	Banking



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

1 CORPORATE INFORMATION AND STRUCTURE (CONTINUED)

Name	Place of registration	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	
		Heshan Zhujiang County Bank (i)	Heshan, Guangdong Province	150,000	150,000	34.00%	34.00%	
Beijing Mentougou Zhujiang County Bank	Mentougou District, Beijing	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Banking
Xinyang Zhujiang County Bank (i)	Xinyang, Henan Province	414,200	414,200	39.60%	39.60%	54.13%	54.13%	Banking
Yantai Fushan Zhujiang County Bank	Yantai, Shandong Province	100,000	100,000	93.00%	93.00%	100.00%	100.00%	Banking
Anyang Zhujiang County Bank (i)	Anyang, Henan Province	60,000	60,000	35.00%	35.00%	55.50%	55.50%	Banking
Qingdao Chengyang Zhujiang County Bank (i)	Chengyang District, Qingdao, Shandong Province	100,000	100,000	35.00%	35.00%	51.00%	51.00%	Banking
Suzhou Wuzhong Zhujiang County Bank	Wuzhong District, Suzhou, Jiangsu	150,000	150,000	51.00%	51.00%	51.00%	51.00%	Banking
Sanshui Zhujiang County Bank (i)	Foshan, Guangdong Province	200,000	200,000	33.40%	33.40%	50.50%	50.50%	Banking
Zhongshan Dongfeng Zhujiang County Bank (i)	Dongfeng, Guangdong Province	150,000	150,000	35.00%	35.00%	55.00%	55.00%	Banking
Xingning Zhujiang County Bank (i)	Meizhou, Guangdong Province	50,000	50,000	34.00%	34.00%	100.00%	100.00%	Banking
Shenzhen Pingshan Zhujiang County Bank (i)	Shenzhen, Guangdong Province	300,000	300,000	35.00%	35.00%	83.00%	83.00%	Banking
Dongguan Huangjiang Zhujiang County Bank (i)	Dongguan, Guangdong Province	150,000	150,000	35.00%	35.00%	100.00%	100.00%	Banking
Zhengzhou Zhujiang County Bank (i)	Zhengzhou, Henan Province	200,000	200,000	35.00%	35.00%	90.00%	90.00%	Banking

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

1 CORPORATE INFORMATION AND STRUCTURE (CONTINUED)

Name	Place of registration	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	
		Zhuzhou Zhujiang Rural Commercial Bank ("ZZRCB")	Zhuzhou, Hunan Province	600,000	600,000	51.00%	51.00%	
Chaozhou Rural Commercial Bank (the "CZRCB")	Chaozhou, Guangdong Province	2,633,342	2,633,342	57.72%	57.72%	74.38%	74.38%	Banking
Nanxiong Rural Commercial Bank (the "NXRCB")	Nanxiong, Guangdong Province	431,800	431,800	51.00%	51.00%	53.39%	53.39%	Banking
Shaoguan Rural Commercial Bank (the "SGRCB")	Shaoguan, Guangdong Province	1,373,718	N/A	50.10%	N/A	50.10%	N/A	Banking
Zhujiang Financial Leasing Co, Ltd.	Guangzhou, Guangdong Province	1,000,000	1,000,000	100.00%	100.00%	100.00%	100.00%	Financial leasing

- (i) The Bank holds less than majority equity interests in these subsidiaries. In accordance with the agreements to act in concert entered into by the Bank and the non-controlling shareholders, the non-controlling shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, the management of the Bank believes that the Bank has controls over these subsidiaries.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations promulgated by the International Accounting Standards Board and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

These financial statements have been prepared on an accrual basis and under the historical cost convention except for financial assets/liabilities at fair value through profit or loss and other comprehensive income that have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Bank. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

When the Bank has less than majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other voting right holders of the investee;
- (b) Rights arising from other contractual arrangements; and
- (c) The Group's voting rights and potential voting rights.

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership of a subsidiary without a loss of control, is accounted for as equity transaction. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- (a) derecognises the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognises the carrying amount of any non-controlling interest;
- (c) derecognises the cumulative translation differences recorded in equity;
- (d) recognises the fair value of the consideration received;
- (e) recognises the fair value of any investment retained;
- (f) recognises any resulting surplus or deficit in profit or loss; and
- (g) reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated statement of profit or loss, and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the parent company. An acquisition of non-controlling interests is accounted for as an equity transaction.

2.2 Standards, amendments and interpretations effective in 2020

On 1 January 2020, the Group adopted the following new standards, amendments and interpretations. The Group has not early adopted any other standards, interpretations or amendments that have been issued but is not yet effective.

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Revised Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS 16	Covid-19-Related Rent Concessions



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Standards, amendments and interpretations effective in 2020 (continued)

Amendments to IFRS 1 and IFRS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and the meaning of primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as existing and potential investors, lenders and other creditors that must rely on general purpose financial statements for much of the financial information they need.

Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term outputs is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: increasing the prominence of stewardship in the objective of financial reporting, reinstating prudence as a component of neutrality, defining a reporting entity, which may be a legal entity, or a portion of an entity, revising the definitions of an asset and a liability, removing the probability threshold for recognition and adding guidance on derecognition, adding guidance on different measurement basis, and stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Standards, amendments and interpretations effective in 2020 (continued)

Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms.

The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

The impact of Amendments to IFRS 16 is described in note 4.1. The adoption of the above amendments does not have a significant impact on the operation results, comprehensive income and financial position of the Group.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2020

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	Originally 1 January 2021, but extended to 1 January 2023 by the IASB
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	Originally 1 January 2022, but extended to 1 January 2023 by the IASB
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 9, IFRS 16, IFRS 1 and IAS 41	Annual Improvements to IFRS Standards (2018–2020)	1 January 2022
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

IFRS 17

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured at each reporting period. Contracts are measured using the building blocks of: discounted probability weighted cash flows, an explicit risk adjustment, and a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognized over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the modification reflects that it allows adjustment of contractual service margin for certain change. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2020 (continued)

Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2020 (continued)

Annual Improvements to IFRS Standards (2018–2020)

The following improvements were finalised in 2020: IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Amendments to IFRS 10 and IAS 28

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

The adoption of the above new IFRS issued but not yet effective is not expected to have a material effect on the Group's operating results, financial position or other comprehensive income.

2.4 Summary of significant accounting policies

2.4.1 Foreign currency translation

The consolidated financial statements of the Group are presented in RMB, being the functional and presentation currency of the Bank and its subsidiaries.

Foreign currency transactions are initially recorded at the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments

2.4.2.1 Financial assets and financial liabilities

(1) Recognition and derecognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. When financial assets are purchased in a regular way or sold out, they are recognised on trade-date. Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and the transfer satisfies the new financial instrument guidelines for the derecognition of financial assets. When the current obligations of financial liabilities have been discharged, the Group derecognizes the financial liabilities.

Modification of financial assets

The Group sometimes renegotiates or otherwise modifies financial assets' contract which will change the contractual cash flows of financial assets. When this happens, the Group assessed whether or not the new items are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial assets and recognises 'new' assets at fair value and remeasures a new effective interest rate for the assets. 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 recognised 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 recognised 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 remeasures the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is remeasured by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). In assessing whether the credit risk of the relevant financial assets has increased significantly, the Group compares the risk of default on the statement of financial position based on the changed contract terms with the risk of default based on the original contract terms at initial recognition.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(1) Recognition and derecognition (continued)

Derecognition (other than on a modification)

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- (i) has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) is prohibited from selling or pledging the assets; and
- (iii) has an obligation to remit any cash it collects from the assets without material delay.

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitization transactions in which the Group retains a subordinated residual interest.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Group neither transfers nor retains substantially all the risks and rewards of ownership, and the Group has retained control of the transferred assets, the Group applies continuing involvement approach. Under this approach, the Group continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Group. The carrying amount of the transferred asset and associated liability is: (a) the amortized cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortized cost; or (b) equal to the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis, if the transferred asset is measured at fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(2) Classification and measurement

At initial recognition, the Group measures financial assets or financial liabilities at its fair value plus or minus, in the case of financial assets or financial liabilities 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, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

When there is a difference between the fair value and the transaction cost at the initial recognition of a financial asset or financial liability, the Group distinguishes between the following:

- (a) At initial recognition, the fair value of a financial asset or financial liability is determined based on the quotation of the same asset or liability in an active market or valuation techniques using only observable market data, the difference between the fair value and the transaction cost is recognised as a gain or loss.
- (b) In the initial recognition, if the fair value of financial assets or financial liabilities is determined in other ways, the difference between the fair value and the transaction cost is deferred. After the initial recognition, the deferred difference is recognised as the gain or loss of the corresponding accounting period based on the degree of change in a factor in the corresponding accounting period. This factor should be limited to factors that market participants will consider when pricing the financial instrument, including time.

Fair value

Fair value refers to the price that a market participant can receive from sell an asset or transfer a liability in an orderly transaction that occurs on the balance sheet date. The fair value of financial instruments traded in active markets is based on quoted market prices (unadjusted) at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. At the time of valuation, the Group adopts valuation techniques that are applicable under current circumstances and that are sufficiently supported by data and other information, and inputs that are consistent with the characteristics of assets or liabilities considered by market participants in transactions in related assets or liabilities. These valuation techniques maximise the use of observable market data where it is available.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(2) Classification and measurement (continued)

Financial assets

The Group classifies its financial assets in the following measurement categories:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVPL).

Amortized cost and effective interest rate

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

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 expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

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

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as placements with banks and other financial institutions, financial assets purchased under resale agreements, loans and government and corporate bonds.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(2) Classification and measurement (continued)

Debt instruments (continued)

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

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

- (i) Amortized cost;
- (ii) Fair value through other comprehensive income (FVOCI); or
- (iii) Fair value through profit or loss (FVPL).

Business model: 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. Factors considered by the Group in determining the business model of a set of financial assets include how the cash flows of the Group were collected in the past, how the Group's performance was assessed and reported to key management personnel, how the risks were assessed and managed, and the way the business managers are paid.

SPPI: 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 (the 'SPPI test'). 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 FVPL.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(2) Classification and measurement (continued)

Debt instruments (continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by expected credit losses allowance. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). 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 recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gains on financial investments'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(2) Classification and measurement (continued)

Debt instruments (continued)

The Group reclassifies debt investments if and only if its business model for managing those assets changes. The reclassification takes place from the beginning of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

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

- (a) Purchased or originated credit-impaired ('POCI') financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- (b) Financial assets that are not 'POCI' but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit losses allowance).

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 investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is used, fair value gains and losses are recognised 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 recognised in profit or loss as Net trading gains when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the statement of profit or loss.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(2) Classification and measurement (continued)

Financial liabilities

In both the current and prior period, financial liabilities are classified and subsequently measured at amortized cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability;
- Financial guarantee contracts and loan commitments.

(3) Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(4) Offset

The Group shows financial assets and financial liabilities separately in the statement of financial position and may not offset each other, except for:

- (i) The Group has a statutory right to offset the confirmed amount and the legal right is now enforceable ;
- (ii) The Group plans to settle the net assets or realize the financial assets and liquidate the financial liabilities at the same time.

2.4.2.2 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of expected credit loss allowance (calculated as described in Note 2.4.2.1(3)); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the ECL allowance. 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 ECL allowance is recognised as a provision. However, for contracts that include both a loan and an unused commitment and the Group cannot separately identify provision of unused commitment component from the loan component, the ECL on the unused commitment are recognised together with the ECL allowance for the loan. Provided that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as provisions.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.3 Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

2.4.4 Reverse repurchase and repurchase transactions

Assets sold under agreements to repurchase at a specified future date (“repos”) are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a “repurchase agreement”, reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date (“reverse repos”) are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a “reverse repurchase agreement”. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

2.4.5 Property and equipment

Property and equipment, other than construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the actual costs of construction. These costs comprise various direct construction costs during the period of construction and other related expenditures. When an asset under construction is ready for its intended use, it is reclassified to fixed assets, intangible assets or other assets, and depreciation or amortization is provided for according to corresponding policies. Construction in progress is not depreciated until the construction is completed and the asset is ready for its intended use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.5 Property and equipment (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and annual depreciation rate of each item of property and equipment are as follows:

	Estimated useful life	Estimated residual value	Annual depreciation rate
Properties and buildings	10 to 20 years	0%-5%	4.75%–9.50%
Leasehold improvements	Over the shorter of the useful economic lives and remaining lease terms		
Office equipment	3 to 5 years	0%-5%	19.00%–31.67%
Motor vehicles	3 to 5 years	0%-5%	19.00%–31.67%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

2.4.6 Land use rights

Land use rights are right-of-use assets and are recognised at cost, which is the consideration paid. The rights are amortized using the straight-line basis over the period of the leases.

2.4.7 Foreclosed assets

Foreclosed assets are initially recognised 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 recognised in the consolidated income statement.

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.7 Foreclosed assets (continued)

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.

2.4.8 Intangible assets (other than goodwill)

The Group's intangible assets mainly comprise computer software.

Intangible assets are initially measured at cost and recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost can be reliably measured. Otherwise, they are recognised in the statement of profit or loss in the period in which they occur.

Upon an intangible asset becoming ready for its intended use, the costs less estimated residual value and any impairment losses are amortized over its estimated useful life on the straight-line basis.

The useful lives of the Group's intangible assets are from 2 years to 10 years. The amortization rates of the Group's intangible assets are between 10% and 50%.

The useful life and the amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period. If the expected useful life of the asset or the amortization method differs significantly from previous assessments, the amortization period or amortization method is adjusted accordingly as change of accounting estimate.

2.4.9 Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. The investment properties of the Group mainly include leased buildings.

Investment property is recognised only when it is probable that economic benefits associated with the property will flow to the Group and the cost of the property can be reliably measured.

Investment properties are initially and subsequently measured using the cost method. Depreciation is calculated using the straight-line method.

	Estimated useful life	Estimated residual value	Annual depreciation rate
Properties and buildings	10 to 20 years	5%	4.75%–9.50%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.10 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed.

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.10 Business combination and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

2.4.12 Asset impairment

Impairment losses on assets except for deferred tax assets and financial assets are determined based on the following:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortization, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss. After such a reversal, the depreciation/amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.13 Cash and cash equivalents

Cash and cash equivalents refer to short-term 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 comprise cash, unrestricted balances with the central bank, amounts due from banks and other financial institutions, Financial assets held under resale agreements and debt securities with original maturity of less than three months.

2.4.14 Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the each year is significant, the Group will present them at their present value.

(a) Statutory defined contribution plans

In accordance with the relevant laws and regulations, the employees of the Group participate in basic pension insurance and unemployment insurance schemes administered by the local government authorities. The Group calculates and contributes to the local government agencies under the above pension and insurance schemes using applicable contribution bases and rates stipulated in the relevant local regulations in the period the employees provide their services to the Group. Contributions to these plans are recognised in the statement of profit or loss as incurred.

(b) Retirement benefit annuity plan

In addition to the basic pension insurance scheme, employees and early retirees of the Group also participate in a defined contribution plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to the statement of profit or loss when it incurs. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.14 Employee benefits (continued)

(c) Supplemental retirement benefits

The Group pays supplemental retirement benefits to the retirees, including supplemental pension payments and medical expense coverage. The liability related to the supplemental retirement benefit obligations as at each financial reporting date is calculated by the Group using the projected unit credit method and is recorded as a liability under "Employee benefit obligations" in the statement of financial position. The present value of the liability is determined by discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of supplemental retirement benefits are recognised in "Other comprehensive income" in the period when they occur. The gains or losses arising from amendments to supplemental retirement benefit obligations are recognised in the statement of profit or loss in the period when they occur.

(d) Early retirement benefits

According to the Group's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Group. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefit expense and present value of these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognised in the statement of profit or loss as they occur.

2.4.15 Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreements with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.15 Fiduciary activities (continued)

The Group grants the entrusted loans on behalf of the trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The risk of loss is borne by those trustors. The Group charges a commission related to its activities in connection with entrusted loans which is recognised ratably over the period in which the service is provided.

2.4.16 Recognition of income and expense

(a) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets measured at amortized cost or fair value through other comprehensive income, except for:

- POCI financial assets, for which the original credit adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit impaired (or 'Stage III'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit losses allowance).

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.16 Recognition of income and expense (continued)

(b) *Fee and commission income*

The Group earns fee and commission income from a diverse range of services it provides to its customers.

The Group recognizes revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (thus the customer obtains control of that good or service).

(c) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

(d) *Net trading income*

Net trading income arising from trading activities include gains and losses from changes in fair value for financial assets at fair value through profit or loss.

2.4.17 Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the statement of profit or loss except that it relates to items recognised directly in equity, in which case it is recognised in equity.

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each year.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of each year between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.17 Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (i) Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4.18 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.18 Leases (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.18 Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.4.19 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person,
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.19 Related parties (continued)

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4.20 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 recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.21 Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Group's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Group. Dividends for the years ended 2020 and 2019 approved after the end of the year are disclosed as a post year-end event after the year. As authorized by the ordinary equity holders in the Annual General Meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution 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 Board of Directors of the Bank.

2.4.22 Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Structured entities often have restricted activities and a narrow and well defined objective. Examples of structured entities include asset-backed securities, funds, wealth management products, trust plans and asset management plans. The Group's unconsolidated structured entities mainly include off-balance sheet non-guaranteed wealth management products sponsored by the Group and the structured entities invested by the Group (Note 41).

2.4.23 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives the grants of monetary assets, the grants are recorded at the amount received or receivable. Where the Group receives the grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets. If the fair value cannot be measured reliably, the grants are recorded at the nominal amount of the non-monetary assets. When the grant relates to an expense item, where the grant is intended to compensate the expenses or costs to be incurred in the subsequent period, it is recognised as deferred income and is released to the statement of profit or loss over the periods that the costs, which it is intended to compensate, are expensed; while where the grant is intended to compensate the incurred expenses or costs, the grant is recognised in the statement of profit or loss in the current period. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments. Grants recorded at nominal amount shall be recognised in the statement of profit or loss in the current period.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.24 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that had a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

3.1 Expected credit losses measurement

The measurement of the expected credit losses allowance for financial assets measured at amortized cost and FVOCI, financial guarantee contracts and loan commitments is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers' defaulting and the resulting losses).

The measurement models of expected credit losses involves significant management estimations and judgements, primarily including the following:

- Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss incurred;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and
- The estimated future cash flows for corporate loans and financial investments measured at amortized costs in stage III.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments that are not quoted in an active market. These valuation techniques include the use of observable inputs and data with consistent characteristics of assets or liabilities in the transaction of related assets or liabilities. To the extent practical market observable inputs and data, such as interest rate yield curves, foreign currency rates, commodity price and implied option volatilities, are prioritized to use when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using unobservable inputs and data, such as assumption on the credit risk, volatilities and credit of the counterparty. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3.3 Income taxes

Significant estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues arising from new tax regulations or other uncertain tax arrangements based on estimates of whether additional taxes will be due. The deductibility of certain items is subject to tax authority's final approval. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will affect the current income taxes and levies and/or deferred tax provisions in the period in which such determination is made.

3.4 Early retirement benefits and supplementary retirement benefits

The amount of expenses and liabilities of early retirement benefits and supplementary retirement benefits shall be determined based on various assumptions. These assumptions include the discount rate, the growth rate of average medical expenses, the growth rate of benefits for retirees and other factors. Although the management believes that the assumptions which have been adopted are reasonable, the actual empirical values and the changes in the assumptions will still affect the costs and liabilities of the early retirement benefits and supplementary retirement benefits of the Bank.

3.5 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"), or groups of CGUs. The Group forecasts future cash flow of the CGU and CGUs, and applies appropriate discount rate for the calculation of the present value of future cash flow.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.6 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement 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 TRANSITION DISCLOSURES

4.1 The Impact of the adoption of Amendment to IFRS 16 on the Group

The group has early adopted Amendment to IFRS 16 -Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

The group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling RMB1,081 thousands have been accounted for as negative variable lease payments and recognised in administrative expenses in the statement of profit or loss for the whole year ended 31 December 2020, (see Note 11), with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

5 OPERATING SEGMENT INFORMATION

5.1 Operating segments

For management purposes, the Group is organized into four different operating segments as follows:

Corporate banking

The corporate banking segment covers financial products and services for corporate customers including deposits, loans, settlement, clearing and other trade-related services.

