广发银行|CGB

中国人寿集团成员单位

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相知相伴

ANNUAL REPORT 2020

广发银行 CGB

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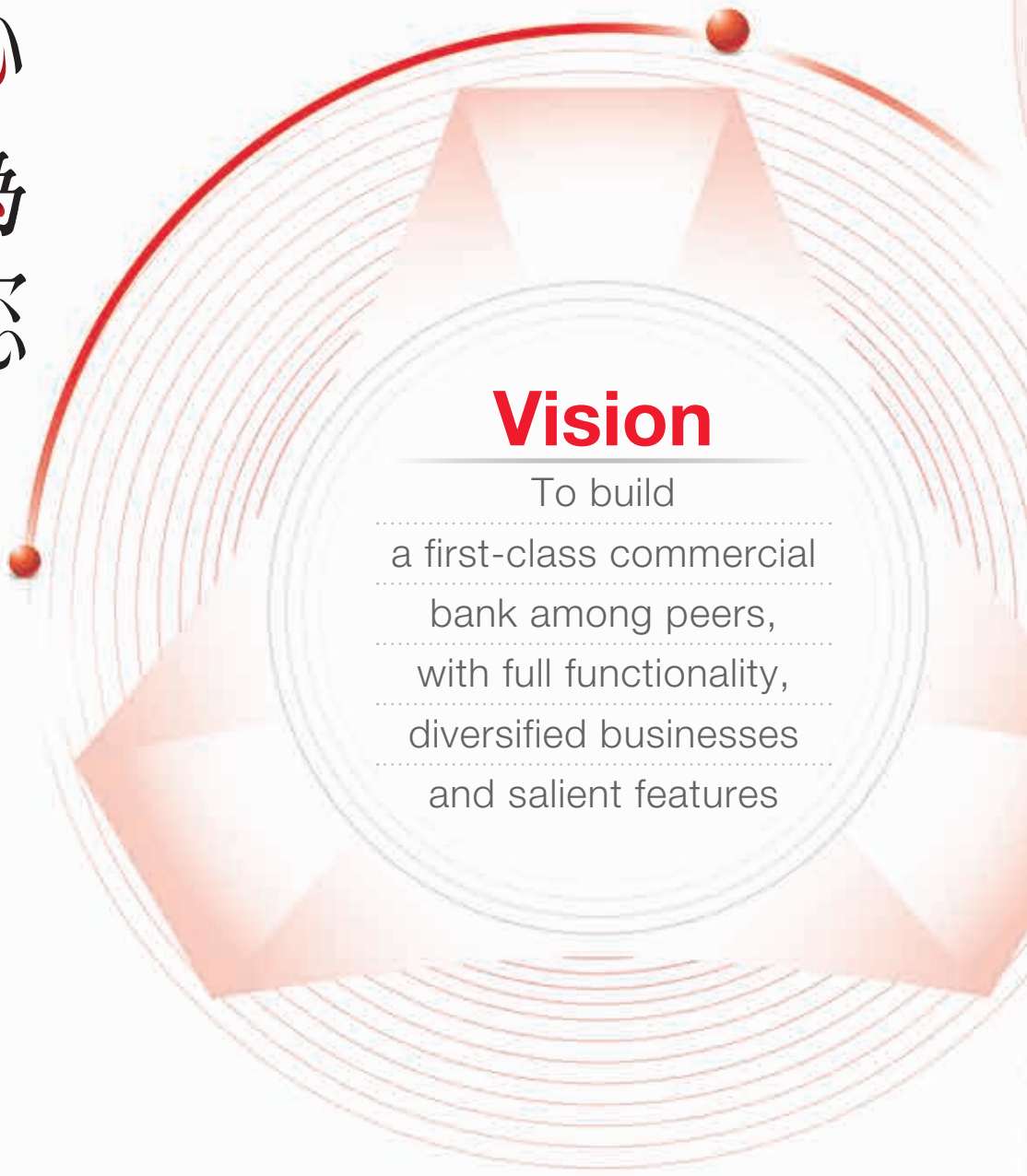

Vision

To build
a first-class commercial
bank among peers,
with full functionality,
diversified businesses
and salient features

Mission

Serving customers

Rewarding shareholders

Fulfilling the value of employees

Making contributions to the society

Core values

Faithfulness

Responsibility

Innovation

Conscientiousness

Introduction of the Bank

Established in 1988, China Guangfa Bank is one of the earliest incorporated joint-stock commercial banks in China. The Bank upholds the core values of "faithfulness, responsibility, innovation and conscientiousness", bears in mind the historic mission of "serving customers, rewarding shareholders, fulfilling the value of employees and making contributions to the society", practices the service concept of "know each other for you" and strives towards its strategic vision of being "one of the first-class commercial banks in China".

The Bank aims to provide customers with high-quality, efficient and comprehensive financial services. The Bank's network has expanded to include 46 Tier-1 branches and 882 business outlets in 104 cities at and above the prefecture level in 25 provinces (municipalities and autonomous regions) including Beijing, Tianjin, Hebei, Shanxi, Liaoning, Jilin, Heilongjiang, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Chongqing, Sichuan, Yunnan, Guizhou, Shaanxi, Xinjiang and the Hong Kong and Macau Special Administrative Regions. The Bank has established correspondent SWIFT authentication partnerships with over 1,174 banking institutions in nearly 100 countries and regions. The Bank's quality and comprehensive financial services have covered more than 360,000 corporate customers, 48.00 million individual customers, 89.00 million credit card customers and 51.00 million mobile banking customers.