Retail banking

The retail banking segment covers financial products and services for individual customers including deposits, debit and credit cards, personal and collateral loans and personal wealth management services.

Financial market business

The financial market business segment covers proprietary tradings and agent services including money market placements, investments, repurchases and foreign exchange transactions.

Others

This segment covers businesses other than corporate banking, retail banking and financial market business, of which the assets, liabilities, income and expenses cannot be directly attributable or allocated to certain segment on a reasonable basis.

Inter-segment transfer pricing is made in accordance with the sources, funding periods and interest rates announced by the People's Bank of China and the interbank market rates. The allocation of expenses between segments above is based on the benefits received.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

5.1 Operating segments (continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Year ended 31 December 2020					
Interest income	20,887,050	8,316,132	7,946,817	-	37,149,999
Interest expense	(7,515,971)	(7,510,302)	(4,476,243)	-	(19,502,516)
Inter-segments Interest (expense)/income	(2,559,361)	5,629,498	(3,070,137)	-	-
Net interest income	10,811,718	6,435,328	400,437	-	17,647,483
Fee and commission income	965,923	539,275	122,844	-	1,628,042
Fee and commission expense	(149,314)	(129,332)	(22,435)	-	(301,081)
Net fee and commission income	816,609	409,943	100,409	-	1,326,961
Net trading gains	-	-	1,976,684	-	1,976,684
Net gains on financial investments	-	-	361,338	-	361,338
Other income, gains or losses	(393,868)	(8,596)	(598)	309,001	(94,061)
Operating income	11,234,459	6,836,675	2,838,270	309,001	21,218,405
Operating expenses	(2,271,858)	(4,183,494)	(402,452)	(179,657)	(7,037,461)
Credit impairment losses	(4,006,609)	(492,986)	(3,351,177)	(987)	(7,851,759)
Impairment losses on other assets	(21,238)	(2,613)	(17,764)	(5)	(41,620)
Profit before tax	4,934,754	2,157,582	(933,123)	128,352	6,287,565
Income tax expense					(1,010,948)
Profit for the year					5,276,617
Other segment information:					
Depreciation and amortization	286,390	545,932	44,749	17,899	894,970
Capital expenditure	148,622	284,460	26,860	11,375	471,317
As at 31 December 2020					
Segment assets	376,091,693	140,912,981	497,563,719	13,303,253	1,027,871,646
Segment liabilities	(383,960,378)	(415,096,700)	(152,631,325)	(297,933)	(951,986,336)
Other segment information:					
Credit commitments	179,256,319	25,169,787	-	-	204,426,106

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

5.1 Operating segments (continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Year ended 31 December 2019					
Interest income	18,357,007	6,409,658	11,298,258	-	36,064,923
Interest expense	(5,022,088)	(3,795,350)	(8,364,269)	-	(17,181,707)
Inter-segments Interest (expense)/income	(553,693)	3,875,678	(3,321,985)	-	-
Net interest income	12,781,226	6,489,986	(387,996)	-	18,883,216
Fee and commission income	1,003,362	573,117	96,793	-	1,673,272
Fee and commission expense	(144,771)	(124,039)	(41,895)	-	(310,705)
Net fee and commission income	858,591	449,078	54,898	-	1,362,567
Net trading gains	-	-	2,735,012	-	2,735,012
Net gains on financial investments	-	-	50,370	2,220	52,590
Other income, gains or losses	265,236	6,839	(5,272)	357,096	623,899
Operating income	13,905,053	6,945,903	2,447,012	359,316	23,657,284
Operating expenses	(2,115,202)	(3,433,316)	(969,475)	(157,703)	(6,675,696)
Credit impairment losses	(5,937,475)	86,672	(1,096,037)	(131,465)	(7,078,305)
Impairment losses on other assets	(5,518)	(2,286)	(316)	(39)	(8,159)
Profit before tax	5,846,858	3,596,973	381,184	70,109	9,895,124
Income tax expense					(1,984,411)
Profit for the year					7,910,713
Other segment information:					
Depreciation and amortization	332,253	567,928	58,963	20,037	979,181
Capital expenditure	134,046	256,047	36,186	13,327	439,606
As at 31 December 2019					
Segment assets	312,376,309	124,736,024	445,175,152	11,866,806	894,154,291
Segment liabilities	(334,129,769)	(327,898,220)	(158,151,288)	(265,703)	(820,444,980)
Other segment information:					
Credit commitments	151,157,149	23,927,825	-	-	175,084,974



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

5.2 Geographic information

The Bank mainly operates in Guangdong Province, China. The major customers and non-current assets are located in Guangdong Province, China.

6 NET INTEREST INCOME

	Year ended 31 December	
	2020	2019
Interest income		
Loans and advances to customers	27,856,038	26,173,399
Financial investments	6,001,534	6,497,535
– Financial assets at amortized cost	3,225,959	3,873,096
– Financial assets at fair value through other comprehensive income	2,775,575	2,624,439
Financial assets held under resale agreements	886,216	818,331
Due from central bank	1,086,314	1,103,783
Deposits with banks and other financial institutions	1,319,897	1,471,875
Subtotal	37,149,999	36,064,923
Interest expense		
Customer deposits	(14,981,538)	(12,016,733)
Debt securities issued	(2,623,903)	(3,046,939)
Deposits from banks and other financial institutions	(1,022,058)	(1,305,820)
Financial assets sold under repurchase agreements	(128,503)	(166,283)
Borrowings from other banks (i)	(322,417)	(433,488)
Due to central bank	(369,401)	(158,980)
Lease liabilities	(54,696)	(53,464)
Subtotal	(19,502,516)	(17,181,707)
Net interest income	17,647,483	18,883,216
Including:		
Interest income accrued on impaired financial assets	55,960	55,366

- (i) The interest expenses for the long-term and short-term borrowings from other banks were incurred by Zhujiang Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2020	2019
Fee and commission income:		
Bank card fees	250,336	351,272
Agency and custodian service fees	440,659	405,694
Advisory and consultancy fees	61,630	170,028
Settlement and electronic channel business fees	170,065	167,370
Guarantee and commitment service fees	182,623	140,054
Wealth management product related fee income	122,854	89,308
Financial lease business fees	63,371	87,440
Foreign exchange business fees	38,516	42,453
Others	297,988	219,653
Subtotal	1,628,042	1,673,272
Fee and commission expense:		
Settlement and electronic channel business fees	(23,130)	(24,116)
Bank card fees	(75,839)	(70,649)
Others	(202,112)	(215,940)
Subtotal	(301,081)	(310,705)
Net fee and commission income:	1,326,961	1,362,567



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

8 NET TRADING GAINS

	Year ended 31 December	
	2020	2019
Debt securities:		
Unrealised losses from debt securities	(1,220,127)	(876,894)
Realised gains from debt securities	2,668,840	3,202,694
Subtotal	1,448,713	2,325,800
Funds:		
Unrealised gains from funds	11,887	17,867
Realised gains from funds	513,735	388,497
Subtotal	525,622	406,364
Others	2,349	2,848
Total	1,976,684	2,735,012

The above amounts include gains and losses arising from the buying and selling of, interest income on, and changes in the fair value of financial assets at fair value through profit or loss.

9 NET GAINS ON FINANCIAL INVESTMENTS

	Year ended 31 December	
	2020	2019
Net gains from financial assets at fair value through other comprehensive income	358,988	52,630
Net gains/(losses) from financial assets at amortized cost	2,350	(40)
Total	361,338	52,590

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

10 OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2020	2019
Net foreign exchange (losses)/gains	(390,672)	249,619
Government grants and subsidies	122,857	99,131
Negative goodwill (42 (a))	76,229	86,476
Net gains on disposal of property and equipment	67,128	49,496
Gains from the liquidation of non-performing assets	–	39,012
Net (losses)/gains on sale of foreclosed assets	(7,914)	27,937
Penalties and compensation	1,964	8,354
Others	36,347	63,874
Total	(94,061)	623,899

11 OPERATING EXPENSES

	Year ended 31 December	
	2020	2019
Staff costs (i)	4,432,541	4,105,403
Depreciation and amortization	876,705	903,917
Tax and surcharges	258,701	229,727
Labor dispatch fee	67,304	168,881
Consulting fees	12,755	14,785
Professional service fees	21,578	16,098
Others	1,367,877	1,236,885
Total	7,037,461	6,675,696

(i) Staff costs

	Year ended 31 December	
	2020	2019
Salaries, bonuses and allowances	3,319,568	3,021,501
Social insurance and employee benefits	901,531	912,624
Benefits for early retirement and supplemental retirement	73,703	43,736
Labour union expenditure and education costs	137,739	127,542
Total	4,432,541	4,105,403



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Details of the directors' and supervisors' emoluments are as follows:

Name	Year ended 31 December 2020				Total
	Fees	Salaries	Allowances and benefits	Contribution to pension schemes	
Vice Chairman					
Yi Xuefei	–	1,147	66	161	1,374
Independent Directors					
Yung Hin Man Raymond (i)	–	–	–	–	–
Liu Shaobo	213	–	–	–	213
Liu Heng	236	–	–	–	236
Song Guanghui	227	–	–	–	227
Zheng Jianbiao	220	–	–	–	220
Directors					
Li Fangjin (ii)	6	–	–	–	6
Su Zhigang	63	–	–	–	63
Zhu Kelin	124	–	–	–	124
Liu Guojie	63	–	–	–	63
Supervisors					
Huang Yong	99	–	–	–	99
Wang Xigui	–	945	66	161	1,172
Zhang Dalin (iii)	10	–	–	–	10
Lai Jiaxiong	–	1,704	66	148	1,918
He Heng	–	1,724	66	151	1,941
External Supervisors					
Chen Dan	87	–	–	–	87
Shao Baohua	93	–	–	–	93
Mao Yunshi	120	–	–	–	120
Total	1,561	5,520	264	621	7,966

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (continued):

Name	Year ended 31 December 2019				Total
	Fees	Salaries	Allowances and benefits	Contribution to pension schemes	
Vice Chairman					
Yi Xuefei	–	1,121	94	157	1,372
Independent Directors					
Yung Hin Man Raymond	203	–	–	–	203
Liu Shaobo	231	–	–	–	231
Liu Heng	261	–	–	–	261
Song Guanghui	393	–	–	–	393
Zheng Jianbiao	219	–	–	–	219
Directors					
Li Fangjin	75	–	–	–	75
Su Zhigang	63	–	–	–	63
Shao Jianming (iv)	18	–	–	–	18
Zhang Yongming (v)	12	–	–	–	12
Zhu Kelin	122	–	–	–	122
Liu Guojie	63	–	–	–	63
Supervisors					
Huang Yong	102	–	–	–	102
Wang Xigui	–	842	86	144	1,072
Zhang Dalin	96	–	–	–	96
Lai Jiaxiong	–	1,508	94	144	1,746
He Heng	–	1,601	94	148	1,843
External Supervisors					
Chen Dan	65	–	–	–	65
Shao Baohua	102	–	–	–	102
Mao Yunshi	128	–	–	–	128
Total	2,153	5,072	368	593	8,186



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (continued):

- (i) Yung Hin Man Raymond ceased to act as the director of the Bank from 14 January 2020.
- (ii) Li Fangjin ceased to act as the director of the Bank from 27 September 2020.
- (iii) Zhang Dalin ceased to act as the supervisor of the Bank from 10 March 2020.
- (iv) Shao Jianming ceased to act as the director of the Bank from 14 August 2019.
- (v) Zhang Yongming ceased to act as the director of the Bank from 27 November 2019.

(b) Five highest paid individuals

The five highest paid individuals of the Group are all employees of the Bank. For the year ended 31 December 2020, the five highest paid individuals of the Group comprised one supervisor. For the year ended 31 December 2019, the five highest paid individuals of the Group comprised no directors nor supervisors.

The emoluments of the five highest paid individuals for the years are as follows:

	Year ended 31 December	
	2020	2019
Salaries, allowances	12,360	10,866
Contributions to pension schemes	795	1,240
Total	13,155	12,106

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals (continued)

	Number of Individuals Year ended 31 December	
	2020	2019
500,001 – 1,000,000 (in RMB yuan)	–	–
1,000,001 – 1,500,000 (in RMB yuan)	–	–
1,500,001 – 2,000,000 (in RMB yuan)	1	2
2,000,001 – 2,500,000 (in RMB yuan)	–	1
2,500,001 – 3,000,000 (in RMB yuan)	4	2
Total	5	5

For the years 2020 and 2019, no emoluments had been paid or payable by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2020	2019
Loans and advances to customers		
– Loans and advances to customers at amortized cost	4,061,628	5,747,967
– Impairment gains on assets (i)	(326,378)	–
– Loans and advances to customers at fair value through other comprehensive income	360,883	124,713
Financial investments	574,517	1,089,484
Off-balance sheet activities	2,577,608	(17,096)
Deposits with banks and other financial institutions	311,929	18,043
Placements with banks and other financial institutions	276,542	5,705
Others	15,030	109,489
Total	7,851,759	7,078,305

- (i) The Group recognized the excess of the collection amount of the purchased loans over the fair value on the purchase date as asset impairment gains.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

14 INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
Current income tax	2,224,931	3,615,070
Deferred income tax	(1,213,983)	(1,630,659)
Total	1,010,948	1,984,411

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group for the respective periods.

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2020	2019
Profit before income tax	6,287,565	9,895,124
Tax calculated at a tax rate of 25%	1,571,891	2,473,781
Tax effect arising from income not subject to tax (i)	(603,824)	(522,243)
Tax effect of expenses that are not deductible for tax purposes (ii)	55,920	34,794
Adjustments on income tax for prior years which affect current profit or loss	(13,039)	(1,921)
Income tax expense	1,010,948	1,984,411

- (i) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.
- (ii) The expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses and so forth, which are not deductible for tax purposes according to PRC tax regulations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

15 DIVIDENDS

	Year ended 31 December	
	2020	2019
Dividends on ordinary shares declared and paid:	1,961,654	1,961,654
Dividend per share (in RMB yuan)	0.20	0.20
Dividends on preference shares declared	664,770	–

(a) Distribution of final dividend for 2019

A cash dividend of RMB0.2 per ordinary share related to 2019, amounting to RMB1,961,654 thousands in total was approved in the annual general meeting held on 22 May 2020.

The above dividend was recognized as distribution and paid during the year ended 31 December 2020.

(b) Distribution of preference dividend

A cash dividend of preference share, amounting to RMB664,770 thousands in total was approved by the board of directors on 29 April 2020.

The above dividend was recognized as distribution and paid during the year ended 31 December 2020.

16 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding in issue during the years.

	Year ended 31 December	
	2020	2019
Net profit attributable to ordinary shareholders of the Bank (in RMB thousand)	5,081,295	7,520,348
Less: profit for the period attributable to preference shareholders of the Bank	(664,770)	–
Net profit for the period attributable to ordinary shareholders of the Bank	4,416,525	7,520,348
Divided: Weighted average number of ordinary shares in issue (in thousand)	9,808,269	9,808,269
Basic and diluted earnings per share (in RMB yuan)	0.45	0.77

During the years 2020 and 2019, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur in the year ended 31 December 2020, and therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

17 CASH AND DEPOSITS WITH CENTRAL BANK

	As at 31 December	
	2020	2019
Cash on hand	3,786,547	3,085,852
Mandatory reserves with central bank (a)	63,308,030	65,728,258
Surplus reserves with central bank (b)	35,565,294	29,845,402
Fiscal deposits with central bank	1,133,838	910,705
Subtotal	103,793,709	99,570,217
Less:		
ECL allowance	(9,157)	(7,876)
Total	103,784,552	99,562,341

(a) The Group is required to place mandatory reserve deposits with the PBOC, and these mandatory reserve deposits with the central bank are not available for use in the Group's daily operations. As at 31 December 2020, the ratio of the Bank for RMB deposits statutory reserve was 8.5% (31 December 2019: 10.5%), and different ratios are applicable to the subsidiaries based on their respective locations. The ratio for foreign currency deposits was 5% (31 December 2019: 5%). The reserves for RMB is interest bearing based on the rules of the PBOC.

(b) Surplus reserves are mainly for settlement purpose.

18 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2020	2019
Deposits with banks operating in Mainland China	16,382,471	16,782,835
Deposits with other financial institutions operating in Mainland China	2,033,914	1,102,940
Deposits with banks operating outside Mainland China	6,835,460	12,691,816
Interest receivable	91,965	141,744
Subtotal	25,343,810	30,719,335
Less:		
ECL allowance	(330,946)	(19,017)
Total	25,012,864	30,700,318

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

19 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2020	2019
Placements with banks operating in Mainland China	1,271,494	2,612,201
Placements with other financial institutions operating in Mainland China	19,729,799	16,722,023
Placements with banks operating outside Mainland China	947,549	1,215,272
Interest receivable	45,899	61,779
Subtotal	21,994,741	20,611,275
Less:		
ECL allowance	(283,585)	(7,043)
Total	21,711,156	20,604,232

20 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2020	2019
Notes purchased under resale agreements	–	1,423,194
Securities purchased under resale agreements	46,406,422	27,153,429
Interest receivable	45,520	19,205
Subtotal	46,451,942	28,595,828
Less:		
ECL allowance	(4,254)	(2,335)
Total	46,447,688	28,593,493



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers:

	As at 31 December	
	2020	2019
Loans and advances at amortised cost		
Corporate loans and advances		
– Corporate loans	379,857,495	326,135,408
– Discounted bills	1,868,222	7,608,189
	381,725,717	333,743,597
Personal loans and advances		
– Personal residential mortgages	67,439,751	63,694,134
– Personal business loans	54,466,750	40,502,802
– Personal consumption loans	9,508,812	11,287,473
– Credit cards overdraft	8,916,488	9,234,471
	140,331,801	124,718,880
Gross amount of loans and advances at amortised cost	522,057,518	458,462,477
Less: ECL allowance of loans and advances at amortised cost	(15,757,830)	(16,916,755)
Net amount of loans and advances at amortised cost	506,299,688	441,545,722
Loans and advances at fair value through other comprehensive income		
Corporate loans and advances		
– Discounted bills	46,868,652	21,505,649
Net amount of loans and advance to customers	553,168,340	463,051,371

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Loans listed by assessment method for allowance

	As at 31 December 2020				
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	Total
Gross amount of loans and advances to customers at amortized cost					
Corporate loans	328,752,179	36,833,763	15,959,024	180,751	381,725,717
Personal loans	137,049,272	1,698,253	1,468,787	115,489	140,331,801
	465,801,451	38,532,016	17,427,811	296,240	522,057,518
Less: ECL allowance					
– Corporate loans	(1,471,346)	(3,703,951)	(6,394,640)	(1,972)	(11,571,909)
– Personal loans	(2,113,122)	(809,623)	(1,261,541)	(1,635)	(4,185,921)
	(3,584,468)	(4,513,574)	(7,656,181)	(3,607)	(15,757,830)
Gross amount of loans and advances to customers at amortized cost	462,216,983	34,018,442	9,771,630	292,633	506,299,688
Gross amount of loans and advances at fair value through other comprehensive income	46,868,652	–	–	–	46,868,652
ECL allowance on loans and advances to customers at fair value through other comprehensive income	(7,326)	–	(200,000)	–	(207,326)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Loans listed by assessment method for impairment provision (continued)

	As at 31 December 2019				
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	Total
Gross amount of loans and advances to customers at amortized cost					
Corporate loans	267,058,001	56,399,955	10,197,917	87,724	333,743,597
Personal loans	121,590,758	1,527,041	1,548,626	52,455	124,718,880
	388,648,759	57,926,996	11,746,543	140,179	458,462,477
Less: ECL allowance					
Corporate loans	(1,239,986)	(7,048,784)	(5,173,062)	–	(13,461,832)
Personal loans	(1,685,516)	(532,606)	(1,236,801)	–	(3,454,923)
	(2,925,502)	(7,581,390)	(6,409,863)	–	(16,916,755)
Net amount of loans and advances at amortized cost	385,723,257	50,345,606	5,336,680	140,179	441,545,722
Gross amount of loans and advances at fair value through other comprehensive income	20,756,976	–	748,673	–	21,505,649
ECL allowance on loans and advances to customers at fair value through other comprehensive income	(3,014)	–	(393,428)	–	(396,442)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance

Movements in ECL allowance on loans and advances to customers at amortized cost

Corporate loans and advances	Year ended 31 December 2020				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
ECL allowance as at 1 January 2020	1,239,986	7,048,784	5,173,062	-	13,461,832
Originated or purchased	1,423,834	-	-	-	1,423,834
Derecognition or settlements	(781,312)	(492,563)	(234,540)	-	(1,508,415)
Remeasurement					
– Parameter changes	(116,918)	(47,374)	(118,990)	1,972	(281,310)
– Stage transfer	(1,667,018)	1,036,850	4,967,336	-	4,337,168
Write-off	-	-	(5,805,199)	-	(5,805,199)
Transfers	1,372,774	(3,841,746)	2,468,972	-	-
Transfer from Stage I to Stage II	(197,686)	197,686	-	-	-
Transfer from Stage I to Stage III	(113,882)	-	113,882	-	-
Transfer from Stage II to Stage I	1,684,342	(1,684,342)	-	-	-
Transfer from Stage II to Stage III	-	(2,377,972)	2,377,972	-	-
Transfer from Stage III to Stage II	-	22,882	(22,882)	-	-
Transfer from Stage III to Stage I	-	-	-	-	-
Others	-	-	(56,001)	-	(56,001)
ECL allowance as at 31 December 2020	1,471,346	3,703,951	6,394,640	1,972	11,571,909



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at amortized cost

Corporate loans and advances	Year ended 31 December 2019				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
ECL allowance as at 1 January 2019	1,161,864	4,935,028	2,540,606	–	8,637,498
Originated or purchased	737,621	3,449,173	216,828	954,331	5,357,953
Derecognition or settlements	(467,640)	(1,165,590)	(155,253)	–	(1,788,483)
Remeasurement					
– Parameter changes	(104,328)	(215,072)	610,236	–	290,836
– Stage transfer	(2,189,075)	2,140,716	3,270,329	–	3,221,970
Write-off	–	–	(1,247,921)	(954,331)	(2,202,252)
Transfers	2,101,544	(2,095,471)	(6,073)	–	–
Transfer from Stage I to Stage II	(124,511)	124,511	–	–	–
Transfer from Stage I to Stage III	(39,023)	–	39,023	–	–
Transfer from Stage II to Stage I	2,265,078	(2,265,078)	–	–	–
Transfer from Stage II to Stage III	–	(264,866)	264,866	–	–
Transfer from Stage III to Stage II	–	309,962	(309,962)	–	–
Transfer from Stage III to Stage I	–	–	–	–	–
Others	–	–	(55,690)	–	(55,690)
ECL allowance as at 31 December 2019	1,239,986	7,048,784	5,173,062	–	13,461,832

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at amortized cost

Personal loans and advances	Year ended 31 December 2020				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
ECL allowance as at 1 January 2020	1,685,516	532,606	1,236,801	-	3,454,923
Originated or purchased	1,137,976	-	-	-	1,137,976
Derecognition or settlements	(681,795)	(265,902)	(115,330)	-	(1,063,027)
Remeasurement					
– Parameter changes	16,662	53,580	591,498	1,635	663,375
– Stage transfer	(136,216)	681,871	681,071	-	1,226,726
Write-off	-	-	(1,234,093)	-	(1,234,093)
Transfers	90,979	(192,532)	101,553	-	-
Transfer from Stage I to Stage II	(23,230)	23,230	-	-	-
Transfer from Stage I to Stage III	(24,886)	-	24,886	-	-
Transfer from Stage II to Stage I	132,994	(132,994)	-	-	-
Transfer from Stage II to Stage III	-	(86,169)	86,169	-	-
Transfer from Stage III to Stage II	-	3,401	(3,401)	-	-
Transfer from Stage III to Stage I	6,101	-	(6,101)	-	-
Others	-	-	41	-	41
ECL allowance as at 31 December 2020	2,113,122	809,623	1,261,541	1,635	4,185,921



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at amortized cost

Personal loans and advances	Year ended 31 December 2019				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
ECL allowance as at 1 January 2019	2,659,922	435,016	1,288,503	–	4,383,441
Originated or purchased	752,653	137,446	46,022	84,340	1,020,461
Derecognition or settlements	(1,403,954)	(138,306)	(152,327)	–	(1,694,587)
Remeasurement					
– Parameter changes	(281,260)	(34,758)	138,374	–	(177,644)
– Stage transfer	(91,973)	301,095	447,711	–	656,833
Write-off	–	–	(649,565)	(84,340)	(733,905)
Transfers	50,128	(167,887)	117,759	–	–
Transfer from Stage I to Stage II	(25,410)	25,410	–	–	–
Transfer from Stage I to Stage III	(18,425)	–	18,425	–	–
Transfer from Stage II to Stage I	92,123	(92,123)	–	–	–
Transfer from Stage II to Stage III	–	(111,620)	111,620	–	–
Transfer from Stage III to Stage II	–	10,446	(10,446)	–	–
Transfer from Stage III to Stage I	1,840	–	(1,840)	–	–
Others	–	–	324	–	324
ECL allowance as at 31 December 2019	1,685,516	532,606	1,236,801	–	3,454,923

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income

Discounted bills	Year ended 31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2020	3,014	–	393,428	396,442
Originated or purchased	7,326	–	–	7,326
Derecognition or settlements	(3,014)	–	–	(3,014)
Remeasurement	–	–	–	–
– Parameter changes	–	–	356,571	356,571
Write-off	–	–	(549,999)	(549,999)
Transfers				
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2020	7,326	–	200,000	207,326



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income

Discounted bills	Year ended 31 December 2019			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2019	12,059	95,488	164,182	271,729
Originated or purchased	3,014	-	-	3,014
Derecognition or settlements	(9,457)	(43,989)	(164,182)	(217,628)
Remeasurement				
- Parameter changes	-	-	-	-
- Stage transfer	-	-	339,327	339,327
Transfers	(2,602)	(51,499)	54,101	-
Transfer from Stage I to Stage II	-	-	-	-
Transfer from Stage I to Stage III	(2,602)	-	2,602	-
Transfer from Stage II to Stage I	-	-	-	-
Transfer from Stage II to Stage III	-	(51,499)	51,499	-
Transfer from Stage III to Stage II	-	-	-	-
Transfer from Stage III to Stage I	-	-	-	-
ECL allowance as at 31 December 2019	3,014	-	393,428	396,442

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances

The movements in gross carrying amounts of loans and advances to customers at amortized cost

Corporate loans and advances	Year ended 31 December 2020				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
Gross carrying amounts as at 1 January 2020	267,058,001	56,399,955	10,197,917	87,724	333,743,597
Originated or purchased	208,819,623	–	–	158,819	208,978,442
Derecognition	(143,379,120)	(10,901,803)	(844,408)	(65,792)	(155,191,123)
Write-off	–	–	(5,805,199)	–	(5,805,199)
Transfers	(3,746,325)	(8,664,389)	12,410,714	–	–
Transfer from Stage I to Stage II	(15,596,154)	15,596,154	–	–	–
Transfer from Stage I to Stage III	(2,383,500)	–	2,383,500	–	–
Transfer from Stage II to Stage I	14,233,329	(14,233,329)	–	–	–
Transfer from Stage II to Stage III	–	(10,074,836)	10,074,836	–	–
Transfer from Stage III to Stage II	–	47,622	(47,622)	–	–
Transfer from Stage III to Stage I	–	–	–	–	–
Gross carrying amounts as at 31 December 2020	328,752,179	36,833,763	15,959,024	180,751	381,725,717



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at amortized cost

Corporate loans and advances	Year ended 31 December 2019				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
Gross carrying amounts as at					
1 January 2019	220,834,649	40,504,130	4,855,608	–	266,194,387
Originated or purchased	155,626,786	22,897,898	289,917	1,076,904	179,891,505
Derecognition	(95,143,166)	(14,579,947)	(382,081)	(34,849)	(110,140,043)
Write-off	–	–	(1,247,921)	(954,331)	(2,202,252)
Transfers	(14,260,268)	7,577,874	6,682,394	–	–
Transfer from Stage I to Stage II	(25,009,327)	25,009,327	–	–	–
Transfer from Stage I to Stage III	(4,976,763)	–	4,976,763	–	–
Transfer from Stage II to Stage I	15,725,822	(15,725,822)	–	–	–
Transfer from Stage II to Stage III	–	(2,461,342)	2,461,342	–	–
Transfer from Stage III to Stage II	–	755,711	(755,711)	–	–
Transfer from Stage III to Stage I	–	–	–	–	–
Gross carrying amounts as at					
31 December 2019	267,058,001	56,399,955	10,197,917	87,724	333,743,597

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at amortized cost

Personal loans and advances	Year ended 31 December 2020				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
Gross carrying amounts as at 1 January 2020	121,590,758	1,527,041	1,548,626	52,455	124,718,880
Originated or purchased	58,995,721	–	–	82,036	59,077,757
Derecognition	(41,259,633)	(701,219)	(250,889)	(19,002)	(42,230,743)
Write-off	–	–	(1,234,093)	–	(1,234,093)
Transfers	(2,277,574)	872,431	1,405,143	–	–
Transfer from Stage I to Stage II	(1,526,650)	1,526,650	–	–	–
Transfer from Stage I to Stage III	(1,068,486)	–	1,068,486	–	–
Transfer from Stage II to Stage I	303,644	(303,644)	–	–	–
Transfer from Stage II to Stage III	–	(358,703)	358,703	–	–
Transfer from Stage III to Stage II	–	8,128	(8,128)	–	–
Transfer from Stage III to Stage I	13,918	–	(13,918)	–	–
Gross carrying amounts as at 31 December 2020	137,049,272	1,698,253	1,468,787	115,489	140,331,801



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at amortized cost

Personal loans and advances	Year ended 31 December 2019				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
Gross carrying amounts as at					
1 January 2019	105,920,352	962,141	1,471,591	–	108,354,084
Originated or purchased	51,628,119	558,010	82,339	160,683	52,429,151
Derecognition	(34,776,685)	(424,985)	(104,892)	(23,888)	(35,330,450)
Write-off	–	–	(649,565)	(84,340)	(733,905)
Transfers	(1,181,028)	431,875	749,153	–	–
Transfer from Stage I to Stage II	(859,772)	859,772	–	–	–
Transfer from Stage I to Stage III	(535,618)	–	535,618	–	–
Transfer from Stage II to Stage I	210,041	(210,041)	–	–	–
Transfer from Stage II to Stage III	–	(239,229)	239,229	–	–
Transfer from Stage III to Stage II	–	21,373	(21,373)	–	–
Transfer from Stage III to Stage I	4,321	–	(4,321)	–	–
Gross carrying amounts as at					
31 December 2019	121,590,758	1,527,041	1,548,626	52,455	124,718,880

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at fair value through other comprehensive income

Discounted bills	Year ended 31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2020	20,756,976	–	748,673	21,505,649
Originated or purchased	46,868,651	–	–	46,868,651
Derecognition	(20,756,975)	–	(198,674)	(20,955,649)
Write-off	–	–	(549,999)	(549,999)
Transfers	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Gross carrying amounts as at 31 December 2020	46,868,652	–	–	46,868,652

The movements in gross carrying amounts of loans and advances to customers at fair value through other comprehensive income

Discounted bills	Year ended 31 December 2019			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2019	2,539,767	537,124	363,548	3,440,439
Originated or purchased	20,756,976	–	–	20,756,976
Derecognition	(2,145,503)	(197,478)	(348,785)	(2,691,766)
Transfers	(394,264)	(339,646)	733,910	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	(394,264)	–	394,264	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(339,646)	339,646	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Gross carrying amounts as at 31 December 2019	20,756,976	–	748,673	21,505,649



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020	2019
Government bonds	13,725,234	13,775,230
Bonds issued by policy banks	21,414,511	13,807,955
Bonds issued by financial institutions	2,243,957	3,204,462
Certificates of deposit issued by other financial institutions	46,045	399,681
Assets backed securities issued by other banks and non-bank financial institutions	3,176,810	1,029,534
Corporate bonds	4,423,335	751,953
Trust and asset management plans	7,894,769	31,321,554
Fund and other investments	35,948,298	19,401,208
Interest receivable	1,374,535	1,740,601
Total	90,247,494	85,432,178

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2020	2019
Government bonds	18,703,129	22,604,131
Bonds issued by policy banks	35,372,734	24,587,039
Bonds issued by financial institutions	984,193	2,213,074
Assets backed securities issued by other banks and non-bank financial institutions	2,295,188	190,332
Corporate bonds	9,263,436	3,201,728
Certificates of deposit issued by other financial institutions	1,145,227	499,810
Trust and asset management plans (i)	6,537,923	14,971,879
Interest receivable	1,375,502	1,438,120
Total	75,677,332	69,706,113

(i) Trust and asset management plans as at 31 December 2020 were invested in credit assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(a) Movements in ECL allowance are summarised as follows:

	Year ended 31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2020	89,162	173,841	1,211,722	1,474,725
Originated or purchased	10,363	–	–	10,363
Derecognition or settlements	(20,578)	(21,755)	(17,316)	(59,649)
Remeasurement				
– Parameter changes	(8,841)	137,066	70,170	198,395
– Stage transfer	–	158,824	665	159,489
Transfers:	(35,093)	35,043	50	–
Transfer from Stage I to Stage II	(35,043)	35,043	–	–
Transfer from Stage I to Stage III	(50)	–	50	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2020	35,013	483,019	1,265,291	1,783,323

	Year ended 31 December 2019			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2019	148,361	329,802	292,843	771,006
Originated or purchased	48,927	–	–	48,927
Derecognition or settlements	(48,555)	(13,511)	(11,108)	(73,174)
Remeasurement				
– Parameter changes	(4,383)	(28,986)	(90,413)	(123,782)
– Stage transfer	–	119,766	731,982	851,748
Transfers:	(55,188)	(233,230)	288,418	–
Transfer from Stage I to Stage II	(24,223)	24,223	–	–
Transfer from Stage I to Stage III	(30,965)	–	30,965	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(257,453)	257,453	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2019	89,162	173,841	1,211,722	1,474,725



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) The movements in gross carrying amounts are summarised as follows:

	Year ended 31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2020	64,510,272	2,003,191	3,192,650	69,706,113
Originated or purchased	44,448,054	–	–	44,448,054
Derecognition	(38,167,397)	(186,533)	(60,287)	(38,414,217)
Transfers:	(2,017,251)	2,013,560	3,691	–
Transfer from Stage I to Stage II	(2,013,560)	2,013,560	–	–
Transfer from Stage I to Stage III	(3,691)	–	3,691	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	(14,724)	27,329	(75,223)	(62,618)
Gross carrying amounts as at 31 December 2020	68,758,954	3,857,547	3,060,831	75,677,332

	Year ended 31 December 2019			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2019	55,467,126	1,406,972	823,653	57,697,751
Originated or purchased	38,801,593	–	–	38,801,593
Derecognition	(26,310,038)	(58,273)	(894,012)	(27,262,323)
Transfers:	(3,760,778)	596,409	3,164,369	–
Transfer from Stage I to Stage II	(1,651,963)	1,651,963	–	–
Transfer from Stage I to Stage III	(2,108,815)	–	2,108,815	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(1,055,554)	1,055,554	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	312,369	58,083	98,640	469,092
Gross carrying amounts as at 31 December 2019	64,510,272	2,003,191	3,192,650	69,706,113

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

24 FINANCIAL ASSETS AT AMORTIZED COST

	As at 31 December 2020	2019
Government bonds	25,140,355	26,268,742
Bonds issued by policy banks	35,043,690	26,609,634
Bonds issued by financial institutions	677,600	430,000
Certificates of deposit issued by other financial institutions	19,270,099	11,776,155
Assets backed securities issued by other banks and non-bank financial institutions	7,110,358	358,000
Corporate bonds	3,270,966	2,399,981
Trust and asset management plans (i)	5,825,068	14,049,518
Interest receivable	1,214,395	1,331,309
Subtotal	97,552,531	83,223,339
Less :		
ECL allowance	(953,171)	(687,252)
Total	96,599,360	82,536,087

(i) Trust and asset management plans as at 31 December 2020 were invested in credit assets.

(a) Movements in ECL allowance are summarised as follows:

	Year ended 31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2020	142,820	311,645	232,787	687,252
Originated or purchased	11,324	-	-	11,324
Derecognition or settlements	(90,517)	(9,586)	(266,033)	(366,136)
Remeasurement				
– Parameter changes	(27,701)	(66,883)	(361)	(94,945)
– Stage transfer	-	136,006	579,670	715,676
Transfers:	(23,073)	(112,033)	135,106	-
Transfer from Stage I to Stage II	(23,073)	23,073	-	-
Transfer from Stage I to Stage III	-	-	-	-
Transfer from Stage II to Stage I	-	-	-	-
Transfer from Stage II to Stage III	-	(135,106)	135,106	-
Transfer from Stage III to Stage II	-	-	-	-
Transfer from Stage III to Stage I	-	-	-	-
ECL allowance as at 31 December 2020	12,853	259,149	681,169	953,171



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

24 FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

(a) Movements in ECL allowance are summarised as follows: (continued)

	Year ended 31 December 2019			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL	Lifetime ECL	
ECL allowance as at 1 January 2019	228,647	72,840	–	301,487
Originated or purchased	92,204	–	–	92,204
Derecognition or settlements	(153,321)	(72,840)	–	(226,161)
Remeasurement				
– Parameter changes	16,840	–	–	16,840
– Stage transfer	–	279,104	223,778	502,882
Transfers:	(41,550)	32,541	9,009	–
Transfer from Stage I to Stage II	(32,541)	32,541	–	–
Transfer from Stage I to Stage III	(9,009)	–	9,009	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2019	142,820	311,645	232,787	687,252

(b) The movements in gross carrying amount are summarised as follows:

	Year ended 31 December 2020			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amounts as at 1 January 2020	78,914,420	3,385,297	923,622	83,223,339
Originated or purchased	54,511,997	–	–	54,511,997
Derecognition	(39,350,785)	(458,664)	(256,442)	(40,065,891)
Transfers:	(1,916,163)	649,721	1,266,442	–
Transfer from Stage I to Stage II	(1,916,163)	1,916,163	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(1,266,442)	1,266,442	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	(48,699)	(94,180)	25,965	(116,914)
Gross carrying amounts as at 31 December 2020	92,110,770	3,482,174	1,959,587	97,552,531

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

24 FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

(b) The movements in gross carrying amount are summarised as follows: (continued)

	Year ended 31 December 2019			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at				
1 January 2019	80,109,186	550,526	–	80,659,712
Originated or purchased	26,101,907	–	–	26,101,907
Derecognition	(22,717,964)	(550,000)	–	(23,267,964)
Transfers:	(4,164,235)	3,242,294	921,941	–
Transfer from Stage I to Stage II	(3,242,294)	3,242,294	–	–
Transfer from Stage I to Stage III	(921,941)	–	921,941	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	(414,474)	142,477	1,681	(270,316)
Gross carrying amounts as at				
31 December 2019	78,914,420	3,385,297	923,622	83,223,339



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

25 PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost						
At 1 January 2020	5,773,065	170,377	585,727	1,242,634	51,734	7,823,537
Additions	63,587	195,585	14,055	73,434	4,730	351,391
Transfer from construction in progress	24,353	(51,934)	2,070	25,511	-	-
Transfer from investment properties	194,144	-	-	-	-	194,144
Acquisition of a subsidiary	94,571	-	-	6,432	1,189	102,192
Disposals	(33,179)	-	(3,615)	(84,796)	(12,557)	(134,147)
Other transfer-out	(32,193)	(44,143)	(481)	-	-	(76,817)
At 31 December 2020	6,084,348	269,885	597,756	1,263,215	45,096	8,260,300
Accumulated depreciation						
At 1 January 2020	3,433,199	-	497,978	922,690	48,032	4,901,899
Charge for the year	271,081	-	40,217	124,081	2,296	437,675
Transfer from investment properties	133,074	-	-	-	-	133,074
Disposals	(21,647)	-	(3,590)	(80,284)	(12,125)	(117,646)
Other transfer-out	(32,193)	-	(99)	-	-	(32,292)
At 31 December 2020	3,783,514	-	534,506	966,487	38,203	5,322,710
Net book value						
At 31 December 2020	2,300,834	269,885	63,250	296,728	6,893	2,937,590
At 1 January 2020	2,339,866	170,377	87,749	319,944	3,702	2,921,638

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

25 PROPERTY AND EQUIPMENT (CONTINUED)

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost						
At 1 January 2019	4,975,186	204,293	557,083	1,249,964	67,838	7,054,364
Additions	42,854	192,166	25,638	78,673	1,139	340,470
Transfer	106,807	(204,362)	3,006	94,549	–	–
Acquisition of a subsidiary	673,546	17,051	–	10,902	2,251	703,750
Disposals	(25,328)	–	–	(191,454)	(19,494)	(236,276)
Other transfer-out	–	(38,771)	–	–	–	(38,771)
At 31 December 2019	5,773,065	170,377	585,727	1,242,634	51,734	7,823,537
Accumulated depreciation						
At 1 January 2019	3,187,342	–	456,209	967,522	61,550	4,672,623
Depreciation	265,023	–	41,769	132,554	4,233	443,579
Disposals	(19,166)	–	–	(177,386)	(17,751)	(214,303)
At 31 December 2019	3,433,199	–	497,978	922,690	48,032	4,901,899
Net book value						
At 31 December 2019	2,339,866	170,377	87,749	319,944	3,702	2,921,638
At 1 January 2019	1,787,844	204,293	100,874	282,442	6,288	2,381,741

The original value and net value of the fixed assets that have been used but are in the process of applying for the right certificates and that have been used but have not yet applied for the right certificates are listed as follows:

	As at 31 December	
	2020	2019
Original value	1,583,953	1,575,300
Net value	814,086	847,057

Management expects that the aforesaid matter would not affect the rights of the Group to these assets or have any significant impact on the business operation of the Group.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

26 GOODWILL

	At 1 January 2020	Additions	At 31 December 2020
ZZRCB	382,216	–	382,216
CZRCB	476,181	–	476,181
Impairment allowance (i)	(124,160)	–	(124,160)
	734,237	–	734,237

	At 1 January 2019	Additions	At 31 December 2019
ZZRCB	382,216	–	382,216
CZRCB	–	476,181	476,181
Impairment allowance (i)	(124,160)	–	(124,160)
	258,056	476,181	734,237

(i) Impairment

The recoverable amount of the asset group is based on the five-year budget approved by the management, which is then estimated based on a fixed growth rate (as described in the table below) and calculated using the cash flow forecast method.

The assumptions of the future cash flow discount method are as follows:

	As at 31 December	
	2020	2019
Growth rate	3%	3%
Discount rate	15%	15%

The growth rate is the weighted average growth rate used by the Group to forecast the cash flow after five years, which is consistent with the forecast data contained in the industry report and does not exceed the long-term average growth rate of each business. The management uses the interest rate of profit-before-tax as the discount rate which can reflect the specific risks of the relevant asset groups and the portfolio of asset groups. The above assumptions are used to analyse the recoverable amounts of each asset group and portfolio of asset groups within the business division.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

27 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset income tax assets against income tax liabilities and when the deferred income taxes are related to income taxes levied by the same taxation authority. The deferred tax assets and liabilities recognised are as follows:

	31 December 2020		31 December 2019	
	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference
Deferred income tax assets:				
Impairment allowances for assets	4,685,122	18,740,486	4,498,397	17,993,586
Provisions	706,936	2,827,744	94,767	379,067
Changes in the expected credit losses of financial assets at FVOCI	445,831	1,783,322	368,681	1,474,725
Changes in fair value of financial assets at FVOCI	518,065	2,072,258	80,803	323,210
Changes in the expected credit losses of loans and advances to customers at FVOCI	51,832	207,326	99,111	396,442
Changes in fair value of loans and advances to customers at FVOCI	66,842	267,367	9,314	37,256
Changes in fair value of financial assets at FVPL	205,937	823,748	–	–
Staff salary and welfare payable	486,128	1,944,510	463,166	1,852,664
Others	169,175	676,701	49,266	197,065
Subtotal	7,335,868	29,343,462	5,663,505	22,654,015
Deferred income tax liabilities:				
Changes in the expected credit losses of financial assets at FVOCI	(445,831)	(1,783,322)	(368,681)	(1,474,725)
Changes in the expected credit losses of loans and advances to customers at FVOCI	(51,832)	(207,326)	(99,111)	(396,442)
Changes in fair value of financial assets at FVPL	(3,762)	(15,048)	(40,172)	(160,687)
Adjustment of book value of assets and liabilities on the date of acquisition	(127,840)	(511,360)	(100,475)	(401,901)
Unrealized gains of foreclosed assets	(162)	(646)	(162)	(646)
Subtotal	(629,427)	(2,517,702)	(608,601)	(2,434,401)
Net deferred income tax	6,706,441	26,825,760	5,054,904	20,219,614



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

27 DEFERRED INCOME TAXES (CONTINUED)

The movements for deferred tax assets and liabilities recognised are as follows:

	As at 31 December	
	2020	2019
Balance at the end of the last year	5,054,904	3,542,727
Charged to profit or loss	1,213,983	1,630,659
Charged to other comprehensive income	464,919	(18,007)
Acquisition of a subsidiary	(27,365)	(100,475)
At the end of the year	6,706,441	5,054,904

28 OTHER ASSETS

	As at 31 December	
	2020	2019
Receivables and payments	1,221,605	1,423,077
Intangible assets (a)	185,682	166,722
Right-of-use assets (b)	1,946,889	1,911,079
Foreclosed assets (c)	640,937	600,622
Prepayment of properties and buildings	–	520,295
Settlement and clearing accounts	718,192	419,502
Assets to be settled	297,366	297,366
Interest receivable	417,874	359,693
Investment properties	47,692	126,794
Long-term deferred expenses	105,988	116,108
Others	18,325	54,959
Total	5,600,550	5,996,217
Less: Allowance for impairment losses	(755,958)	(738,838)
Total	4,844,592	5,257,379

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

28 OTHER ASSETS (CONTINUED)

(a) Intangible assets

	Software	Total
Cost		
At 1 January 2020	595,825	595,825
Additions	101,606	101,606
Transfer from construction in progress	19,180	19,180
At 31 December 2020	716,611	716,611
Accumulated amortization		
At 1 January 2020	429,103	429,103
Amortization	101,826	101,826
At 31 December 2020	530,929	530,929
Net book value		
At 31 December 2020	185,682	185,682
At 1 January 2020	166,722	166,722
Cost		
At 1 January 2019	494,517	494,517
Additions	76,778	76,778
Transfer from construction in progress	24,619	24,619
Disposals	(89)	(89)
At 31 December 2019	595,825	595,825
Accumulated amortization		
At 1 January 2019	310,421	310,421
Amortization	118,726	118,726
Disposals	(44)	(44)
At 31 December 2019	429,103	429,103
Net book value		
At 31 December 2019	166,722	166,722
At 1 January 2019	184,096	184,096



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

28 OTHER ASSETS (CONTINUED)

(b) Right-of-use assets

	Properties and equipments	Land use rights	Total
Cost			
As at 1 January 2020	1,206,351	1,045,961	2,252,312
Additions	337,304	10,543	347,847
Acquisition of a subsidiary	–	46,407	46,407
Disposals	(177,528)	–	(177,528)
As at 31 December 2020	1,366,127	1,102,911	2,469,038
Accumulated depreciation			
As at 1 January 2020	297,960	43,273	341,233
Charge for the period	296,072	25,626	321,698
Disposal	(140,782)	–	(140,782)
As at 31 December 2020	453,250	68,899	522,149
Net book value			
As at 31 December 2020	912,877	1,034,012	1,946,889
As at 1 January 2020	908,391	1,002,688	1,911,079

(c) Foreclosed assets

	As at 31 December 2020	2019
Houses and buildings	619,754	580,145
Others	21,183	20,477
Total	640,937	600,622
Less: Allowance for impairment losses	(69,307)	(64,017)
Total	571,630	536,605

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

28 OTHER ASSETS (CONTINUED)

(c) Foreclosed assets (continued)

Movements of allowance for repossessed assets are as follows:

	Houses, buildings and land use rights	Others	Total
At 1 January 2019	62,684	2,955	65,639
Charge for the year	1,333	(2,955)	(1,622)
At 31 December 2019	64,017	–	64,017
Charge for the year	5,290	–	5,290
At 31 December 2020	69,307	–	69,307

29 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2020	2019
Deposits from banks operating in Mainland China	2,182,452	4,973,758
Deposits from other financial institutions operating in Mainland China	38,827,688	35,826,246
Interest payable	219,778	239,189
Total	41,229,918	41,039,193

As at 31 December 2020, no deposits arose from principal guaranteed wealth management products (2019: nil).

30 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2020	2019
Placements from banks operating in Mainland China	1,450,000	973,915
Placements from banks operating outside Mainland China	16,830	–
Placements from other financial institutions in Mainland China	350,000	–
Interest payable	1,751	11,002
Total	1,818,581	984,917



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

31 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2020	2019
Securities	10,068,344	9,725,600
Interest payable	1,710	4,755
Total	10,070,054	9,730,355

32 CUSTOMER DEPOSITS

	As at 31 December	
	2020	2019
Demand deposits		
– Corporate customers	172,388,269	131,828,171
– Personal customers	121,225,967	107,750,918
	293,614,236	239,579,089
Time deposits		
– Corporate customers	184,855,368	177,449,451
– Personal customers	274,991,612	209,169,740
	459,846,980	386,619,191
Pledged deposits	13,726,691	12,654,096
Other deposits (i)	11,236,947	19,390,710
Total	778,424,854	658,243,086

- (i) As at 31 December 2020, deposits arising from principal guaranteed wealth management products amounted to RMB6,566,780 thousands (2019: RMB13,267,360 thousands).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

33 DEBT SECURITIES ISSUED

	As at 31 December	
	2020	2019
2018 tier 2 capital bonds (a)	9,998,868	9,998,740
Interbank certificates of deposit issued (b)	65,239,249	67,835,442
Financial bonds (c)	999,221	999,335
Interest payable	406,538	406,538
Total	76,643,876	79,240,055

(a) Tier 2 capital bonds

Pursuant to the approval of the PBOC and the CBIRC, the Bank issued tier 2 capital bonds in an amount of RMB10 billion in the domestic interbank bond market on 23 March 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.90% and annual interest payment on 23 March. The principal is repaid upon its maturity and the Bank has the option to early redeem the bonds at the end of the fifth year. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be needed to be paid.

(b) Interbank certificates of deposit issued

As at 31 December 2020 and 2019, the outstanding balance was RMB65,239,249 thousands and RMB67,835,442 thousands, with the interest rate ranging from 1.85% to 3.42% and from 2.90% to 3.45%, and the amount would mature in 2021 and 2020 respectively.

(c) Financial bonds

Pursuant to the approval of the PBOC and the CBIRC, Zhujiang Financial Leasing Co., Ltd. issued financial bonds in an amount of RMB1 billion in the domestic interbank bond market on 18 April 2019. The bonds have a maturity of 3 years, with a fixed coupon rate of 3.80% and annual interest payment on 22 April every year from 2020 to 2022.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

34 OTHER LIABILITIES

	As at 31 December	
	2020	2019
Borrowings from other banks (a)	10,048,067	10,029,867
Settlement and clearing accounts	2,198,045	3,068,025
Salaries, bonuses, allowances and subsidies payable (b)	2,655,115	2,646,339
Guarantee deposits from lessees (c)	1,377,410	1,419,581
Lease liabilities	957,973	925,531
Sundry tax payables	530,135	516,684
Provisions (d)	2,827,744	379,067
Deferred revenue	156,710	253,708
Deposit insurance premium payable	86,146	56,010
Deposits and guarantees received	49,343	39,843
Payables for commission funds	25,000	25,000
Collection of foreclosed assets	15,000	15,000
Non-performing assets collection (e)	95	3,690
Others	644,073	638,368
Total	21,570,856	20,016,713

(a) Borrowings from other banks

As at 31 December 2020, the wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., borrowed long-term and short-term loans for its leasing operation business, with maturity ranging from 1 to 60 months (31 December 2019: from 1 to 60 months) and fixed interest rates ranging from 2.50% to 5.39% (31 December 2019: from 3.10% to 5.60%).

(b) Salaries, bonuses, allowances and subsidies payable

	As at 31 December	
	2020	2019
Salaries, bonuses and allowances	1,822,612	1,736,711
Social insurance	4,454	56,096
Housing fund	175	443
Employee benefits	78,636	9,418
Labor union expenditure and education costs	224,397	180,723
Defined contribution plans	5,828	969
Defined benefit plans		
– Supplemental retirement benefits (i)	422,202	555,945
Early retirement benefits	96,811	106,034
Total	2,655,115	2,646,339

(i) Supplemental retirement benefits

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

34 OTHER LIABILITIES (CONTINUED)

(b) Salaries, bonuses, allowances and subsidies payable (continued)

The movement of supplementary retirement benefits of the Group are as follows:

	As at 31 December	
	2020	2019
At 1 January	555,945	554,531
Benefits paid during the year ⁽¹⁾	(161,036)	(16,260)
Defined benefit cost recognised in profit or loss	52,970	11,940
Defined benefit cost recognised in other comprehensive income	(25,677)	5,734
At 31 December	422,202	555,945

(1) In accordance with the relevant requirements of Work Plan on Promoting Socialization Management of Retirees in State-owned Enterprises of Guangzhou Municipality, the Group paid the pension compensation of retirees by means of one-time payment from the accumulated accrued retirement benefits payable in 2020, totaling RMB119,597 thousands.

The principal actuarial assumptions adopted at the end of 2020 and 2019 are as follows:

	As at 31 December	
	2020	2019
Discount rate		
– Normal retirees	3.59%	3.38%
– Early retirees	3.66%	3.46%
Expected growth rate of benefits	0–5%	0–5%
Age of retirement		
– Male	60	60
– Female	50/55	50/55

Assumptions regarding future mortality are based on the China Life Insurance Mortality table, which published in Mainland China.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

34 OTHER LIABILITIES (CONTINUED)

(b) Salaries, bonuses, allowances and subsidies payable (continued)

The sensitivity of the present value of supplemental retirement benefit obligations to changes in the principal assumption is:

	Discount rate As at 31 December 2020	2019
Change in basis points		
+50 basis points	(31,903)	(38,238)
-50 basis points	36,102	43,165

	Growth rate As at 31 December 2020	2019
Change in basis points		
+50 basis points	37,013	44,391
-50 basis points	(32,992)	(39,678)

(c) Guarantee deposits from lessees

The wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., received deposits from lessees when entering into the finance lease contracts. These deposits are interest-free and will be repaid upon maturity of the lease contracts.

(d) Provisions

Upon the extension of the transition period of the "Guiding Opinion on Regulating Asset Management Business of Financial Institution" (關於規範金融機構資產管理業務的指導意見), in order to steadily promote the subsequent rectification of the asset management business, the Group accrued a provision for estimated liabilities of RMB 2,803,081 thousands for off-balance sheet assets.

(e) Non-performing assets collection

The promoters acquired certain non-performing assets of the Group during the Group's restructuring, and resolved to donate to the Group net proceeds received from the disposal of non-performing assets which were entrusted to be managed by the Group. Up to 31 December 2020, the Bank has received cumulative proceeds of RMB2,539,050 thousands (31 December 2019: RMB2,507,525 thousands) from the non-performing assets. The donation procedures of these proceeds amounting to RMB2,538,955 thousands have been completed (31 December 2019: RMB2,503,835 thousands). After deducting income tax of RMB306,013 thousands (31 December 2019: RMB306,013 thousands), the net accumulative proceeds amounting to RMB2,232,942 thousands as at 31 December 2020 (31 December 2019: RMB2,197,822 thousands) have been recorded as capital reserve, and the remaining proceeds amounting to RMB95 thousands were recorded as other liabilities and pending for completion of the donation procedures as at 31 December 2020 (31 December 2019: RMB3,690 thousands).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

35 SHARE CAPITAL

All shares of the Bank issued are fully paid ordinary shares, with par value of RMB1 per share. The Bank's number of shares is as follows:

	As at 31 December 2020		As at 31 December 2019	
	Number of shares '000	Nominal value	Number of shares '000	Nominal value
Opening balance	9,808,269	9,808,269	9,808,269	9,808,269
As at 31 December 2020/ 31 December 2019	9,808,269	9,808,269	9,808,269	9,808,269

36 PREFERENCE SHARES

(a) Preference shares outstanding at the end of the period

	Issue date	Accounting		Issue price	Number of shares	In original currency		Conversion		
		classification	Dividend rate			In RMB	Maturity	condition	Conversion	
Offshore preference share										
Preference shares in USD	20 June 2019	Equity	5.90%	USD20/share	71,500,000	1,430,000	9,839,115	No maturity date	Mandatory	No conversion during the period
					Total		9,839,115			
					Less: Issuance fees		18,381			
					Book value		9,820,734			

(b) Main clauses

Offshore preference shares

(i) Dividend

The offshore preference shares accrue non-cumulative dividends on the issue price at the relevant dividend rate below:

- (1) From and including the issue date to but excluding the first reset date, at the rate of 5.90% per annum; and



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)



36 PREFERENCE SHARES (CONTINUED)

(b) Main clauses (continued)

(i) Dividend (continued)

- (2) Thereafter, in respect of the period from and including the first reset date and each reset date falling thereafter to but excluding the immediately following reset date, at the relevant reset dividend rate, provided that the dividend rate shall not at any time exceed 13.57% per annum, being the mean of the weighted average return on equity of the Bank (as determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (as amended in 2010) and calculated based on the return attributable to the Ordinary Shareholders) for the two most recent financial years prior to the issue date.

(ii) Conditions to distribution of dividends

The payment of any dividend on any dividend payment date is subject to:

- (a) the Board (or within the delegated authorization of the Board) having passed a resolution to declare such dividend in accordance with the Articles of Association;
- (b) the Bank having distributable after-tax profit, after making up for the previous years' losses and contributing to the statutory reserve fund and general reserve; and
- (c) the capital adequacy ratios of the Bank meet the regulatory requirements.

Offshore preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

Subject to a resolution to be passed at a shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in whole or in part) any dividend. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant periods.

The cancellation of any amount of dividend (in whole or in part) shall not constitute a default for any purpose by the Bank. Dividend payments are non-cumulative. Under the circumstances where the Bank cancels a dividend (in whole or in part), any amount of dividend that has not been fully distributed to the offshore preference shareholders during the then current dividend period will not be accumulated to the following dividend periods.

(iii) Mandatory conversion trigger events

Upon occurrence of the triggering events as stipulated by the offering documents and subject to regulatory approval, offshore preference share shall be mandatorily converted into ordinary H Shares of the Bank (as converted into Hong Kong dollars at the fixed exchange rate of USD1.00 to HKD7.8489), partially or entirely.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

36 PREFERENCE SHARES (CONTINUED)

(b) Main clauses (continued)

(iv) Order of distribution and liquidation method

On winding-up of the Bank, distribution to offshore preference shareholders is made after all debts of the Bank (including subordinated debts) and obligations that are issued or guaranteed by the Bank and specifically stated to be distributed prior to the offshore preference shares; all offshore preference shareholders are ranked the same in the distribution sequence without priority among them and have the same repayment sequence rights as holders of obligations with equivalent rights. In addition, distribution is made to offshore preference shareholders prior to ordinary shareholders.

On winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the terms and conditions of the offshore preference shares have been made, be applied to the claims of the offshore preference shareholders equally in all respects with the claims of holders of any parity obligations and in priority to the claims of the holders of ordinary shares.

The distribution amount obtained by the offshore preference shareholders shall be the total par value of the issued and outstanding preference shares plus dividends declared but not paid in the current period; if the distribution amount is insufficient, offshore preference shareholders will share the distribution amount on a proportional basis.

(v) Redemption

The offshore preference shares are perpetual and have no maturity date. The Bank may, subject to obtaining CBIRC approval and in compliance with the redemption preconditions, redeem all or some of the offshore preference shares after five years. The redemption period ends at the date when shares are fully converted or redeemed.