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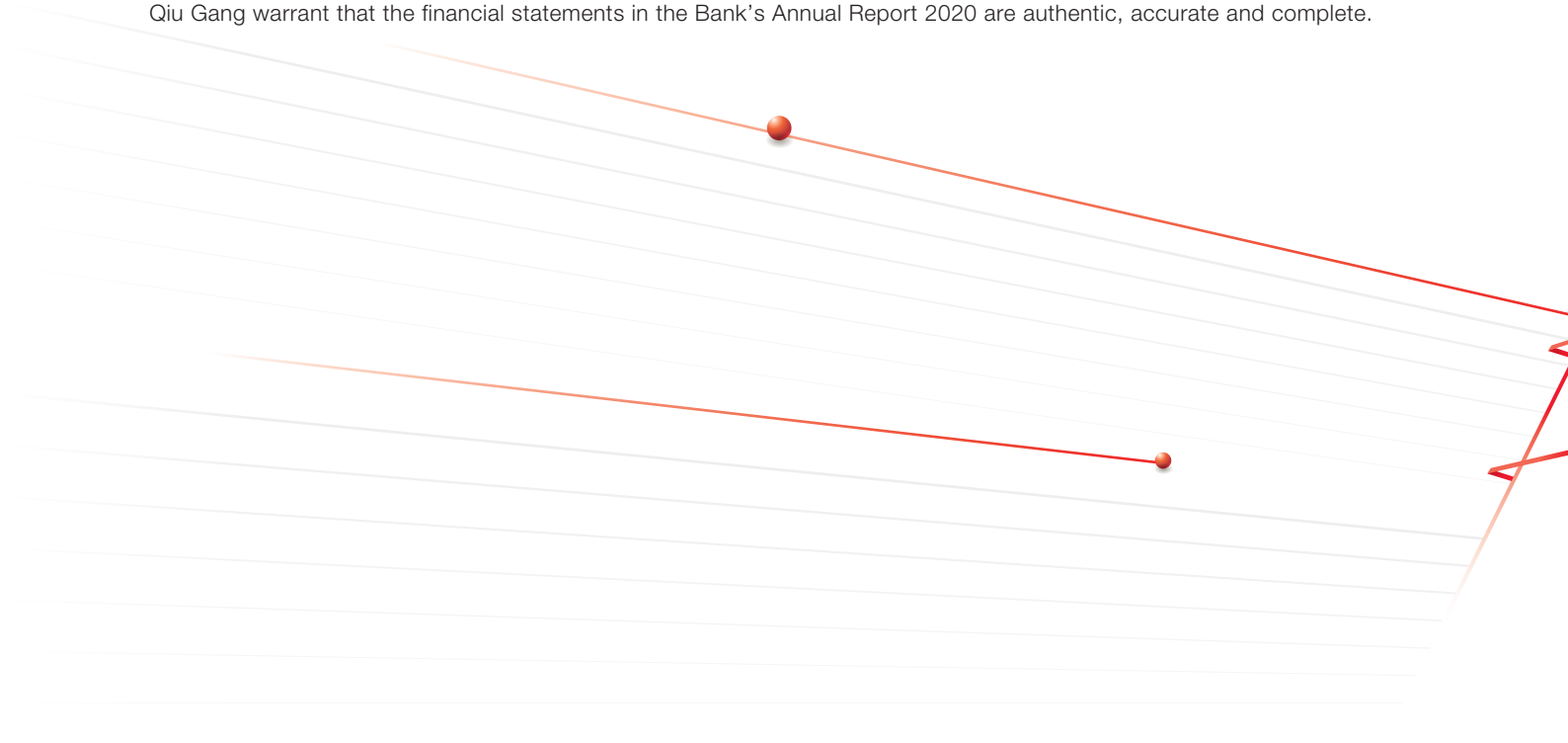
Important Notice

- The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Executives of the Bank warrant that the information contained in this report is authentic, accurate and complete and that there are no false representations or misleading statements contained in or any material omissions from this report, and they assume several and joint legal liabilities for the report.
- The Annual Report 2020 of China Guangfa Bank Co., Ltd. was reviewed and approved by the 8th meeting of the ninth Board of Directors of the Bank. Director Cai Chengwei entrusted Director Guo Yunzhao in writing to exercise the right of voting on his behalf, and the rest of the Directors attended the meeting and exercised their right of voting in person.
- The Annual Report 2020 of China Guangfa Bank Co., Ltd. was reviewed and approved by the 6th meeting of the eighth Board of Supervisors of the Bank with written review opinions. Supervisor Yang Fuming entrusted Supervisor Li Weiyi in writing to exercise the right of voting on his behalf, Supervisor Wu Dahao entrusted Supervisor Fan Junxiong in writing to exercise the right of voting on his behalf, and the rest of the Supervisors attended the meeting and exercised their right of voting in person.
- Ernst & Young Hua Ming (LLP) audited the Bank's financial statements of Year 2020 prepared in accordance with the PRC Accounting Standards, and issued a standard auditor report with unqualified opinions.
- Among the net profit of RMB13.812 billion as stated in the Bank's audited financial statements of Year 2020, 10% or RMB1.381billion will be appropriated to the statutory surplus reserve; RMB4.955 billion equivalent to 1.5% of the balance of risk assets will be appropriated to the general reserve. A cash dividend of RMB0.77 (tax inclusive) per every 10 shares will be paid to all shareholders, amounting to RMB1.516 billion. The above profit distribution plan is subject to review and approval at 2020 annual general meeting of the Bank.
- This report is prepared in both Chinese and English. In the case of any discrepancies, the Chinese version shall prevail.
- Forward-looking statements relating to the Bank's future financial position, operating results, business development and business plan in this report do not constitute any substantive commitments. The Bank's future performance and development may vary due to various factors and uncertainties.
- The risks faced by the Bank in the course of business mainly include credit risk, market risk, bank account interest rate risk, liquidity risk, operational risk, country risk, reputation risk, strategic risk, compliance risk and information technology risk. The Bank has taken various measures to effectively manage and control various business risks. For details, please refer to the disclosure in "Discussions and Analysis of Business Operations".