(c) Movements of preference shares issued

	As at 1 January 2020	Movements		AS at
		Additions	Reductions	31 December 2020
Offshore preference shares				
Amount (<i>shares</i>)	71,500,000	–	–	71,500,000
In RMB, after deducting issuance fees	9,820,734	–	–	9,820,734



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)



37 RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value and shareholders' donation.

(b) Surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles of association to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

For the year ended 31 December 2020, since the statutory surplus reserve balance has reached 50% of registered capital, the Group has no further withdrawal of the statutory surplus reserve (2019: RMB657,204 thousands).

(c) General reserve

Pursuant to the relevant regulations issued by the Ministry of Finance, the Bank and its subsidiaries are required to maintain a general reserve within equity, through the appropriation of net profit, starting from 1 July 2012, which should not be less than 1.5% of the year-end balance of their respective risk assets as defined by the regulations.

During the year ended 31 December 2020, the Group transferred RMB1,707,241 thousands (2019: RMB1,788,287 thousands) to the general reserve pursuant to the regulatory requirements in the PRC and the reserve has reached 1.5% of the year-end balance of its risk assets as required on 31 December 2020 and 31 December 2019.

(d) Other comprehensive income

Other comprehensive income included financial assets revaluation reserve and remeasurement losses on defined benefit plans. The financial assets revaluation reserve records the fair value changes and expected credit losses of financial assets at fair value through other comprehensive income. Remeasurement losses on defined benefit plans are the actuarial gains or losses of supplemental retirement benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

38 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Other comprehensive income in statement of financial position					Other comprehensive income in income statement		
	Attributable to the		As at 31 December 2020	Net amount transferred to the income statement	Attributable to the shareholders of the Bank after tax	Attributable to the non- controlling interests after tax		
	As at 31 December 2019	shareholders of the Bank after tax					Amount before tax	Tax expense
Other comprehensive income to be reclassified to profit or loss in subsequent years:								
Financial assets at fair value through other comprehensive income	1,134,289	(1,372,751)	(238,462)	(1,500,688)	(358,988)	464,919	(1,372,751)	(22,006)
Other comprehensive income not to be reclassified to profit or loss in subsequent years:								
Remeasurement losses on defined benefit plans	(20,612)	25,677	5,065	25,677	-	-	25,677	-
Total	1,113,677	(1,347,074)	(233,397)	(1,475,011)	(358,988)	464,919	(1,347,074)	(22,006)

	Other comprehensive income in statement of financial position					Other comprehensive income in income statement		
	Attributable to the		As at 31 December 2019	Net amount transferred to the income statement	Attributable to the shareholders of the Bank after tax	Attributable to the non- controlling interests after tax		
	As at 31 December 2018	shareholders of the Bank after tax					Amount before tax	Tax expense
Other comprehensive income to be reclassified to profit or loss in subsequent years:								
Financial assets at fair value through other comprehensive income	1,082,026	52,263	1,134,289	415,462	(343,432)	(18,007)	52,263	1,760
Other comprehensive income not to be reclassified to profit or loss in subsequent years:								
Remeasurement losses on defined benefit plans	(14,878)	(5,734)	(20,612)	(5,734)	-	-	(5,734)	-
Total	1,067,148	46,529	1,113,677	409,728	(343,432)	(18,007)	46,529	1,760



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

39 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

On the consolidated statement of cash flows, cash and cash equivalents have an original maturity of less than three months and include the following:

	As at 31 December	
	2020	2019
Cash on hand	3,786,547	3,085,852
Surplus reserves with central bank	35,565,294	29,845,402
Deposits with banks and other financial institutions	13,910,465	22,824,144
Placements with banks and other financial institutions	880,000	2,538,875
Financial assets held under resale agreements	41,558,550	28,576,623
Total	95,700,856	86,870,896

40 TRANSFERS OF FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets in the consolidated statement of financial position.

(a) Bond lending arrangements

The Group entered into bond lending agreements with securities borrowers to lend out its bond securities classified as financial assets at fair value through profit or loss of carrying amount totalling RMB379,199 thousands as at 31 December 2020 (2019: RMB90,762 thousands) and financial assets at fair value through other comprehensive income of carrying amount totalling RMB923,827 thousands as at 31 December 2020 (2019: RMB678,402 thousands) and financial assets at amortized cost amount totalling RMB674,961 thousands as at 31 December 2020 (31 December 2019: nil). The counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them in the consolidated financial statements.

(b) Securitisation transactions

In the course of securitisation transactions, the Group sells assets to special purpose trusts and the asset-backed securities are subsequently sold to the investors. The Group may hold some asset-backed securities in these businesses, thus reserving part of risks and rewards of transferred credit assets. The Group analyses and judges whether to derecognise relevant credit assets based on degree of retention of risks and rewards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

40 TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

(b) Securitisation of credit assets (continued)

As at 31 December 2020, there was no carrying amount of the credit assets transferred by the Group to special purpose trusts (2019: RMB6,017,962 thousands). The Group has derecognised the relevant credit assets. There was no carrying amount of the Group's share of the above asset-backed securities as at 31 December 2020 (2019: RMB37,752 thousands).

(c) Transfer of beneficial rights of credit assets

In the course of beneficial rights of credit assets transfer transactions, the Group transfers beneficial rights of credit assets to special purpose trusts from whom the trust schemes are subsequently transferred to the investors. The Group may subscribe some trust funds in these businesses, thus reserving part of risks and rewards of transferred beneficial rights of credit assets. The Group analyses and judges whether to derecognise relevant beneficial rights of credit assets based on degree of retention of risks and rewards.

As at 31 December 2020, there was no original amount of the beneficial rights of credit assets transferred by the Group to special purpose trust before transfer (31 December 2019: RMB3,444,851 thousands). The Group has derecognised relevant credit assets. The Group has no share of the above beneficial rights of credit assets as at 31 December 2020 (31 December 2019: same).

41 STRUCTURED ENTITIES

The Group is principally involved with structured entities through wealth management products, financial investments in asset management plans, trust plans and securitisation transactions. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

(a) Consolidated structured entities

(i) *Principal guaranteed wealth management products sponsored and managed by the Group*

Principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products are presented in respective financial assets items in accordance with the Group's accounting policies based on the nature of the assets. The corresponding liabilities to the investors of these products are presented in customers deposits and deposits with banks and other financial institutions.

As at 31 December 2020, the balance of wealth management products sponsored and managed by the Group were RMB6,566,780 thousands (31 December 2019: RMB13,267,360 thousands). And no single wealth management plan has significant financial impact on the Group.

(ii) *Other consolidated structured entities*

Other structured entities consolidated by the Group include certain asset management plans, trust plans and wealth management products invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

As at 31 December 2020, the balance of these consolidated structured entities were RMB30,921,039 thousands.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

41 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities

(i) Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group mainly include non-principal guaranteed wealth management products issued and managed by the Group as an agent. Based on the analysis and research of potential target customer groups, the Group designs and sells wealth management products to specific target customers. The Group invests the funds raised in the assets and distributes investment income to investors in accordance with the contracts.

During the year ended 31 December 2020, the Group recorded commission income as the manager of these wealth management products amounting to RMB122,854 thousands (2019: RMB89,308 thousands). The gains from the unconsolidated non-guaranteed wealth management products of the Group are the same as the Bank's maximum exposure to loss in such business. The Group considered its variable returns from its involvement with the structured entities are not significant and hence it does not consolidate these structured entities.

For the purpose of asset-liability management, the Group's unconsolidated structured entities may raise short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. The Group may enter into repurchase and placement transactions with these unconsolidated structured entities in accordance with market principles. As at 31 December 2020, there was no balance of the above repurchase and placement transactions (31 December 2019: nil).

As at 31 December 2020, the balance of the unconsolidated non-guaranteed wealth management products sponsored by the Group amounted to RMB78,912,178 thousands (31 December 2019: RMB79,359,695 thousands).

(ii) Unconsolidated structured entities invested by the Group

As at 31 December 2020, the Group invests in a number of unconsolidated structured entities mainly consisting of asset-backed securities, funds, wealth management products, trust plans and the asset management plans sponsored and managed by other independent third parties.

The table below sets out the carrying value and the Group's maximum exposure to these unconsolidated structured entities.

At 31 December 2020	Carrying value	Maximum exposure to loss
<u>Financial assets at fair value through profit or loss</u>		
Trust plans and asset management plans	8,059,607	8,059,607
Fund investments	30,616,265	30,616,265
Other investments	8,385,884	8,385,884
Subtotal	47,061,756	47,061,756
<u>Financial assets at fair value through other comprehensive income</u>		
Trust plans and asset management plans	6,671,738	6,671,738
Other investments	2,302,738	2,302,738
Subtotal	8,974,476	8,974,476
<u>Financial assets at amortised cost</u>		
Trust plans and asset management plans	4,972,877	4,972,877
Other investments	7,138,328	7,138,328
Subtotal	12,111,205	12,111,205

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

41 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities invested by the Group (continued)

At 31 December 2019	Carrying value	Maximum exposure to loss
<u>Financial assets at fair value through profit or loss</u>		
Trust plans and asset management plans	27,679,726	27,679,726
Fund investments	19,237,866	19,237,866
Other investments	5,226,010	5,226,010
Subtotal	52,143,602	52,143,602
<u>Financial assets at fair value through other comprehensive income</u>		
Trust plans and asset management plans	15,426,312	15,426,312
Other investments	191,158	191,158
Subtotal	15,617,470	15,617,470
<u>Financial assets at amortised cost</u>		
Trust plans and asset management plans	13,602,618	13,602,618
Other investments	371,303	371,303
Subtotal	13,973,921	13,973,921

42 BUSINESS COMBINATIONS

(a) Summary of acquisition

Pursuant to the approval notice of "Approval Regarding the Opening of Shaoguan Rural Commercial Bank Co., Ltd. (Shao Yinbaojianfu No. [2020]43)" issued by the CBIRC Shaoguan Bureau, Shaoguan Rural Commercial Bank Co., Ltd. ("SGRCB") obtained its finance permit from the CBIRC Shaoguan Bureau on 19 June 2020 and its business license from the Administration for Market Regulation of Shaoguan Municipality on 22 June 2020. The SGRCB was formed as a result of a combination of Shaoguan Urban District Rural Credit Cooperative Union and Shaoguan District Qujiang Rural Credit Cooperative Union with investments from some new investors. The Bank was one of the strategic investors and holds 50.10% equity interests of the SGRCB and controls 50.10% voting rights in the SGRCB. Hence, management of the Bank believes that it has control over the SGRCB from 19 June 2020.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

42 BUSINESS COMBINATIONS (CONTINUED)

(a) Summary of acquisition (continued)

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

AT ACQUISITION DATE	Fair value	Book value
ASSETS		
Cash and deposits with central bank	947,611	947,611
Deposits with banks and other financial institutions	4,781,894	4,781,894
Placements with banks and other financial institutions	790,000	790,000
Loans and advances to customers	5,191,035	5,151,438
Financial assets at fair value through profit or loss	47,281	37,000
Financial assets at amortized cost	748,160	748,160
Financial assets at fair value through other comprehensive income	541,320	541,320
Property and equipment	102,192	75,552
Deferred tax assets	535	535
Other assets	52,394	17,311
Total assets	13,202,422	13,090,821
LIABILITIES		
Due to the Central Bank	(95,500)	(95,500)
Deposits from banks and other financial institutions	(165,452)	(165,452)
Financial assets sold under repurchase agreements	(2,000)	(2,000)
Customer deposits	(10,737,154)	(10,737,154)
Income tax payable	(1,989)	(1,989)
Deferred tax liabilities	(27,900)	–
Other liabilities	(77,486)	(77,486)
Total liabilities	(11,107,481)	(11,079,581)
Net identifiable assets	2,094,941	2,011,240
Less: Non-controlling interests acquired (i)	(1,045,376)	(1,003,609)
Less: Negative goodwill	(76,229)	N/A
Satisfied by cash	973,336	N/A

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

42 BUSINESS COMBINATIONS (CONTINUED)

(a) Summary of acquisition (continued)

The goodwill is attributable to the the high profitability of the acquired business. It will not be deductible for tax purposes.

(i) Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in the SGRCB, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

(ii) Profit contribution

If the acquisition had occurred on 1 January 2020, consolidated net profit for the year ended 31 December 2020 would has been RMB5,317,326 thousands.

(b) Net cash flow for acquisition

Net cash flow for acquisition of the SGRCB is analysed below:

	31 December 2020
Cash paid to acquire the SGRCB in this period	(113,045)
Add: cash and cash equivalents held by the SGRCB	1,403,000
Net cash inflow from acquisition of the SGRCB	1,289,955

43 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Loan and credit card commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

43 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(a) Loan and credit card commitments (continued)

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan and credit card commitments are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the year had the counterparties failed to perform as contracted.

	As at 31 December	
	2020	2019
Bank acceptances	28,630,154	28,469,095
Letters of credit issued	1,906,302	1,312,911
Guarantees issued	42,383,086	31,791,369
Loan and credit card commitments (i)	131,506,564	113,514,099
Subtotal	204,426,106	175,087,474
Provision for expected credit losses for credit commitments	751,894	375,473
Total	203,674,212	174,712,001

(i) Loan commitments of the Group are the unconditionally revocable loan commitments.

(b) Operating lease commitments

During the year, the Group leased certain of their office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases are as follows:

	As at 31 December	
	2020	2019
Within one year	6,546	5,494
After one year but not more than two years	6,482	3,822
After two years but not more than three years	6,574	3,853
After three years	11,866	13,493
Total	31,468	26,662

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

43 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Capital commitments

At the end of the year, the Group had capital commitments as follows:

	As at 31 December 2020	2019
Contracted, but not provided for	310,103	217,662

(d) Credit risk-weighted amount of financial guarantees and credit related commitments

	As at 31 December 2020	2019
Financial guarantees and credit related commitments	32,970,606	28,522,733

The credit risk-weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBIRC and depends on the credit worthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(e) Legal proceedings

As at 31 December 2020, the total claimed amounts of the litigation cases of which the Bank or its subsidiaries are the defendant amounted to RMB24,663 thousands (2019: RMB3,594 thousands). In the opinion of management, the Bank has made adequate provisions for any probable losses based on the current facts and circumstances. The litigation cases are not expected to have a significant impact on the Bank's business, financial condition and performance.

44 FIDUCIARY ACTIVITIES

The Group operates entrusted loans. The entrusted loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group only acts on behalf of trustors and assists them to administer the loans. Risks remain to trustors while the Group charges commission fee for the business. Entrusted loans are not included in the Group's consolidated balance sheet.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FIDUCIARY ACTIVITIES (CONTINUED)

The Group manages assets for customers as an agent, which does not include in the Group's consolidated balance sheet. The Group only charges fees according to agent agreement and bears no risk and takes no benefit of these assets.

	As at 31 December	
	2020	2019
Entrusted deposits	(6,773,966)	(8,403,956)
Entrusted loans	6,773,966	8,403,956

Entrusted wealth management refers to service that the Group makes investments and manages principal on behalf of customers within agreed investment plans and methods, and earnings will be paid to customers in accordance with terms of agreements and actual earnings. As at 31 December 2020 and 31 December 2019, entrusted wealth management service of the Group amounted to RMB78,912,178 thousands and RMB79,359,695 thousands respectively.

45 ASSETS PLEDGED AS SECURITY

(a) Financial assets which have been pledged

As at 31 December 2020 and 31 December 2019, financial assets of the Group, which refer to debt securities, have been pledged as security for liabilities or contingent liabilities, mainly arising from financial assets sold under repurchase agreements, time deposits and borrowings from the Central Bank. As at 31 December 2020 and 31 December 2019, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB13,090,725 thousands and RMB18,241,592 thousands respectively.

(b) Collateral received

The Group received debt securities and bills as collateral in connection with the terms of the financial assets held under resale agreements. The Group did not hold any collateral that can be resold or reused as at 31 December 2020 and 31 December 2019.

46 RELATED PARTY DISCLOSURES

(a) Related party relationships

On 31 December 2020 and 31 December 2019, there is no shareholder directly or indirectly holding 5% or above shares of the Bank.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

46 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party transactions

Related party transactions of the Bank mainly include loans and deposits. Transactions between the Bank and its related parties follow general business terms and normal procedures and their pricing principle is the same as with independent third parties.

(i) Transactions between the Bank and major shareholders and the companies controlled or jointly controlled by major shareholders

Major shareholders include shareholders of the Bank with the power to appoint a director in the Bank.

Balances at the end of the year	As at 31 December	
	2020	2019
Loans and advances to customers	3,044,487	6,102,972
Financial assets at fair value through profit or loss	–	472,790
Financial assets at amortised cost	1,313,028	–
Deposits from banks and other financial institutions	9,525	129,666
Customer deposits	9,854,320	2,242,668
Bank acceptance bills	26,671	28,389
Credit commitments	–	3,053,200

Transactions during the year	Year ended 31 December	
	2020	2019
Interest income	165,718	309,453
Interest expense	180,689	161,796
Fee and commission income	2,861	1,024
Fee and commission expense	4,176	6,016

(ii) Transactions between the Bank and subsidiaries

There are various related party transactions that occur between the Bank and its subsidiaries. These transactions are equitable and follow regular business procedures. The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements. In the opinion of management, the transactions between the Bank and subsidiaries have no significant impact on profit or loss.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

46 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party transactions (continued)

(iii) Other related parties

Other related parties include the companies controlled or jointly controlled by the key management personnel and their close family members, and the companies of which key management personnel and their close family members were appointed as directors and key management personnel. During the year, the Group entered into transactions with other related parties in the ordinary course of business. Details are as follows:

Balances at the end of the year	As at 31 December	
	2020	2019
Loans and advances to customers	11,675,777	13,362,666
Customer deposits	3,539,863	11,265,844
Bank acceptance bills	832,667	742,789
Credit commitments	368,200	3,860,341

Transactions during the year	Year ended 31 December	
	2020	2019
Interest income	669,381	737,055
Interest expense	238,311	210,799
Fee and commission income	11,986	9,744

(c) Key management personnel

Key management personnel refer to those have power and directly or indirectly are responsible for planning, instruction and control of the Group.

Total amount of remuneration of key management personnel is listed below:

	Year ended 31 December	
	2020	2019
Salary, remuneration and benefits	24,665	24,881

Transactions with key management personnel and their closed family members are listed below:

Balances at the end of the year	As at 31 December	
	2020	2019
Loans and advances to customers	10,626	21,668
Customer deposits	66,925	40,183
Credit commitments	1,600	1,600

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

46 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel (continued)

Transactions during the year	Year ended 31 December	
	2020	2019
Interest income	363	1,605
Interest expense	2,563	68

47 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing those risks are crucial to the financial business, and risks are an inevitable consequence of being in business operation. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

A description and an analysis of the major risks faced by the Group are as follows:

The major types of risks are credit risk, market risk and liquidity risk. Market risk mainly consists of currency risk, interest rate risk and price risk.

The Board of Directors of the Group is responsible for determining the Group's overall risk preference. Within this framework, the senior management of the Bank designs risk management policies and procedures for credit risk, market risk and liquidity risk accordingly. After the policies and procedures are approved by the Board of Directors, relevant departments of the headquarters are responsible for their implementation.

The Board of Directors of the Group is responsible for setting the Group's overall risk tolerance, risk management and internal control strategies, supervising and ensuring that senior management performs risk management duties effectively. The Group has a Related Party Transactions and Risk Management Committee under the Board of Directors, which is responsible for monitoring the risk management of senior management, evaluating the Group's situation of risk management, risk tolerance ability and level regularly, and taking case precautions, reviewing and controlling the related party transactions. The Board of Supervisors is responsible for inspecting the Group's risk management and taking case precautions, comprehensively evaluating the risk management performance of the directors and senior management. Senior management is responsible for executing the policies of risk management and internal control approved by the Board of Directors and developing the specific rules and regulations of risk management. The Group has a Compliance and Risk Management Committee under senior management, which is responsible for reviewing the Group's significant matters of compliance and risk management.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Risk Management Department is the leading department of overall risk management, and is responsible for overall planning and coordination of risk management. The Risk Management Department, Credit Management Department, Legal and Compliance Department and Asset Management Department are primarily responsible for managing credit risk, market risk, operation risk and liquidity risk. The Internal Audit Department is responsible for supervising, inspecting, evaluating and reporting the risk management activities' effect independently and objectively.