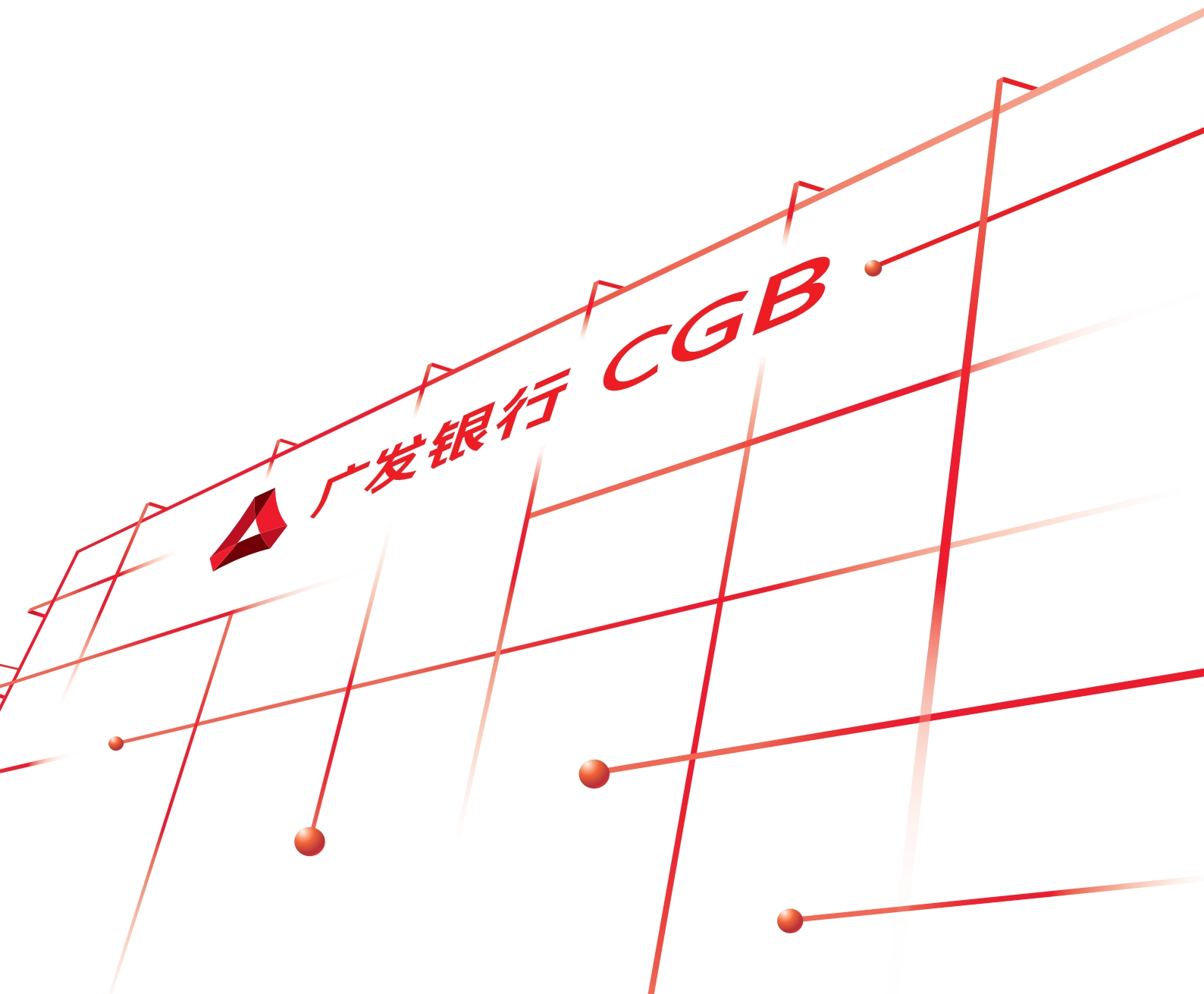
Legal Representative Yin Zhaojun, Executive Vice President in charge of finance Yin Yi and Head of Finance Department Qiu Gang warrant that the financial statements in the Bank's Annual Report 2020 are authentic, accurate and complete.



Definitions

In this report, unless the context otherwise requires, the following terms have the meaning set forth below:

The Bank or CGB	refers to	China Guangfa Bank Co., Ltd.
Articles of Association or Articles of Association of the Bank	refers to	Articles of Association of China Guangfa Bank Co., Ltd.
China Life Group	refers to	China Life Insurance (Group) Company
China Life	refers to	China Life Insurance Company
Central Bank	refers to	The People's Bank of China
CBIRC	refers to	China Banking and Insurance Regulatory Commission
CSRC	refers to	China Securities Regulatory Commission
RMB	refers to	Renminbi



Chairman's Statement

Despite the tough and bumpy journey ahead, achievements can be made by every effort.

2020 marks an extraordinary year. In the face of the impact of COVID-19, the Communist Party of China (hereafter CPC) led the people of all ethnic groups to forge ahead and surmount difficulties, and made impressive achievement both in epidemic prevention and control and economic development. The Bank has earnestly implemented the CPC Central Committee's decisions and deployment on promoting epidemic prevention and control and economic and social development as a whole, made progress while maintaining stability, pursued high-quality development, responded to changes, sought new possibilities, and further consolidated the upward momentum of development. Party building was deepened, the governance system consisting of the general meeting of shareholders, Board of Directors, Board of Supervisors, Party committee and senior management was further improved, the Party committee work system and decision-making system of "Three Importance and One Greatness" were made more standardized, Party committee played an enhanced leading role and the effect of development driven by Party building became more noticeable. CGB has done well in serving the overall situation, actively implemented the policy of "Six Stability" and "Six Security" (i.e. ensuring stability in employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations and ensuring security in job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments). CGB cut continuously waived and reduced fees and offered profit concessions, stood the test of the epidemic, and effectively served the major national strategies and the development of the real economy. More values were created. The Bank's assets exceeded RMB3 trillion, with growth in deposits and loans forerunning the market. The operating efficiency continuously improved, the operating income and net profit increased steadily, and NPL ratio and provision coverage ratio were controlled at a good level. The reform and innovation were further promoted, three major businesses were transformed and upgraded, and the customer base was consolidated. The insurance-banking cooperation mechanism further improved, digital transformation was accelerated, the headquarters construction was further deepened. Hong Kong Branch and Guiyang Branch successfully opened, the wealth management subsidiary is about to open, and preparations for a financial leasing company was accelerated.

Looking back on the past, the Bank made fruitful achievements.

In recent years, in the face of complex and capricious situations at home and abroad and increasingly fierce competition, CGB has firmly adhered to the Party's overall leadership, served the real economy, pursued high-quality development, deepened reform and innovation, insisted on steady and compliant operation, and returned to the main channel of the development of state-owned holding banks. During the "13th Five-year Plan" period, the Bank's total assets increased by 65%, the balance of RMB deposits and loans increased by 64% and 110% respectively, and the operating income and net profit in 2020 grew by 47% and 52% from 2015. CGB ranked 63th in Top 1000 Global Banks released by the U.K. magazine Banker, up by 29 places from the year 2015. CGB has made solid progress in comprehensive operation, scientific and technological innovation and international deployment. The construction of the new Head Office Building started. The evaluation by government, regulators and customers on CGB's work has improved significantly, which has laid a solid foundation for CGB to develop itself into a first-class commercial bank.

The journey ahead is long, striving is the only way forward.