(a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different industrial sectors and geographic areas have their unique characteristics in terms of economic development, and could present a different credit risk.

(i) Credit Risk Management

Loans

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and management. The Group enhances its credit risk management by strict compliance with its credit management procedures to identify, measure, monitor and manage the potential credit risk, which includes:

- strengthening customer investigation, lending approval and post lending monitoring;
- setting up authorisation limits over loan review and approval;
- establishing the internal assessment system in respect of the credit rating towards different kinds of customers, as the fundamental procedures for granting credit;
- setting up the authority limit over risk classification of credit assets, reviewing periodically and updating risk classification of credit assets, and carrying out on-site sample review and off-site review to monitor the risk; and
- implementing and continuously upgrading the Credit Management System based on the requirements of risk management, developing and popularising various risk management tools.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Credit Risk Management (continued)

Loans (continued)

In respect of the corporate loans, credit managers of the Group are responsible for accepting application from the applicants, carrying out credit investigation and making recommendations on credit rating through credit risk assessment of the applicants and their business. According to the authority limit over credit review and approval, applications will be assessed and authorised at the branch level or/and head office level. The credit limit will be determined based on assessment of the factors including the applicant's credit rating, financial position, collateral and guarantee, the overall credit risk of the portfolio, macro-economic policies, and restriction imposed by laws and regulations. The Group minimises losses over credit risk through: (1) collecting; (2) restructuring; (3) repossessing the collateral or resourcing from the guarantor; (4) seeking arbitration or pursuing lawsuits; and (5) write off according to relevant regulations.

The Group writes off loans, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation to recover the loan.

The written off amount of such loans by the Group were RMB7,589,291 thousands and RMB2,936,157 thousands respectively in 2020 and 2019.

Bonds and other bills

The Group manages the credit risk exposure of bonds and other bills through controlling the investment scale and based on issuer's credit rating and establishing post lending management standards.

Other financial assets carrying at amortized cost

Other financial assets carrying at amortized cost, include wealth management products, trust plans and asset management plans issued and managed by other banks and other financial institutions. The Group establishes a risk evaluation system on the trust companies, securities companies and fund management companies, sets up credit limit for parties repurchasing trust beneficial rights, issuers of wealth management products, ultimate borrowers of asset management schemes, and performs ongoing post-lending monitoring on timely basis.

Inter-bank transactions

The Group reviews and monitors the credit risk of individual financial institutions on regularly basis. Limits are set for each individual bank or non-banking financial institution which has business relationship with the Group.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)



47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Credit Risk Management (continued)

Credit commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Letters of guarantee issued, acceptances, bill acceptance and letters of credit, which represent irrevocable commitment that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. When the amount of credit commitment exceeds the original credit limit, margin deposits are required to mitigate the credit risk. The Group's exposure of credit risk is equivalent to the total amount of credit commitments.

(ii) Risk limit control and mitigation policies

The Group manages and limits the concentrations of credit risk, including concentration to individual counterparty, group, industry and region.

The Group continuously optimizes the credit risk structure by setting limits on the borrower, group of borrowers, geographical and industry segments. Concentration risks are monitored on ongoing basis and subject to an annual or more frequent reviews where necessary.

The Group manages the exposure to credit risk through regular analyses of borrowers and potential borrowers' abilities to fulfil interest and principal repayment obligations and amends the lending limits where appropriate.

The Group has established relevant policies to mitigate credit risk. One of the most important measures is to obtain collateral, pledged assets, guarantee deposits or guarantees from corporates or individuals. The Group provides guidelines on the acceptance of specific classes of collateral. The principal types of collateral for loans and advances are:

- Residential property and land use right;
- Commercial assets, such as commercial property, inventory and accounts receivables;
- Financial instruments, such as debt securities and equity shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

Fair value of collateral is usually required to be assessed by professional valuer designated by the Group. When there is objective evidence of impairment, the value of collateral will be reviewed by the Group to assess whether it could sufficiently cover the credit exposure of relevant loans. To mitigate the credit risk, the Group has set the main loan-to-value ratio (ratio of loan balances against fair value of collateral) based on type of collateral as follows:

Item	Main loan-to-value ratio
Residential properties	70%
Office buildings, shops, factories, houses, carports, Warehouses	50%
Land use rights	50%
Constructions In process	45%
Automobiles	50%
Forest ownerships	40%

Fair value of collateral was determined by management based on the latest available external valuation results, taking into account experience adjustments for current market conditions and estimated expenses to be incurred in the disposal process.

For loans guaranteed by third parties, the Group will review the financial condition and credit history of guarantors and evaluate the ability of the guarantors to meet obligations on regular basis.

(iii) Credit risk impairment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

Stage I (not credit-impaired on initial recognition): 12-month expected credit losses (ECL);

Stage II (significant increase in credit risk since initial recognition): lifetime expected credit losses;
Stage III (credit-impaired assets): lifetime expected credit losses

The Group developed an impairment model to calculate expected credit losses in accordance with the new standards. A top-down development method was used to establish a logistic regression model of macroeconomic indicators and risk parameters.

Stage division

The assessment of significant increase in credit risk consider a number of factors such as five-category classification, overdue days, and credit rating changes. The stages are transferable.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)



47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Stage division (continued)

Significant increase in Credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

Quantitative criteria

At the reporting date, the Group assesses the significant increase in credit risk through the relative change of the probability of default. The thresholds was set based on different product type, such as corporate loans, personal loans, securities investments, etc. For the financial instrument without overdue, the Group assesses changes of probability of default over the lifetime to identify increment of the default risk.

If the borrower fails to pay more than 30 days after the contractual payment date, the credit risk of the financial instrument is considered to be increased significantly.

Qualitative criteria

For corporate loans and bond investment portfolio, the credit risk is considered to be increased significantly, if borrowers were on the watch list or met one or more criteria as follows:

- Significant negative impact appears in business, financing or economic position for borrower
- Actual or expected extension or restructuring;
- Actual or expected significant adverse change on borrower's operations;
- Collateral's valuation changes which expected to led the increase of default probability (only for collateralized and pledged loans);
- Indicator for cash flow or liquidity problems, e.g. extension for account payable or loan repayment

For corporate loans, the Group uses a credit risk early warning monitoring system to assess whether there has been a significant increase in its credit risk. For bond investment, the Group strengthens the management of bond investment and assesses it periodically. For individual loans, the Group assesses at the portfolio level on a quarterly basis whether there has been a significant increase in credit risk. The criteria used to identify significant increases in credit risk are monitored and reviewed by risk management departments on timely basis.

In 2020, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Definition of default and credit impairment

When a financial instrument meets one or more of the following conditions, the Group defines the financial asset as default which is consistent with the definition of credit impairment:

Quantitative criteria

The borrower is more than 90 days overdue.

Qualitative criteria

The borrower meets the “difficulty to repay” criteria, indicating significant financial difficulties experienced by the borrower. Examples include:

- Significant financial difficulty of the issuer or the debtor;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor’s financial difficulty, granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- Debtors are in breach of contract;
- The disappearance of an active market for some financial assets due to the borrower’s financial difficulties;
- A purchased or originated credit-impaired financial asset.

These criteria apply to all financial instruments of the Group and are consistent with the definition of default used in internal credit risk management. The definition of default has been consistently applied to the model of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the calculation of expected credit losses of the Group.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Explanation of inputs, assumptions and estimation techniques in the ECL models

The Expected Credit Losses (ECL) are measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

Forward-looking information should be considered in determining the 12-month and lifetime PD, EAD and LGD. This varies by product types.

The Group quarterly monitors and reviews the ECL calculation related assumptions, including the changes of PD and LGD for different terms.

The Group has updated the PD and EAD in the ECL models based on the latest historical information and risk condition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Explanation of inputs, assumptions and estimation techniques in the ECL models (continued)

Forward-looking information in the ECL models

The assessment of significant increase in credit risk and the calculation of ECL incorporates forward-looking information. The Group obtained the key macroeconomic factors of the past 10 years from the Wind Economic to perform historical analysis on the intertemporal endogenous relationship of the macroeconomic factors. The Group integrates statistical analysis and expert judgements to determine economic forecasts and weighting scheme under various economic scenarios.

Since the outbreak of COVID-19 in January 2020, the economy in China has undergone significant changes and the economic environment is still uncertain. Future impairment charges may be subject to further volatility, depending on the longevity of the COVID-19 pandemic and related containment measures, as well as the longer term effectiveness of central bank, government and other support measures. For the year ended 31 December 2020, in order to timely reflect the impact of the COVID-19 on the ECL of financial instruments, the Group updated the forward-looking information in the ECL models. The results of the ECL models were consistent with the impact of COVID-19.

The Group has adopted three economic scenarios (Base, Pessimistic and Optimistic) on the basis of the macroeconomic information analysis and expert judgment. Considering the impact of the effectiveness of central bank, government and other support measures on the ECL of financial instruments under the COVID-19, the weightings for the three scenarios remain 55%, 40% and 5% respectively.

Key macroeconomic assumptions are as follows:

Item	Range
GDP Annual Percentage Change ("GDP")	8.38%~9.26%
Growth rate of Production Price Index ("PPI")	2.42%~2.68%
Growth rate of Industrial Value Added ("IVA")	8.28%~9.16%
Purchasing Managers' Index ("PMI")	49.69%~54.92%
Growth rate of Total Retail Sales of Social Consumer Goods	11.59%~12.81%
Growth rate of Fixed Asset Investment	8.03%~8.87%
Growth rate of Export Earnings	2.57%~2.84%
Growth rate of M2	8.84%~9.78%
USD to RMB exchange rate	6.02~6.66



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Explanation of inputs, assumptions and estimation techniques in the ECL models (continued)

Forward-looking information in the ECL models (continued)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the nonlinearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Sensitivity analysis

The expected credit losses are sensitive to the parameters used in the model, macroeconomic variables for forward-looking prediction, scenarios weightings and other factors considered in the application of expert judgments. The changes in these parameters, assumptions, models and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

As at 31 December 2020, the comparison between the ECL allowance under three different scenarios and the weighted average ECL allowance is as follows:

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	11,780,870	4,184,286	2,736,494
ECL under base scenario	11,628,871	4,168,153	2,717,963
Difference in amount	151,999	16,133	18,531
Difference in percentage	1%	0%	1%

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	11,780,870	4,184,286	2,736,494
ECL under optimistic scenario	11,095,496	4,029,374	2,674,322
Difference in amount	685,374	154,912	62,172
Difference in percentage	6%	4%	2%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis (continued)

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	11,780,870	4,184,286	2,736,494
ECL under pessimistic scenario	12,230,256	4,345,277	2,769,747
Difference in amount	(449,386)	(160,991)	(33,253)
Difference in percentage	-4%	-4%	-1%

Assuming that credit risk has decreased significantly, which leads to financial assets and credit commitments in stage II moving into stage I, impact on the ECL allowance and provisions recognised in balance sheet is as follows:

	As at 31 December 2020
Total amount of ECL allowance and provisions, assuming that financial assets and credit commitments in stage II moving into stage I	17,412,902
Total amount of ECL allowance and provisions recognised in balance sheet	22,522,071
Difference in amount	(5,109,169)
Difference in percentage	-23%

As at 31 December 2019, the comparison between the ECL allowance under three different scenarios and the weighted average ECL allowance is as follows:

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	13,858,274	3,454,923	2,161,977
ECL under base scenario	13,059,054	3,304,322	2,115,025
Difference in amount	799,220	150,601	46,952
Difference in percentage	6%	4%	2%



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis (continued)

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	13,858,274	3,454,923	2,161,977
ECL under optimistic scenario	11,974,128	3,103,470	2,042,479
Difference in amount	1,884,146	351,453	119,498
Difference in percentage	14%	10%	6%

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	13,858,274	3,454,923	2,161,977
ECL under pessimistic scenario	15,192,720	3,705,931	2,241,473
Difference in amount	(1,334,446)	(251,008)	(79,496)
Difference in percentage	-10%	-7%	-4%

Assuming that credit risk has decreased significantly, which leads to financial assets and credit commitments in stage II moving into stage I, impact on the ECL allowance and provisions recognised in balance sheet is as follows:

	As at 31 December 2019
Total amount of ECL allowance and provisions, assuming that financial assets and credit commitments in stage II moving into stage I	14,840,402
Total amount of ECL allowance and provisions recognised in balance sheet	18,393,320
Difference in amount	(3,552,918)
Difference in percentage	-19%

Grouping for ECL allowance

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis (continued)

The characteristics for grouping are as follows:

Personal loans

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

Corporate loans

- Industry

Exposures evaluated by impairment assessment

- Corporate loans in Stage III

Credit risk team monitors and reviews the grouping appropriateness regularly.

(iv) Maximum exposure to credit risk

Financial instruments and commitment and guarantee subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The net carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 31 December	
	2020	2019
Cash and deposits with central bank	99,998,005	96,476,489
Deposits with banks and other financial institutions	25,012,864	30,700,318
Placements with banks and other financial institutions	21,711,156	20,604,232
Financial assets held under resale agreements	46,447,688	28,593,493
Loans and advances to customers		
– at amortized cost	506,299,688	441,545,722
– at fair value through other comprehensive income	46,868,652	21,505,649
Financial assets at amortized cost	96,599,360	82,536,087
Financial assets at fair value through other comprehensive income	75,677,332	69,706,113
Other financial assets	1,501,265	964,411
Total	920,116,010	792,632,514
Credit commitments	203,674,212	174,712,001



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

Corporate loans	31 December 2020				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Credit rating					
A- to AAA	123,868,136	192,669	–	–	124,060,805
B to BBB	174,704,916	5,059,465	–	–	179,764,381
C to CCC	–	27,036,862	–	–	27,036,862
D/Default	–	–	12,426,773	–	12,426,773
Unrated	77,047,779	4,544,767	3,532,251	180,751	85,305,548
Total	375,620,831	36,833,763	15,959,024	180,751	428,594,369
Expected credit losses allowance	(1,471,346)	(3,703,951)	(6,394,640)	(1,972)	(11,571,909)
Net carrying amount	374,149,485	33,129,812	9,564,384	178,779	417,022,460

As at 31 December 2020, the analysis of the maximum credit risk exposure to loans and advances by credit rating/overdue days is as follows:

Personal loans	31 December 2020				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Overdue days					
Not overdue	136,869,379	579,905	50,291	5,677	137,505,252
0 to 30 days	179,893	609,153	15,165	608	804,819
30 to 60 days	–	339,986	5,219	–	345,205
60 to 90 days	–	169,209	76,413	168	245,790
More than 90 days/Default	–	–	1,321,699	109,036	1,430,735
Total	137,049,272	1,698,253	1,468,787	115,489	140,331,801
Expected credit losses allowance	(2,113,122)	(809,623)	(1,261,541)	(1,635)	(4,185,921)
Net carrying amount	134,936,150	888,630	207,246	113,854	136,145,880

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

Corporate loans	31 December 2019				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Credit rating					
A- to AAA	117,116,188	180,329	–	–	117,296,517
B to BBB	118,152,782	133,308	–	–	118,286,090
C to CCC	–	45,025,558	–	–	45,025,558
D/Default	–	–	9,827,411	–	9,827,411
Unrated	52,546,007	11,060,760	1,119,179	87,724	64,813,670
Total	287,814,977	56,399,955	10,946,590	87,724	355,249,246
Expected credit losses allowance	(1,239,986)	(7,048,784)	(5,173,062)	–	(13,461,832)
Net carrying amount	286,574,991	49,351,171	5,773,528	87,724	341,787,414

As at 31 December 2019, the analysis of the maximum credit risk exposure to loans and advances by credit rating/overdue days is as follows:

Personal loans	31 December 2019				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Overdue days					
Not overdue	121,404,729	548,488	20,084	–	121,973,301
0 to 30 days	186,029	470,843	2,800	–	659,672
30 to 60 days	–	303,963	13,813	–	317,776
60 to 90 days	–	203,747	61,130	–	264,877
More than 90 days/Default	–	–	1,450,799	52,455	1,503,254
Total	121,590,758	1,527,041	1,548,626	52,455	124,718,880
Expected credit losses allowance	(1,685,516)	(532,606)	(1,236,801)	–	(3,454,923)
Net carrying amount	119,905,242	994,435	311,825	52,455	121,263,957



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

As at 31 December 2020, the analysis of the maximum credit risk exposure to financial investments by credit rating is as follows:

Financial assets at amortized cost	31 December 2020			Total
	Stage I	Stage II	Stage III	
Credit rating				
A- to AAA	13,026,326	–	–	13,026,326
B to BBB	–	–	–	–
C to CCC	–	–	–	–
D/Default	–	1,170,000	1,829,422	2,999,422
Unrated	79,084,444	2,312,174	130,165	81,526,783
Total	92,110,770	3,482,174	1,959,587	97,552,531
Expected credit losses allowance	(12,853)	(259,149)	(681,169)	(953,171)
Net carrying amount	92,097,917	3,223,025	1,278,418	96,599,360

Financial assets at fair value through other comprehensive income	31 December 2020			Total
	Stage I	Stage II	Stage III	
Credit rating				
A- to AAA	13,325,722	–	–	13,325,722
B to BBB	–	–	–	–
C to CCC	–	82,162	–	82,162
D/Default	–	164,478	1,465,243	1,629,721
Unrated	55,433,232	3,610,907	1,595,588	60,639,727
Total	68,758,954	3,857,547	3,060,831	75,677,332

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

As at 31 December 2019, the analysis of the maximum credit risk exposure to financial investments by credit rating is as follows:

Financial assets at amortized cost	31 December 2019			Total
	Stage I	Stage II	Stage III	
Credit rating				
A- to AAA	9,845,307	–	–	9,845,307
B to BBB	–	–	–	–
C to CCC	–	–	–	–
D/Default	–	–	389,940	389,940
Unrated	69,069,113	3,385,297	533,682	72,988,092
Total	78,914,420	3,385,297	923,622	83,223,339
Expected credit losses allowance	(142,820)	(311,645)	(232,787)	(687,252)
Net carrying amount	78,771,600	3,073,652	690,835	82,536,087

Financial assets at fair value through other comprehensive income	31 December 2019			Total
	Stage I	Stage II	Stage III	
Credit rating				
A- to AAA	18,703,765	183,457	–	18,887,222
B to BBB	–	–	–	–
C to CCC	–	–	–	–
D/Default	–	–	893,673	893,673
Unrated	45,806,507	1,819,734	2,298,977	49,925,218
Total	64,510,272	2,003,191	3,192,650	69,706,113

Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

	As at 31 December	
	2020	2019
Financial assets at fair value through profit or loss	90,247,494	85,432,178



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(v) Loans and advances to customers

By industry	31 December 2020		31 December 2019	
	Amount	(%)	Amount	(%)
Corporate loans				
Lease and commercial service	85,472,116	15.02%	62,561,983	13.03%
Wholesale and retail	61,918,810	10.88%	53,521,085	11.15%
Real estate	58,970,712	10.37%	68,340,972	14.24%
Construction	39,218,277	6.89%	27,254,800	5.68%
Manufacturing	38,662,748	6.80%	35,879,586	7.48%
Hotel and catering	18,954,296	3.33%	16,542,693	3.45%
Resident services, repairing and other services	13,039,577	2.29%	6,619,704	1.38%
Agriculture, forestry, farming and fishery	10,273,440	1.81%	9,318,749	1.94%
Water, environment and public facilities management	10,211,563	1.79%	7,066,313	1.47%
Transportation, warehouse and postal services	10,108,741	1.78%	11,617,652	2.42%
Education	9,963,574	1.75%	8,593,224	1.79%
Information transmission, software and IT services	5,922,902	1.04%	4,394,985	0.92%
Financial services	4,176,621	0.73%	3,567,007	0.74%
Culture, sports and entertainment	2,632,448	0.46%	2,000,706	0.42%
Energy and utilities	2,608,827	0.46%	2,780,646	0.58%
Healthcare and social welfare	2,204,346	0.39%	2,557,545	0.53%
Others	5,518,497	0.97%	3,517,758	0.73%
Subtotal	379,857,495	66.76%	326,135,408	67.95%
Discounted bills	48,736,874	8.57%	29,113,838	6.07%
Personal loans	140,331,801	24.67%	124,718,880	25.98%
Total	568,926,170	100.00%	479,968,126	100.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(v) Loans and advances to customers (continued)