At a historic juncture when the time-frames of the "Two Centenary" goals converge, the 19th CPC Central Committee convened the fifth plenary session to draw up a blueprint for China's future development, plan the direction and goals and make strategic arrangements for the journey ahead, and inject powerful ideological and operational forces to secure the victory of building a modern socialist country in an all-round way. The Bank will follow the distinct logic of new development stage, new development concept and serving the new development pattern, and identify what to adhere to, change and develop, draw a new blueprint scientifically and strive to open up new prospect. The Bank will strengthen the Party's overall leadership, carry out the two "Persistence All the Way", resolutely uphold the core and leading position of general secretary Xi Jinping's Party Central Committee and the Party, and the authority and centralized leadership of the Party Central Committee; adhere to the people-centered development philosophy, actively develop Inclusive Finance, enhance the people's sense of contentment, satisfaction and happiness resulted from financial services; the Bank will firmly implement the decisions and deployment of the Party Central Committee, and ensure the implementation of policies of the Party and the state. The Bank will carry out the policy thoroughly, maintain and add the value of state-owned assets, and strive to grasp opportunities in the crisis and open up new situation in the changing situation. CGB will overcome the difficulties in implementing the strategies, creatively carry out the strategy of revitalizing China Life by reform-oriented thinking and innovative methods, seek impetus from reform and promote development through innovation. In addition, geared to the frontier of science and technology, market demand, forefront demands and future development, CGB will further promote the digital transformation, generate new driving forces for development on the basis of scientific and technological innovation and digital transformation; the Bank will promote the transformation and upgrading of comprehensive operation to a higher stage characterized by customer sharing and customer operation, optimize the system and mechanism, promote the innovation of products and services, and enrich the connotation of comprehensive services. Efforts will be made to promote high-quality development in terms of quality, structure, scale, speed, benefit and safety. The Bank will highlight value creation, build characteristic advantages and enhance market competitiveness. As the major force to revitalize China Life, CGB "Stood, Walked" and will "Run" from the new starting point, aims at new goals, seizes new opportunities, and firmly marches forward to the goal of being a first-class commercial bank, endeavouring to make more contribution to the revitalization of China Life, and obtain outstanding achievements as a tribute to the 100th anniversary of the founding of the Party!

Wang Bin
Chairman

President's Statement

2020 was an extraordinary year. Over the year, CGB has been adhering to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics in New Era, and unswervingly implemented the CPC Central Committee's decision and deployment. Under the strong leadership by the Party committee of China Life, new progress has been made in terms of operation and management and new achievements has been accomplished in terms of reform and development.

In 2020, CGB comprehensively strengthened the leadership of the Party, integrated its own development into that of the country, formed a common consciousness that the development is driven by Party building. The Bank has thoroughly studied and implemented the spirit of the 19th CPC National Congress and the Second, Third, Fourth and Fifth Plenary Session of the 19th CPC Central Committee, established the CGB Party School, formulated a list of responsibilities in terms of strictly governing the Party, and formed a long-term mechanism of "Remain true to our original aspiration and keep our mission firmly in mind". Fully implementing the policy of "Six Stability" and "Six Security", the Bank sticked to the main responsibility of serving the real economy, waived and reduced fees and offered profit concessions by RMB10.9 billion for the real economy, granted over RMB100 billion credit loans to anti-epidemic enterprises, with a year-on-year increase of 33% in the inclusive loan balance of micro and small enterprises. CGB also committed to the mission as a central financial enterprise and made great efforts in poverty alleviation and lifted 74 poverty-stricken areas out of poverty with the aid of CGB.

In 2020, CGB vigorously promoted high-quality development, overcame the negative impact of the epidemic, and made steady progress while maintaining stability in operation and management. The balanced development of scale benefits was realized. By the end of the reporting period, the total assets of the Bank amounted to RMB3.03 trillion, representing an increase of 15% over the

beginning of the year, and the growth rate of deposits and loans took the leading position among banking peers; a "full-coverage" comprehensive risk management system was established and various risk indicators were controlled at a reasonable level. The construction of organization continued and branches were opened in Hong Kong and Guiyang, with 882 institutions scattered in 25 provinces, cities in mainland China and Hong Kong and Macao Special Administrative Region. The wealth management subsidiary has been approved for establishment, and solid steps has been taken in internationalization and diversification.

In 2020, CGB has been actively reforming and innovating, focusing on creating values and forging its differentiated advantages. CGB continued to enhance the characteristic advantages of insurance-banking cooperation, and cooperation became the main source of revenue growth and customer base growth. With the realization of the full coverage of centralized collection and payment on behalf of insurance companies of central enterprises, CGB has become the preferred partnership bank in the insurance clearing market. "Digital Guangfa" was developed, the investment in science and technology increased by 15.7% compared with the previous year, and the open banking and scene finance gained nearly 10 million new customers. As the only joint-stock bank with institutions covering all of "9+2" cities of the Greater Bay Area, CGB has become one of the first online financial service providers of the Canton Fair, the first to realize direct connection to the cross-border financial block-chain service platform system, the first to provide cross-border insurance premium payment and claim settlement service, and the first to promote "intelligent free trade" financial service.

The year 2021 marks the first year of the "14th Five-year Plan" as well as the 100th anniversary of the founding of the Communist Party of China. In the new development stage, CGB will implement the new development concept, enhance the ability and level of the new development pattern of financial services, and continue to strive towards the goal of building itself into a first-class commercial bank.

CGB will strengthen the party's construction as the leading force, thoroughly study the Party history, improve the political quality of cadres and employees, give full play to the "Six Strengths" of state-owned enterprises, and achieve high-quality development driven by high-quality Party building.

CGB will firmly serve the real economy, strive to implement the policy "Six Stability" and "Six Security", adhere to the mission of the financial industry, serve market entities and consumers with more diversified and excellent financial products and financial services.

CGB will regard the high-quality development as a core, focus on value creation, build strong momentum for development, optimize business structure, consolidate management foundation, comprehensively prevent and control financial risks, and achieve balanced development of scale, quality and efficiency.

Driven by reform and innovation, CGB will continue to build up its comprehensive financial advantages and headquarter advantages in the Greater Bay Area, to become a leading insurance financial service provider and comprehensive financial product provider in China based on the insurance-banking cooperation. Relying on the sound institutional layout of the headquarters and the Greater Bay Area, CGB strives to become a major force serving the construction of "Double Areas" and opening up to the outside world.

Though the journey ahead is full of uncertainties, we shall bravely forge ahead.