By geography	As at 31 December	
	2020	2019
Guangzhou	458,081,490	393,525,908
Guangdong Province (except Pearl River Delta)	42,692,298	30,167,347
Pearl River Delta (except Guangzhou)	40,009,299	31,454,180
Central China	17,936,573	15,313,188
Western China	2,445,615	2,179,896
Yangtze River Delta	2,410,851	2,238,008
Bohai Rim	1,345,882	1,415,803
North-east China	445,230	464,647
Others	3,558,932	3,209,149
Total	568,926,170	479,968,126

By collateral type	As at 31 December	
	2020	2019
Unsecured loans	85,276,731	56,170,334
Guaranteed loans	142,863,740	109,401,885
Collateralised loans	301,805,773	276,622,251
Pledged loans	38,979,926	37,773,656
Total	568,926,170	479,968,126

	Overdue loans and advances to customers				
	Past due 1 to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
31 December 2020					
Unsecured loans	279,094	456,074	55,050	18,655	808,873
Guaranteed loans	850,307	307,006	779,435	118,998	2,055,746
Collateralised loans	3,835,558	2,288,575	764,769	211,888	7,100,790
Pledged loans	18,251	2,554,483	3,845	513	2,577,092
Total	4,983,210	5,606,138	1,603,099	350,054	12,542,501



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(v) Loans and advances to customers (continued)

	Overdue loans and advances to customers				Total
	Past due 1 to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	
31 December 2019					
Unsecured loans	256,016	800,670	463,649	16,857	1,537,192
Guaranteed loans	3,971,709	854,282	681,443	324,201	5,831,635
Collateralised loans	3,921,096	1,641,795	1,079,497	107,306	6,749,694
Pledged loans	62,176	33,115	9,010	548	104,849
Total	8,210,997	3,329,862	2,233,599	448,912	14,223,370

(vi) Credit quality

As at 31 December 2020, the credit quality analysis of the Group's major financial assets (without deducting the original value before the impairment provision) was as follows:

	31 December 2020				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Cash and deposits with central bank	100,007,162	-	-	-	100,007,162
Deposits with banks and other financial institutions	25,015,710	-	328,100	-	25,343,810
Placements with banks and other financial institutions	21,431,441	-	563,300	-	21,994,741
Financial assets held under resale agreements	46,451,942	-	-	-	46,451,942
Loans and advances to customers	512,670,103	38,532,016	17,427,811	296,240	568,926,170
Financial assets at amortized cost	92,110,770	3,482,174	1,959,587	-	97,552,531
Financial assets at fair value through other comprehensive income	68,758,954	3,857,547	3,060,831	-	75,677,332
Other financial assets	1,443,761	126,011	298,165	-	1,867,937
Total	867,889,843	45,997,748	23,637,794	296,240	937,821,625

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

As at 31 December 2019, the credit quality analysis of the Group's major financial assets (without deducting the original value before the impairment provision) was as follows:

	31 December 2019				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Cash and deposits with central bank	96,484,365	–	–	–	96,484,365
Deposits with banks and other financial institutions	30,206,457	482,803	30,075	–	30,719,335
Placements with banks and other financial institutions	20,283,394	327,881	–	–	20,611,275
Financial assets held under resale agreements	28,595,828	–	–	–	28,595,828
Loans and advances to customers	409,405,735	57,926,996	12,495,216	140,179	479,968,126
Financial assets at amortized cost	78,914,420	3,385,297	923,622	–	83,223,339
Financial assets at fair value through other comprehensive income	64,510,272	2,003,191	3,192,650	–	69,706,113
Other financial assets	557,843	184,787	599,351	–	1,341,981
Total	728,958,314	64,310,955	17,240,914	140,179	810,650,362

Loans and advances for stage I and II

	31 December 2020	
	Stage I	Stage II
Not overdue	511,812,356	35,348,222
Overdue		
Within 1 month	857,747	2,303,851
1 to 2 months	–	472,336
2 to 3 months	–	407,607
Total	512,670,103	38,532,016



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

Loans and advances for stage I and II (continued)

	31 December 2019	
	Stage I	Stage II
Not overdue	408,922,479	51,921,617
Overdue		
Within 1 month	483,256	875,913
1 to 2 months	–	3,758,229
2 to 3 months	–	1,371,237
Total	409,405,735	57,926,996

Loans and advances that are overdue but still in Stage I and II/unimpaired

As at the balance sheet date, the ageing of loans and advances overdue but still in Stage I and II/unimpaired is as follows:

	As at 31 December	
	2020	2019
Overdue		
Within 1 month	3,161,598	1,359,169
1 to 2 months	472,336	3,758,229
2 to 3 months	407,607	1,371,237
Total	4,041,541	6,488,635

As at 31 December 2020 and 2019, the fair value of the collateral held by the Group for overdue but still in Stage I and II/unimpaired loans was RMB4,274,366 thousands and RMB7,991,810 thousands respectively, including land, property, machinery and other assets.

Stage III/impairment of loans and advances

As at 31 December 2020 and 31 December 2019, the fair value of the collateral held by the Group for the Stage III/impairment loan was RMB12,823,872 thousands and RMB12,116,777 thousands respectively, including land, property, machinery and equipment and other assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

Restructuring loans and advances

As at 31 December 2020 and 2019, the book value of the Group's restructuring loans and advances was RMB6,669,322 thousands and RMB10,808,494 thousands respectively.

As at 31 December 2020 and 2019, the book value of the Group's restructuring loans and advances in Stage I was RMB109,727 thousands and RMB564,161 thousands respectively.

Credit rating assessed by a rating agency at the balance sheet date

The RMB bonds of the Group are mainly rated by major credit rating agencies in the PRC. Foreign currency bonds refer mainly to Standard & Poor's (S & P) ratings.

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
31 December 2020				
Medium-term and long-term bonds:				
AAA	2,661,296	12,474,813	12,375,514	27,511,623
A to AA+	2,802,438	551,513	950,208	4,304,159
C to CC+	63,091	–	82,162	145,253
No rating (1) :	39,779,532	78,614,394	55,587,000	173,980,926
Other no rating investments	44,941,137	5,911,811	6,682,448	57,535,396
Total	90,247,494	97,552,531	75,677,332	263,477,357



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

Credit rating assessed by rating agency at the balance sheet date (Continued)

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
31 December 2019				
Medium-term and long-term bonds:				
AAA	1,578,185	9,745,288	16,870,111	28,193,584
A to AA+	2,761,442	100,019	2,017,111	4,878,572
BB- to BB+	–	–	–	–
No rating (1) :	29,058,572	59,095,467	39,261,444	127,415,483
Other no rating investments	52,033,979	14,282,565	11,557,447	77,873,991
Total	85,432,178	83,223,339	69,706,113	238,361,630

(1) No rating debt securities mainly consist of investment and trading securities issued by the MOF, central bank, policy banks and other financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies.

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at reasonable cost in a timely manner for the repayment of debts due. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims to:

- optimise the structure of assets and liabilities;
- maintain the stability of the deposit base;
- project cash flows and evaluate the level of current assets; and
- in terms of liquidity of the branches, maintain an efficient internal fund transfer mechanism.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The Group's expected remaining maturity of their financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:

31 December 2020	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	40,476,522	-	-	-	-	-	63,308,030	103,784,552
Deposits with banks and other financial institutions (1)	287,631	12,557,971	51,211,571	4,380,166	22,221,474	2,512,895	-	-	93,171,708
Financial assets at fair value through profit or loss	3,319,693	30,621,318	2,657,983	10,533,054	23,510,533	16,966,850	2,291,360	346,703	90,247,494
Financial assets at amortized cost	2,293,387	-	5,620,115	8,381,928	21,946,688	37,051,337	21,305,905	-	96,599,360
Financial assets at fair value through other comprehensive income	1,629,721	-	993,959	1,554,391	4,438,388	38,896,967	28,163,906	-	75,677,332
Loans and advances to customers	4,759,603	-	23,435,407	40,855,734	161,083,875	206,164,954	116,868,767	-	553,168,340
Other financial assets	599,892	-	530,893	174,848	68,323	29,892	97,417	-	1,501,265
Total financial assets	12,889,927	83,655,811	84,449,928	65,880,121	233,269,281	301,622,895	168,727,355	63,654,733	1,014,150,051
Financial liabilities:									
Due to the central bank	-	-	800,000	1,706,510	17,762,483	-	-	34,234	20,303,227
Deposits from banks and other financial institutions (2)	-	5,160,140	12,882,761	12,476,018	22,599,634	-	-	-	53,118,553
Financial liabilities at fair value through profit or loss	-	5,052	-	-	-	-	-	-	5,052
Customer deposits (3)	-	317,362,600	20,925,023	44,433,433	135,312,122	247,805,356	1,398,566	11,187,754	778,424,854
Lease liabilities	-	-	25,844	51,689	198,794	575,454	106,192	-	957,973
Debt securities issued	-	-	1,496,850	20,060,068	44,088,869	999,221	9,998,868	-	76,643,876
Other financial liabilities	751	11,488	697,156	1,573,506	7,614,949	1,196,157	28,426	328,867	11,451,300
Total financial liabilities	751	322,539,280	36,827,634	80,301,224	227,576,851	250,576,188	11,532,052	11,550,855	940,904,835
Net liquidity gap	12,889,176	(238,883,469)	47,622,294	(14,421,103)	5,692,430	51,046,707	157,195,303	52,103,878	73,245,216



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below (continued):

31 December 2019	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with									
central bank	-	33,834,083	-	-	-	-	-	65,728,258	99,562,341
Deposits with banks and other									
financial institutions (1)	30,075	19,027,915	32,587,589	8,524,860	19,432,104	295,500	-	-	79,898,043
Financial assets at fair value									
through profit or loss	12,550	19,237,866	3,419,328	8,285,484	10,715,573	38,067,492	5,530,543	163,342	85,432,178
Financial assets at									
amortized cost	294,278	-	885,001	4,720,185	31,532,870	30,110,678	14,993,075	-	82,536,087
Financial assets at fair									
value through other									
comprehensive income	893,673	-	2,581,127	2,140,298	8,244,264	35,776,127	20,070,624	-	69,706,113
Loans and advances to									
customers	7,588,840	-	21,209,989	26,626,618	128,371,765	184,700,055	94,554,104	-	463,051,371
Other financial assets	252,371	-	115,797	23,496	288,078	273,917	10,752	-	964,411
Total financial assets	9,071,787	72,099,864	60,798,831	50,320,941	198,584,654	289,223,769	135,159,098	65,891,600	881,150,544
Financial liabilities:									
Due to the central bank									
	-	-	-	38,200	8,735,000	-	-	94,384	8,867,584
Deposits from banks and other									
financial institutions (2)	-	5,388,195	13,817,355	21,858,915	10,690,000	-	-	-	51,754,465
Customer deposits (3)	-	264,405,368	8,345,332	14,296,539	129,062,353	232,433,185	1,593,118	8,107,191	658,243,086
Lease liabilities	-	-	20,434	40,867	190,369	531,400	142,461	-	925,531
Debt securities issued	-	-	-	28,663,552	39,578,428	999,335	9,998,740	-	79,240,055
Other financial liabilities	12,940	795,574	2,238,005	1,988,732	6,708,773	539,001	2,238	302,206	12,587,469
Total financial liabilities	12,940	270,589,137	24,421,126	66,886,805	194,964,923	234,502,921	11,736,557	8,503,781	811,618,190
Net liquidity gap	9,058,847	(198,489,273)	36,377,705	(16,565,864)	3,619,731	54,720,848	123,422,541	57,387,819	69,532,354

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(i) *Analysis of the remaining maturity of the assets and liabilities is set out below (continued):*

- (1) Includes placements with banks and other financial institutions, financial assets held under resale agreements.
- (2) Includes financial assets sold under repurchase agreements.
- (3) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

(ii) *Maturity analysis of contractual undiscounted cash flows*

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

31 December 2020	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	40,486,942	-	-	-	-	-	63,393,496	103,880,438
Deposits and placements with banks and other financial institutions (1)	287,631	12,559,065	51,246,590	4,635,474	23,028,175	2,850,733	-	-	94,607,668
Financial assets at fair value through profit or loss	3,319,693	30,621,318	2,683,449	10,639,602	23,889,793	17,933,212	2,422,424	346,703	91,856,194
Financial assets at amortized cost	3,001,544	-	5,951,535	8,700,880	23,373,606	42,977,040	24,827,855	-	108,832,460
Financial assets at fair value through other comprehensive income	1,629,721	-	1,160,112	1,809,014	5,770,626	47,253,988	31,136,518	-	88,759,979
Loans and advances to customers	4,759,603	-	29,232,354	53,552,468	203,084,151	237,193,645	116,142,512	-	643,964,733
Other financial assets	599,892	-	530,893	174,848	68,323	29,892	97,417	-	1,501,265
Total financial assets	13,598,084	83,667,325	90,804,933	79,512,286	279,214,674	348,238,510	174,626,726	63,740,199	1,133,402,737
Financial liabilities:									
Due to the central bank	-	-	801,068	1,714,865	18,021,560	-	-	34,234	20,571,727
Deposits from banks and other financial institutions (2)	-	5,160,156	12,956,746	12,664,161	23,000,297	-	-	-	53,781,360
Financial liabilities at fair value through profit or loss	-	5,052	-	-	-	-	-	-	5,052
Customer deposits (3)	-	318,315,659	20,794,352	45,033,284	137,740,474	254,620,003	1,437,726	11,187,754	789,129,252
Lease liabilities	-	-	22,388	44,776	207,120	678,853	152,939	-	1,106,076
Debt securities issued	-	-	1,500,000	20,250,000	44,908,000	2,998,000	11,470,000	-	81,126,000
Other financial liabilities	751	11,488	710,038	1,612,795	7,891,553	1,229,466	28,426	328,867	11,813,384
Total financial liabilities	751	323,492,355	36,784,592	81,319,881	231,769,004	259,526,322	13,089,091	11,550,855	957,532,851
Net liquidity gap	13,597,333	(239,825,030)	54,020,341	(1,807,595)	47,445,670	88,712,188	161,537,635	52,189,344	175,869,886

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

31 December 2019	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	33,817,038	-	-	-	-	-	65,816,991	99,634,029
Deposits and placements with banks and other financial institutions (1)	30,075	19,030,270	32,602,320	8,767,147	19,863,399	357,612	-	-	80,650,823
Financial assets at fair value through profit or loss	12,550	19,237,866	3,430,963	8,584,602	12,554,878	42,099,826	6,044,009	163,342	92,128,036
Financial assets at amortized cost	389,940	-	890,046	5,065,853	33,581,908	34,500,507	16,715,757	-	91,144,011
Financial assets at fair value through other comprehensive income	893,673	-	2,599,759	2,226,706	9,875,192	42,511,249	22,501,854	-	80,608,433
Loans and advances to customers	7,773,498	-	25,918,015	36,300,140	161,551,589	221,189,523	98,833,967	-	551,566,732
Other financial assets	252,371	-	115,797	23,496	288,078	273,917	10,752	-	964,411
Total financial assets	9,352,107	72,085,174	65,556,900	60,967,944	237,715,044	340,932,634	144,106,339	65,980,333	996,696,475
Financial liabilities:									
Due to the central bank	-	-	-	38,200	8,735,201	-	-	94,384	8,867,785
Deposits from banks and other financial institutions (2)	-	5,388,195	13,857,189	22,147,856	10,911,172	-	-	-	52,304,412
Customer deposits (3)	-	264,405,252	8,354,724	14,346,745	131,424,761	256,960,741	2,920,949	8,107,191	686,520,363
Lease liabilities	-	-	20,934	41,869	198,272	611,531	204,459	-	1,077,065
Debt securities issued	-	-	-	28,830,000	40,298,000	3,036,000	11,960,000	-	84,124,000
Other financial liabilities	12,940	795,574	2,256,651	2,010,403	6,804,122	589,595	2,238	302,206	12,773,729
Total financial liabilities	12,940	270,589,021	24,489,498	67,415,073	198,371,528	261,197,867	15,087,646	8,503,781	845,667,354
Net liquidity gap	9,339,167	(198,503,847)	41,067,402	(6,447,129)	39,343,516	79,734,767	129,018,693	57,476,552	151,029,121



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

- (1) Includes financial assets held under resale agreements.
- (2) Includes financial assets sold under repurchase agreements.
- (3) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of the commitments.

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
31 December 2020								
Credit commitments	139,532,553	4,732,684	66,867	27,714,139	23,244,408	8,383,561	-	203,674,212
31 December 2019								
Credit commitments	116,550,453	7,943,554	8,963,742	16,914,121	24,340,131	-	-	174,712,001

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices.

Market risk arises from both the Group's trading and non-trading businesses. The Group's market risk contains currency risk, interest rate risk and other price risk.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly arises from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

The Bank uses different management methods to control market risk which comprises trading book and banking book risks respectively.

The Group considers the market risk arising from commodity or stock price fluctuations in respect of its investment portfolios to be immaterial.

(i) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and other currencies.

Transactions in foreign currencies mainly arise from the Group's treasury exposures and foreign exchange business. The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity.

A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, the actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk are not incorporated.

Currency	Exchange rate fluctuation %	Effect on net profit	
		2020	2019
USD	-1%	(40,021)	(117,927)
USD	1%	40,021	117,927
HKD	-1%	(11,963)	(14,551)
HKD	1%	11,963	14,551

While the table above indicates the effect on net profit of 1% change of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

The table below summarizes the Group's exposure to currency risk. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorized by original currency.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Currency risk (continued)

31 December 2020	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Assets:					
Cash and deposits with central bank	103,499,973	221,386	63,193	–	103,784,552
Deposits and placements with banks and other financial institutions	83,585,723	6,874,418	2,429,092	282,475	93,171,708
Loans and advances to customers	552,556,961	611,379	–	–	553,168,340
Financial assets at fair value through profit or loss	90,247,494	–	–	–	90,247,494
Financial assets at amortized cost	96,029,964	–	569,396	–	96,599,360
Financial assets at fair value through other comprehensive income	75,677,332	–	–	–	75,677,332
Other financial asset	1,500,286	979	–	–	1,501,265
Total financial asset	1,003,097,733	7,708,162	3,061,681	282,475	1,014,150,051
Liabilities:					
Due to the central bank	20,303,227	–	–	–	20,303,227
Deposits and placements from banks and other financial institutions	53,118,553	–	–	–	53,118,553
Financial liabilities at fair value through profit or loss	5,052	–	–	–	5,052
Customer deposits	774,333,399	2,371,688	1,460,118	259,649	778,424,854
Lease liabilities	957,973	–	–	–	957,973
Debt securities issued	76,643,876	–	–	–	76,643,876
Other financial liabilities	11,444,538	303	6,457	2	11,451,300
Total financial liabilities	936,806,618	2,371,991	1,466,575	259,651	940,904,835
Net assets and liabilities position	66,291,115	5,336,171	1,595,106	22,824	73,245,216
Credit commitments	203,626,949	45,990	655	618	203,674,212

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Currency risk (continued)

31 December 2019	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Assets:					
Cash and deposits					
with central bank	99,319,862	148,023	78,981	15,475	99,562,341
Deposits and					
placements with					
banks and other					
financial institutions	63,593,651	14,828,789	1,214,563	261,040	79,898,043
Loans and advances					
to customers	462,808,906	242,465	–	–	463,051,371
Financial assets at fair					
value through profit					
or loss	84,454,223	977,955	–	–	85,432,178
Financial assets at					
amortized cost	81,241,685	–	1,294,402	–	82,536,087
Financial assets at fair					
value through other					
comprehensive					
income	69,706,113	–	–	–	69,706,113
Other financial asset	962,664	765	799	183	964,411
Total financial asset	862,087,104	16,197,997	2,588,745	276,698	881,150,544
Liabilities:					
Due to the central					
bank	8,867,584	–	–	–	8,867,584
Deposits and					
placements from					
banks and other					
financial institutions	51,530,550	223,915	–	–	51,754,465
Customer deposits	657,108,915	250,474	641,783	241,914	658,243,086
Lease liabilities	925,531	–	–	–	925,531
Debt securities issued	79,240,055	–	–	–	79,240,055
Other financial					
liabilities	12,580,597	–	6,872	–	12,587,469
Total financial					
 liabilities	810,253,232	474,389	648,655	241,914	811,618,190
Net assets and					
 liabilities position	51,833,872	15,723,608	1,940,090	34,784	69,532,354
Credit commitments	174,640,857	60,214	2,709	8,221	174,712,001



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk

The Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net profit and equity.

	Effect on net profit		Effect on equity	
	31 December		31 December	
	2020	2019	2020	2019
Change in basis points				
+100bps	(495,934)	(242,648)	(1,972,759)	(1,623,383)
-100bps	495,934	242,648	2,112,655	1,729,060

The sensitivity of the net profit is the effect of a reasonable possible change in interest rates on the net profit for one year, in respect of the financial assets and liabilities held at the end of the reporting period. The effect on other comprehensive income is calculated by revaluing the year end portfolio of fixed-rate FVOCI financial assets, based on a reasonable possible change in interest rates.

The above sensitivity analyses are based on the following assumptions: (i) all assets and liabilities that are repriced/due within three months (inclusive), and between three months and one year (inclusive) are assumed to be repriced in the mid of the respective bands; (ii) there are parallel shifts in the yield curve; and (iii) there are no other changes in the portfolios of assets and liabilities. The Group considers that the assumptions do not reflect their capital utilisation and interest rate risk management policies. Therefore, the above impact may differ from the actual situation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Moreover, the above analysis is for illustration only and represents the effect of pro forma movements in net profit and other comprehensive income based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk.

	31 December 2020					Non-interest bearing	Total
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue		
Assets:							
Cash and deposits with central bank	99,974,047	-	-	-	-	3,810,505	103,784,552
Deposits and placements with banks and other financial institutions (1)	68,010,416	22,200,105	2,490,177	-	287,631	183,379	93,171,708
Loans and advances to customers	138,957,575	318,171,256	80,413,932	10,865,974	4,759,603	-	553,168,340
Financial assets at fair value through profit or loss	44,757,152	23,071,995	16,144,401	1,227,963	3,319,693	1,726,290	90,247,494
Financial assets at amortized cost	13,595,547	21,496,691	36,967,925	21,031,415	2,293,387	1,214,395	96,599,360
Financial assets at fair value through other comprehensive income	2,163,323	5,651,426	38,609,717	26,247,643	1,629,721	1,375,502	75,677,332
Other financial asset	-	-	-	-	-	1,501,265	1,501,265
Total financial asset	367,458,060	390,591,473	174,626,152	59,372,995	12,290,035	9,811,336	1,014,150,051
Liabilities							
Due to the central bank	2,506,510	17,762,483	-	-	-	34,234	20,303,227
Deposits and placements from banks and other financial institutions (2)	30,428,484	22,466,830	-	-	-	223,239	53,118,553
Financial liabilities at fair value through profit or loss	-	-	-	-	-	5,052	5,052
Customer deposits	382,721,056	135,312,122	247,805,356	1,398,566	-	11,187,754	778,424,854
Lease liabilities	77,533	198,794	575,454	106,192	-	-	957,973
Debt securities issued	21,150,380	44,088,869	999,221	9,998,868	-	406,538	76,643,876
Other financial liabilities	2,816,667	6,940,000	287,754	-	-	1,406,879	11,451,300
Total financial liabilities	439,700,630	226,769,098	249,667,785	11,503,626	-	13,263,696	940,904,835
Total interest sensitivity gap	(72,242,570)	163,822,375	(75,041,633)	47,869,369	12,290,035	(3,452,360)	73,245,216



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	31 December 2019						Non-interest bearing	Total
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue			
Assets:								
Cash and deposits with central bank	96,449,402	–	–	–	–	–	3,112,939	99,562,341
Deposits and placements with banks and other financial institutions (1)	59,917,637	19,432,104	295,500	–	30,075	–	222,727	79,898,043
Loans and advances to customers	100,195,250	290,758,493	58,994,462	5,514,326	7,588,840	–	–	463,051,371
Financial assets at fair value through profit or loss	29,055,144	6,602,513	38,136,490	3,559,813	12,550	–	8,065,668	85,432,178
Financial assets at amortized cost	5,033,472	30,773,605	30,110,457	14,992,965	294,279	–	1,331,309	82,536,087
Financial assets at fair value through other comprehensive income	3,822,992	8,934,905	36,345,901	18,270,522	893,673	–	1,438,120	69,706,113
Other financial asset	–	–	–	–	–	–	964,411	964,411
Total financial asset	294,473,897	356,501,620	163,882,810	42,337,626	8,819,417	–	15,135,174	881,150,544
Liabilities								
Due to the central bank	38,200	8,735,000	–	–	–	–	94,384	8,867,584
Deposits and placements from banks and other financial institutions (2)	40,809,519	10,690,000	–	–	–	–	254,946	51,754,465
Customer deposits	287,047,239	129,062,353	232,433,185	1,593,118	–	–	8,107,191	658,243,086
Lease liabilities	61,301	190,369	531,400	142,461	–	–	–	925,531
Debt securities issued	28,663,552	39,171,890	999,335	9,998,740	–	–	406,538	79,240,055
Other financial liabilities	3,320,000	6,206,600	433,672	–	–	–	2,627,197	12,587,469
Total financial liabilities	359,939,811	194,056,212	234,397,592	11,734,319	–	–	11,490,256	811,618,190
Total interest sensitivity gap								
	(65,465,914)	162,445,408	(70,514,782)	30,603,307	8,819,417	–	3,644,918	69,532,354

(1) Includes financial assets held under resale agreements.

(2) Includes financial assets sold under repurchase agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital management

The Group follows the following capital management principles:

- Maintain the high quality and adequacy of capital to meet asset regulatory requirements, support business growth and advance the sustainable development scale in the Group;
- Sufficiently identify, calculate, monitor, mitigate and control various types of risks, ensuring that the capital employed is commensurate with the related risks and the level of risk management of the Group; and
- Optimise asset structure and allocate capital properly, to steadily improve the efficiency and return of capital, and advance the sustainable development of the Group.

Capital adequacy and regulatory capital are monitored by the Group's management by 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. From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBIRC.

The Group's regulatory capital is managed by its financial department and consists of the following:

- Common equity tier 1 capital, mainly including share capital, capital reserve, surplus reserve, general reserve, retained profits, eligible portion of minority interests and others;
- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests; and
- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss allowances and eligible portion of minority interests.

The Group implements a weighted approach to measuring credit risk-weighted assets, which are determined according to the credit risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee, with adjustments made to reflect the potential losses. Market risk-weighted assets and operational risk weighted assets are calculated using the standardised approach and basic indicator approach, respectively.

The Group takes various measures to manage risk-weighted assets including adjusting the composition of its on-balance and off-balance sheet assets.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital management (continued)

The Group was in compliance with the capital requirement promulgated by the regulators in the reporting period. The table below summarises the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBIRC.

	As at 31 December	
	2020	2019
Net common equity tier 1 capital	60,398,707	59,580,724
Net tier 1 capital	70,512,335	69,660,925
Net capital	82,469,589	85,093,035
Risk-weighted assets	656,572,371	597,980,137
Common equity tier 1 capital adequacy ratio	9.20%	9.96%
Tier 1 capital adequacy ratio	10.74%	11.65%
Capital adequacy ratio	12.56%	14.23%

48 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted (Unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy:

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	–	45,306,357	–	45,306,357
– Funds and other investments	30,619,699	–	14,321,438	44,941,137
Financial assets at fair value through other comprehensive income				
– Debt securities	–	68,994,884	–	68,994,884
– Other investments	–	–	6,682,448	6,682,448
Total	30,619,699	114,301,241	21,003,886	165,924,826

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	–	33,368,423	29,777	33,398,200
– Funds and other investments	19,243,107	–	32,790,871	52,033,978
Financial assets at fair value through other comprehensive income				
– Debt securities	–	54,269,091	–	54,269,091
– Other investments	–	–	15,437,022	15,437,022
Total	19,243,107	87,637,514	48,257,670	155,138,291



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables present the changes in Level 3 assets for the year ended 31 December 2020 and 2019:

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Debt securities	Funds and other investments		
At 1 January 2020	29,777	32,790,871	15,437,022	48,257,670
Purchase	–	4,248,082	4,183	4,252,265
Transfer to Level 3	–	–	–	–
Total gains and losses				
– Realized gains and losses	4,964	(1,568,738)	(295,038)	(1,858,812)
– Other comprehensive income	–	–	(330,832)	(330,832)
Settlement	(34,741)	(21,148,777)	(8,132,887)	(29,316,405)
At 31 December 2020	–	14,321,438	6,682,448	21,003,886

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Debt securities	Funds and other investments		
At 1 January 2019	236,251	47,142,730	10,836,697	58,215,678
Purchase	–	16,428,508	9,324,162	25,752,670
Transfer to Level 3	–	–	–	–
Total gains and losses				
– Realized gains and losses	(206,474)	(1,098,826)	353,016	(952,284)
– Other comprehensive income	–	–	(978,838)	(978,838)
Settlement	–	(29,681,541)	(4,098,015)	(33,779,556)
At 31 December 2019	29,777	32,790,871	15,437,022	48,257,670

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 fair value measurement is as below:

	Fair value		Valuation techniques	Unobservable input
	31 December 2020	31 December 2019		
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	–	29,777	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Funds and other investments	14,321,438	32,790,871	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial assets at fair value through other comprehensive income				
– Other investments	6,682,448	15,437,022	Discounted cash flow	Risk-adjusted discount rate, cash flow
Total	21,003,886	48,257,670		

During the years ended 31 December 2020 and 2019, there were no significant change in the valuation techniques.

As at 31 December 2020 and 2019, unobservable inputs such as estimated future cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly asset management plans and wealth management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value measurement on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis.

There are no transfers between Level 1 and Level 2 for financial assets measured at fair value during the years of 2020 and 2019.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments for which fair values are disclosed

As at 31 December 2020, financial assets and liabilities not presented at fair value on the consolidated statement of financial position mainly represent "Deposits with central bank", "Deposits with banks and other financial institutions", "Placements with banks and other financial institutions", "Financial assets held under resale agreements", "Loans and advances to customers" measured at amortized cost, "Financial assets at amortized cost", "Borrowings from central bank", "Deposits from banks and other financial institutions", "Placements from banks and other financial institutions", "Financial assets sold under repurchase agreements", "Customer deposits" and "Debt securities issued" (31 December 2019: represent "Deposits with central bank", "Deposits with banks and other financial institutions", "Placements with banks and other financial institutions", "Financial assets held under resale agreements", "Loans and advances to customers" measured at amortized cost, "Financial assets at amortized cost", "Borrowings from central bank", "Deposits from banks and other financial institutions", "Placements from banks and other financial institutions", "Financial assets sold under repurchase agreements", "Customer deposits" and "Debt securities issued").

Except for the following items, there are no significant differences between carrying amount and fair value.

	As at 31 December	
	2020	2019
Carrying amount:		
Financial assets at amortized cost	96,599,360	82,536,087
Debt securities issued	76,643,876	79,240,055
Fair Value:		
Financial assets at amortized cost	97,036,231	84,096,337
Debt securities issued	76,798,002	79,315,729

49 EVENTS AFTER THE REPORTING PERIOD

As of 29 March 2021, the Group has no material events that requires additional disclosure in its financial statements for the year ending 31 December 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

50 STATEMENT OF FINANCIAL POSITION OF THE BANK

	31 December 2020	31 December 2019
ASSETS		
Cash and deposits with central bank	88,359,970	86,388,911
Deposits with banks and other financial institutions	12,550,815	15,885,912
Placements with banks and other financial institutions	18,428,945	18,388,801
Financial assets held under resale agreements	45,594,637	27,965,203
Loans and advances to customers	482,330,490	406,088,165
Financial investments		
– Financial assets at fair value through profit or loss	90,455,641	84,954,655
– Financial assets at fair value through other comprehensive income	68,830,069	68,602,166
– Financial assets at amortized cost	74,178,799	64,418,965
Investment in subsidiaries	7,403,206	6,367,058
Property and equipment	1,732,944	1,762,610
Deferred tax assets	5,918,119	4,564,524
Other assets	4,887,613	4,891,483
Total assets	900,671,248	790,278,453
LIABILITIES		
Due to the central bank	18,449,937	7,694,010
Deposits from banks and other financial institutions	49,684,643	47,613,154
Placements from banks and other financial institutions	816,982	231,103
Financial liabilities at fair value through profit or loss	5,052	–
Financial assets sold under repurchase agreements	8,308,417	9,530,355
Customer deposits	671,427,868	571,249,597
Income tax payable	1,503,338	2,033,112
Debt securities issued	75,616,155	78,262,220
Other liabilities	8,338,126	7,343,661
Total liabilities	834,150,518	723,957,212
EQUITY		
Share capital	9,808,269	9,808,269
Preference shares	9,820,734	9,820,734
Reserves	27,606,005	27,383,558
Retained earnings	19,285,722	19,308,680
Total equity	66,520,730	66,321,241
Total liabilities and equity	900,671,248	790,278,453



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

51 RESERVES OF THE BANK

The movements in reserves and retained profits of the Bank during the years 2020 and 2019 are set out below:

	Reserves				Total	Retained profits
	Capital reserve	Surplus reserve	General reserve	Other comprehensive income		
Balance at 1 January 2019	10,870,702	4,304,032	9,018,690	1,063,845	25,257,269	16,679,246
Net profit for the year	-	-	-	-	-	6,572,037
Other comprehensive income for the period	-	-	-	44,735	44,735	-
Shareholders' donation	100,605	-	-	-	100,605	-
Appropriation to surplus reserve	-	657,204	-	-	657,204	(657,204)
Appropriation to general reserve	-	-	1,323,745	-	1,323,745	(1,323,745)
Dividends declared and paid	-	-	-	-	-	(1,961,654)
Balance at 31 December 2019	10,971,307	4,961,236	10,342,435	1,108,580	27,383,558	19,308,680
Balance at 1 January 2020	10,971,307	4,961,236	10,342,435	1,108,580	27,383,558	19,308,680
Net profit for the year	-	-	-	-	-	4,119,846
Other comprehensive income for the period	-	-	-	(1,323,187)	(1,323,187)	-
Shareholders' donation	29,254	-	-	-	29,254	-
Appropriation to surplus reserve	-	-	-	-	-	-
Appropriation to general reserve	-	-	1,516,380	-	1,516,380	(1,516,380)
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	(1,961,654)
Dividends declared and paid to preference shareholders	-	-	-	-	-	(664,770)
Balance at 31 December 2020	11,000,561	4,961,236	11,858,815	(214,607)	27,606,005	19,285,722

52 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2021.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2020

(All amounts are presented in millions of RMB, unless otherwise stated)

1. LIQUIDITY RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

(1) Liquidity ratio

	As at 31 December 2020	As at 31 December 2019
Liquidity ratio (RMB and foreign currency)	87.52%	88.51%

(2) Liquidity coverage ratio

	As at 31 December 2020	As at 31 December 2019
High-quality liquid assets	161,194.23	144,829.21
Cash outflows in future 30 days	68,477.68	75,652.00
Liquidity coverage ratio	235.40%	191.44%

(3) Net stable funding ratio

	As at 31 December 2020	As at 30 September 2020	As at 30 June 2020
Available stable funding	647,341.56	628,510.83	576,188.14
Required stable funding	549,210.09	532,094.98	533,612.23
Net stable funding ratio	117.87%	118.12%	107.98%

Pursuant to the Administrative Measures on the Liquidity Risk of Commercial Banks (商業銀行流動性風險管理辦法) issued by the CBIRC, since 1 July 2018 (effective date of the Measures), the above liquidity ratio, liquidity coverage ratio and net stable funding ratio were calculated based on the financial statements prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF.

2. CURRENCY CONCENTRATION

	As at 31 December 2020			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Subtotal
Spot assets	7,720.79	3,071.13	318.37	11,110.29
Spot liabilities	7,655.91	3,071.13	318.37	11,045.41
Net long /(short) position	64.88	–	–	64.88



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2020

(All amounts are presented in millions of RMB, unless otherwise stated)

2. CURRENCY CONCENTRATION (CONTINUED)

	As at 31 December 2019			Subtotal
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	16,262.96	2,611.70	284.62	19,159.28
Spot liabilities	(16,193.59)	(2,611.40)	(284.55)	(19,089.54)
Net long/(short) position	69.37	0.30	0.07	69.74

Above information is calculated in accordance with regulations promulgated by the CBRC. The Group had no structural position as at 31 December 2020 and 31 December 2019.

3. INTERNATIONAL CLAIMS

The Group regards all claims on third parties outside Mainland China and claims denominated in foreign currencies on third parties inside Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions, financial assets held under resale agreements and investments in debt securities.

International claims are disclosed by country or geographical region. A country or geographical region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	As at 31 December 2020		Total
	Bank and Other financial institutions	Non-bank Private institutions	
Asia Pacific	9,894.19	610.92	10,505.11
of which attributed to Hong Kong	3,970.51	–	3,970.51
North and South America	523.72	–	523.72
Europe	8.67	–	8.67
Oceania	5.86	–	5.86
Total	10,432.44	610.92	11,043.36

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2020

(All amounts are presented in millions of RMB, unless otherwise stated)

3. INTERNATIONAL CLAIMS (CONTINUED)

	As at 31 December 2019		Total
	Bank and Other financial institutions	Non-bank Private institutions	
Asia Pacific	16,520.33	241.19	16,761.52
of which attributed to Hong Kong	2,832.05	–	2,832.05
North and South America	1,275.98	–	1,275.98
Europe	3.53	–	3.53
Oceania	5.22	–	5.22
Total	17,805.06	241.19	18,046.25

4. GEOGRAPHICAL DISTRIBUTION OF THE PRINCIPAL AMOUNT OF OVERDUE LOANS AND ADVANCES TO CUSTOMERS

Principal amount of overdue loans and advances to customers by geographical region	As at 31 December 2020	As at 31 December 2019
Guangzhou	9,865.43	11,951.51
Pearl River Delta (Excluding Guangzhou)	458.99	330.88
Guangdong Province (Excluding Pearl River Delta)	923.27	511.65
Yangtze River Delta	50.53	45.68
Northeastern China	13.44	99.48
Bohai Bay	161.73	89.78
Western Region	55.96	45.97
Central Region	539.09	583.94
Others	98.14	71.49
Total	12,166.58	13,730.38



“AGM”	annual general meeting of the Bank
“Articles of Association” or “Articles”	the articles of association of the Bank, which was passed by the shareholders of the Bank at the extraordinary general meeting held on 6 September 2018 and was pre-approved by the China Banking and Insurance Regulatory Commission, Guangdong Bureau on 30 November 2018 to take effect upon the issuance of preference shares on 20 June 2019 (as amended, supplemented or otherwise revised from time to time)
“Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“Company”, “Bank” or “Guangzhou Rural Commercial Bank”	Guangzhou Rural Commercial Bank Co., Ltd.
“county bank(s)”	bank institutions that are approved by CBIRC to be incorporated in rural areas to provide services to local farmers or enterprises
“CSRC”	China Securities Regulatory Commission
“Director(s)”	directors of the Bank
“Group”	Guangzhou Rural Commercial Bank Co., Ltd. and its subsidiaries
“Guangdong Bureau of CBIRC”	Guangdong Bureau of China Banking and Insurance Regulatory Commission
“H Shares”	the foreign shares which are registered in Mainland China and listed in Hong Kong
“HKD”	the lawful currency of Hong Kong Special Administrative Region
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards and International Accounting Standards (“IAS”), which include the related standards, amendments and interpretations issued by the International Accounting Standard Board (“IASB”)
“Latest Practicable Date”	29 March 2021

DEFINITIONS

“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Non-overseas listed shares”	the ordinary shares with a nominal value of RMB1.00 each issued by the Bank, which are subscribed for or credited as paid up in RMB
“Reporting Period”	For the year from 1 January 2020 to 31 December 2020
“RMB”	the lawful currency of the People’s Republic of China
“Sannong”	agriculture, rural areas and farmers
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holders of shares of the Bank
“Supervisor(s)”	supervisors of the Bank
“USD”	the lawful currency of the United States of America





广州农商银行

GUANGZHOU RURAL COMMERCIAL BANK