Taking the "14th Five-year Plan" as a new starting point, CGB will forge ahead and innovate in a pioneering spirit, obtain outstanding achievements as a tribute to the 100th anniversary of the founding of the Party, and make greater contributions to realize the Chinese dream of great rejuvenation of the Chinese nation.

Wang Kai
Proposed President

Top 10 Events in Operation and Management in 2020

1. Strict Party governance was advanced.

A list of responsibilities in terms of comprehensively and strictly governing the Party was formulated and implemented. CGB has light up the great enthusiasm for studying, publicizing and implementing the spirit of the Fifth Plenary Session of the 19th CPC Central Committee, and the development driven by Party building has been promoted to a new level.

2. The efficiency of corporate governance was improved.

The renewals of the membership of the board of directors, supervisors and executive officers were completed. The Bank also optimized the setting of special committees and improved corporate governance systems, and further promoted the modernization construction of our corporate governance system and governance competence.

3. The operation capacity was steadily strengthened.

The Bank's asset exceeded RMB3 trillion, the growth of deposits and loans ranked top among banking peers. Customer base became more solid, RMB33.5 billion of tier-2 capital bonds were issued, which steadily improved the operation strength and market position.

4. Coordinate the anti-epidemic combat and financial services.

The Bank coordinated the epidemic prevention and control measures and financial services and conscientiously fulfilled the tasks of "Six Stability" and "Six Security",waived and reduced fees and offered profit concessions by RMB10.9 billion to the real economy, and the results were gained recognition from the government, regulators and other parties.

5. Fully accomplished the poverty relief task.

The Bank completed all the tasks of poverty alleviation and lifted 74 poverty-striken areas out of poverty with targeted and paired aid by the Bank. Moreover, the poverty alleviation projects supported by the Head Office were selected as excellent cases of "Industrial Poverty Alleviation" in China.

Top 10 Events in Operation and Management in 2020

6. Served and facilitated the Great Bay Area construction.

The strategic cooperation between the Bank and Guangdong provincial government had been carried out in depth. The Bank signed comprehensive strategic cooperation agreements with Guangdong Provincial People's Government, formulated the Three-year Action Plan for Providing Integrated Financial Service for Guangdong-Hong Kong-Macao Greater Bay Area, and vigorously underpinned the construction and financial innovation in Guangdong-Hong Kong-Macao Greater Bay Area.

7. Risk prevention and control were comprehensively strengthened.

We vigorously built the "Three Lines of Defence" against risks, launched a comprehensive risk management platform, mitigated existing risk assets in a high efficient way, and carried out a series of activities of "Compliance Cases Prevention Action Year", which steadily improved the Bank's risk management ability.

8. Science and technology empowered mass acquisition of customers.

The construction of open banks was accelerated, 16 innovative scenario customer acquisition projects were generated throughout the year, and gratifying progress was made in batch customer acquisition by scientific and technological means.

9. Organizational layout was broadly expanded.

Hong Kong Branch was opened, which made CGB as the first joint-stock bank with institutions fully covering "9 + 2" cities in Guangdong-Hong Kong-Macao Greater Bay Area, Guiyang Branch was opened and the wealth management subsidiary was approved for establishment.

10. Breakthroughs were made in key qualifications.

CGB successfully opened the special account of non-tax revenue for Central Treasury, and became a cooperative bank in terms of national medical insurance electronic certificate business. Major breakthrough was achieved in obtaining the important business qualifications in many places.

广发银行党史学习教育动员部署会

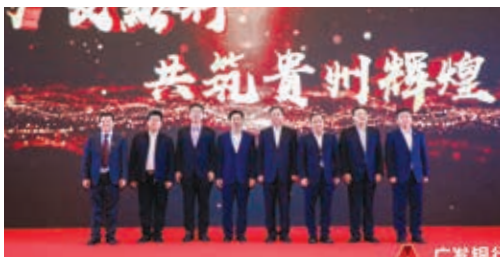
广发银行2020年工作会议暨扶贫工作会议

这一发
势不可挡
要投就投中国人寿
要选就选广发银行

行稳方能至远峰
中国人寿
CHINA LIFE
广发银行

协同谋未来
与您共发展
广发银行

机智如你
常伴左右
广发银行


共筑贵州辉煌

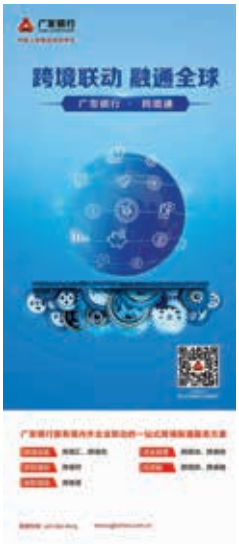
美好生活 与精彩

精准帮扶，
汇聚力量决胜脱贫攻坚
中国人寿
CHINA LIFE
广发银行

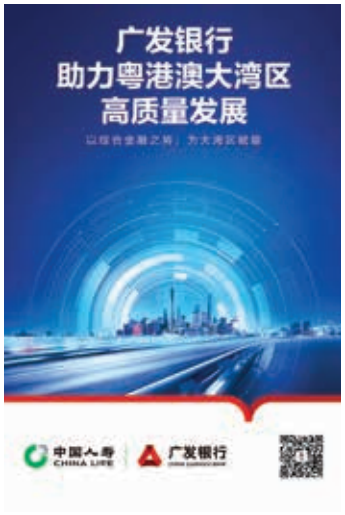
广发银行
“自在人生”养老品牌焕新升级
暨养老信用卡发布

廣發銀行香港分行
開幕儀式

智慧自贸 广发助航


跨境联动 融通全球

广交精彩 发现未来
128届广交会综合金融服务专区
智·通关
快·融资
便·结算
安·保障
惠·消费


广发银行
助力粤港澳大湾区
高质量发展

每一个梦想成长

2020年新芽
创新孵化大赛总决战

税定贷 智未来
广发银行税银通，企业融资好轻松

共担成长的风雨
共享收获的喜悦

中国人寿
广发银行

Corporate Profile

Corporate Profile

Statutory Names

Chinese name: 广发银行股份有限公司
(Abbreviation: 广发银行)
English name: China Guangfa Bank Co., Ltd.
(Abbreviation: China Guangfa Bank, CGB or Guangfa Bank)

Business Philosophy and Business Scope

Business Philosophy: Conduct various commercial banking businesses legally in line with the principles of equality, willingness, fairness and honesty; promote and support the development of national economy and the overall prosperity of the society; and maximize the shareholders' value.

The Bank regards safety, liquidity and profitability as the principles for its operation, and operates independently at its own risk, assume sole responsibility for its profits and losses and be self-disciplined.

Business Scope: Taking public deposits; granting short-term, mid-term and long-term loans; handling domestic and overseas settlements; handling bills acceptance and discount; issuing financial bonds; issuing, paying for and underwriting government bonds as an agent; sales and purchases of negotiable securities such as government bonds and financial bonds; engaging in inter-bank borrowings; providing letters of credit service and guarantee; engaging in bank card business; acting as payment and receipt agent and insurance agent; providing safe deposit box services; taking deposits and granting loans in foreign currency; foreign currency remittance; foreign currency exchange; international settlements; foreign exchange settlements and sales; inter-bank foreign currency borrowings; handling acceptance and discount of bills in foreign currency; granting foreign currency loans; granting foreign currency guarantees; sales and purchases of negotiable securities other than shares in a foreign currency for itself and as an agent; issuing negotiable securities other than shares in a foreign currency for itself and as an agent; sales and purchases of foreign exchange on its own account and on behalf of its customers; issuing and making payments for foreign credit card as an agent; offshore financial operations; assets and credit verification, consultation and notarization businesses; other businesses approved by the CBIRC and other relevant authorities.

Legal Representative: Yin Zhaojun

Secretary to the Board of Directors: Li Guangxin

Registered Office Address

No. 713, Dongfengdong Road, Yuexiu District
Guangzhou, Guangdong Province, China
Postcode: 510080
Service hotline of China Guangfa Bank: 400-830-8003
Guangfa credit card hotline: 95508
Website: www.cgbchina.com.cn

Place for Obtaining Annual Report

The Finance Department of the Bank

Other Relevant Information

The first registration date: 8 July 1988
The date of registration change: 23 April 2020
Authority of registration: Guangdong Provincial Administration for Industry and Commerce of People's Republic of China
Registered capital: RMB19,687,196,272
Unified social credit code: 91440000190336428Q
Institution No. of financial license: B0012H144010001

Engaged Auditors

Domestic Auditor:	Ernst & Young Hua Ming (Special General Partnership)
Office address:	16/F, Ernst & Young Tower, Oriental Plaza, No. 1 Chang An Avenue, Dongcheng District, Beijing, China
Names of Signing Certified Public Accountants:	Zhao Ya, He Mingzhi

This report was disclosed in accordance with the requirements of the Measures on Information Disclosure of Commercial Banks.

Core Competitiveness of the Bank

During the reporting period, the Bank thoroughly implemented the decision and deployment of the CPC Central Committee, effectively served the real economy and the people's livelihood, continuously promoted the reform on operation and management, and continuously consolidated the foundation of high-quality development. CGB ranked 63rd among Top 1,000 Global Banks released by the U.K. magazine Banker, up by 10 places from last year, with ranking reaching a record high.

The Bank actively served the overall situation. The Bank unswervingly adhered to Party-led development, put political construction in the first place, thoroughly implemented Xi Jinping's important speech and instructions, and decisions and deployment of the Party Central Committee, actively integrated itself into national development, and established an organizational structure for implementing the decisions and deployment of the CPC Central Committee and a closed-loop working mechanism. The Bank has made great efforts in "Six Stability" and "Six Security", actively assisted in epidemic prevention and control and resumption of work and production, unswervingly served the real economy, actively followed the major national and regional strategies, made every effort to boost poverty alleviation, and fully implemented and demonstrated the responsibilities as a financial central enterprise.

Strategic transformation was pushed forward in depth and width. The quality improvement and upgrading of insurance-banking cooperation was promoted. The Bank has made full use of its unique advantages in understanding the financial needs of insurance institutions and customers, rapidly and deeply promoted the insurance-banking cooperation, made outstanding achievements in synergetic performance and mechanism and system construction, effectively empowered the business development of the Bank, and achieved breakthrough growth in synergetic performance. Breakthrough was made in diversification and internationalization. Hong Kong Branch was opened, the approval of establishing the wealth management subsidiary, the fund operation center and asset custody center were obtained, and application for establishment of the financial leasing company was accelerated.

The innovation-driven strategy has yielded initial results. The Bank has accelerated digital transformation and regarded technology empowerment as a main strategy. The scientific and technological innovation system continued to improve, and a special innovation fund was allocated to encourage the whole Bank to carry out scientific and technological innovation. A scientific and technological business partnership mechanism was established to promote the better integration of science and technology with business. The goal of "Digital Guangfa" construction was made clear, the investment in financial technology increased, and the proportion of the Bank's technology investment input in the revenue continued to increase. Breakthroughs were continuously made in digitalization and scenario-oriented development, and a series of digital financial comprehensive solutions such as digital labour union, digital elderly services and digital property were launched. The innovation of intelligent application was accelerated, the level of intelligent risk control and post-loan monitoring continuously improved, and intelligent services and marketing were widely used in outlet operation, out-going call marketing and other scenarios.

Internal risk control was fortified continuously. The Bank continued to strengthen internal control and compliance as well as comprehensive risk management to ensure high-quality development. CGB resolutely implemented the requirements of preventing and resolving major risks, laid emphasis on reducing existing risks and curbing new risks, achieved excellent asset quality in the industry, and continuously enhanced its ability to offset risks. Compliance was strengthened, the culture of "compliance is the bottom line and lifeline" was developed, equal attention was paid to system construction and strict system implementation, new regulations were observed, existing rules and regulations were examined in accordance with the new regulatory rules and regulations, and risk control was fortified institutionally. Comprehensive risk management has been strengthened, a "full-coverage" comprehensive risk management system was established and improved, and the comprehensive risk management platform was launched to realize the unified management of risk preference and portfolio limit of the Bank.

The business foundation was constantly consolidated. Reform and innovation was emphasized to stimulate the endogenous power of the Bank. Strenuous efforts were made to innovate the assessment and incentive mechanism, improve the high-quality development evaluation mechanism; deepen the reform of human resources, establish five professional research institutes, strengthen the "Eagle" series training system, open up the promotion channels for employees, optimize the post sequence, stimulate the vitality of the team; carry out activities of the year of deepening headquarters construction, and actively improve "five capacities" (i.e. strategic guidance, resource allocation, product research and development, support services, supervision and regulation). The Bank also strived to build "six centers" including a scientific management and command center, an efficient product innovation and R&D center, an intelligent technology and operation center, a comprehensive risk control center, a leading talent training center, and a strong customer management center.

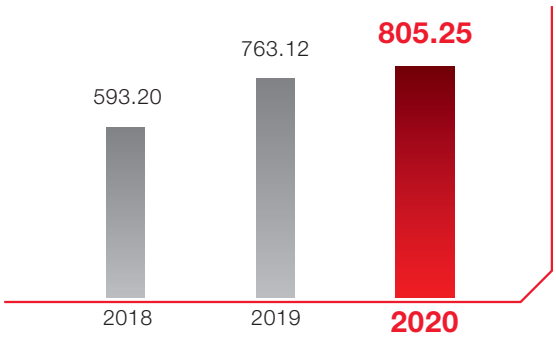
Summary of Major Accounting Data and Financial Indicators

Major Accounting Data and Financial Indicators

Item	2020	2019	2018
Annual operating results (RMB'000)			
Net interest income[1]	**62,847,299**	59,579,449	47,838,993
Net fee and commission income[1]	**11,301,954**	9,177,573	8,714,254
Operating income	**80,525,379**	76,312,481	59,319,940
Operating and administrative expenses	**(23,076,037)**	(23,495,484)	(21,460,531)
Credit and other asset impairment losses	**(38,920,652)**	(36,439,124)	(24,783,224)
Operating profit	**17,518,516**	15,457,125	12,295,317
Gross profit	**17,577,744**	14,922,925	11,940,735
Net profit	**13,812,011**	12,580,924	10,699,631
Net profit attributed to shareholders of ordinary shares	**11,787,011**	12,580,924	10,699,631
Net profit attributed to shareholders of ordinary shares after deducting non-recurring profit and loss	**11,604,851**	12,843,487	10,618,632
Net cash flow from operating activities	**41,098,223**	(29,144,042)	(28,742,565)

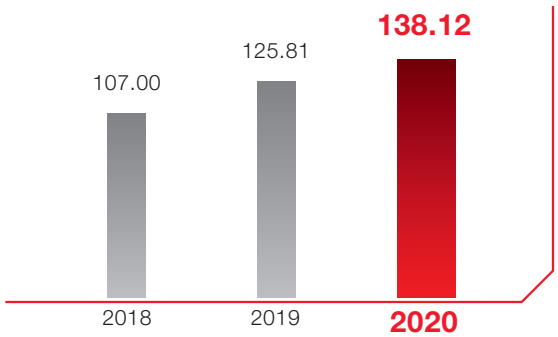
Operating income

Unit:RMB 100 million



Net profit

Unit:RMB 100 million

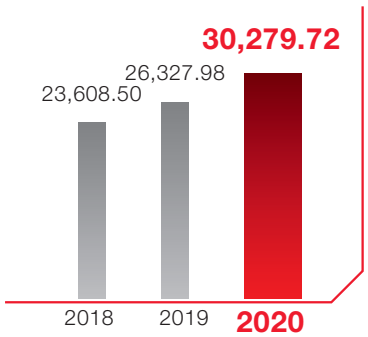


Summary of Major Accounting Data and Financial Indicators

Item	2020	2019	2018
At the end of the reporting period (RMB'000)			
Total assets	**3,027,971,997**	2,632,797,846	2,360,850,306
Gross loans and advances to customers[2]	**1,803,981,418**	1,573,263,018	1,338,526,136
Loan impairment allowances[3]	**(49,408,014)**	(41,952,459)	(29,408,170)
Net Investment[2]	**725,754,606**	631,108,143	581,839,759
Total liabilities	**2,809,822,356**	2,423,233,621	2,202,348,004
Deposits from customers[2]	**1,852,555,464**	1,600,170,141	1,320,431,822
Deposits from banks and other financial institutions[2]	**464,918,582**	416,715,620	489,355,843
Placements from banks and other financial institutions[2]	**16,666,558**	27,763,260	100,791,888
Shareholders' equity	**218,149,641**	209,564,225	158,502,302
Net capital base	**274,188,455**	244,978,854	196,287,715
Net Tier-1 capital	**215,998,834**	207,788,873	156,847,655
Net risk-weighted assets	**2,192,860,460**	1,950,827,666	1,666,064,141
Data per share (RMB)			
Net assets per share	**11.08**	10.64	8.05
Net assets per share attributed to shareholders of ordinary shares	**8.80**	8.36	8.05
Basic earnings per share attributed to the shareholders of ordinary shares[4]	**0.60**	0.64	0.69
Diluted earnings per share attributed to shareholders of ordinary shares[4]	**0.60**	0.64	0.69
Basic earnings per share attributed to shareholders of ordinary shares after deducting non-recurring profit and loss[4]	**0.59**	0.65	0.69
Net cash flow from operating activities per share	**2.09**	(1.48)	(1.87)

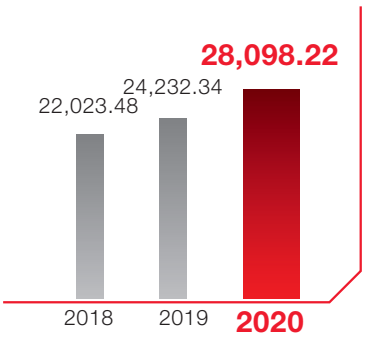
Total assets

Unit:RMB 100 million



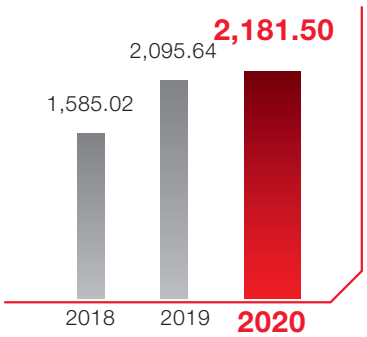
Total liabilities

Unit:RMB 100 million



Shareholders' equity

Unit:RMB 100 million



Summary of Major Accounting Data and Financial Indicators

Unit: %

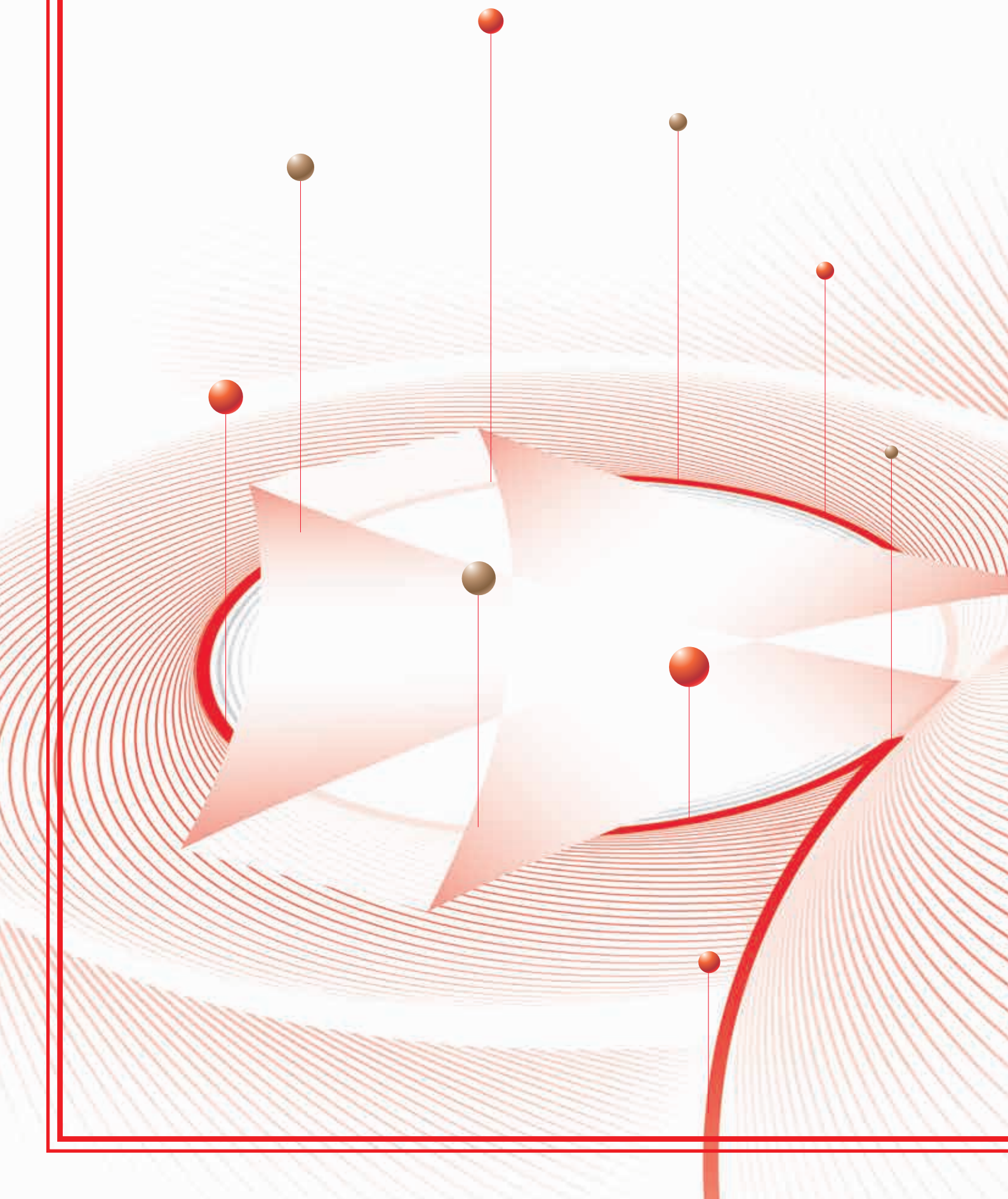
Item	2020	2019	2018
Profitability indicators			
ROAA	**0.49**	0.50	0.48
Return on weighted average equity[4]	**6.98**	7.42	8.82
Return on weighted average equity after deducting non-recurring profit and loss[4]	**6.87**	7.58	8.76
Net interest spread[1]	**2.21**	2.53	2.30
Net interest margin[1]	**2.34**	2.62	2.35
Net fee and commission income to operating income ratio[1]	**14.04**	12.03	14.69
Cost-to-income ratio	**28.66**	30.79	36.18
Asset quality indicators			
Non-performing loan ratio (NPL ratio)	**1.55**	1.55	1.45
NPL provision coverage ratio	**178.32**	173.41	151.06
Provision ratio of loan	**2.76**	2.69	2.20
Capital adequacy indicators			
Core Tier-1 capital adequacy ratio[5]	**7.80**	8.35	9.41
Tier-1 capital adequacy ratio[5]	**9.85**	10.65	9.41
Capital adequacy ratio[5]	**12.50**	12.56	11.78

Notes:
1. According to the Notice on Strict Implementation of Accounting Standards for Business Enterprises to Effectively Enhance 2020 Annual Report (Caikuai [2021] No. 2) issued by the Ministry of Finance, the Bank reclassified credit card instalment income from fee and commission income to interest income, and had adjusted such data as the net interest spread, net interest yield, and net income from fees and commissions, and operating income index for 2018 and 2019 accordingly.
2. Pursuant to the "Notice of the Ministry of Finance on Revising the Format of 2018 Financial Statements for Financial Enterprises"(Caikuai [2018] No.36), the financial instrument interest provided based on the effective interest method shall be included in the book balance of the corresponding instrument, and reflected in related statements but not listed as the item of "interest receivable" or "interest payable". The balance of "interest receivable" or "interest payable" listed in the item of "other assets" or "other liabilities" only refers to the interest receivable due or payable due for related financial instruments but not received or paid as at the balance sheet date. Since the Annual Report 2019, the Bank has adjusted related contents of the financial statements and notes pursuant to the above requirement.
3. Only the loan impairment allowances measured by amortized cost were included.
4. Return on net assets and earnings per share were calculated in accordance with No.9 – Rules on Preparation of Information Disclosures of Companies Publicly Issuing Securities – Calculation and Disclosure of Return on Net Assets and Earnings per Share (revised in 2010) and Accounting Standards for Business Accounting No. 34 - Earnings per Share. Among them, the Bank issued RMB45 billion undated capital bonds ("perpetual bonds") in September 2019 and paid an interest of RMB2.025 billion for the perpetual bonds in September 2020. In the calculation of "earnings per share" and "return on average weighted equity", the interest on perpetual bonds issued has been deducted from the numerator.
5. Calculated in accordance with Administrative Measures for the Capital of Commercial Banks (for Trial Implementation).

Supplementary Financial Ratios

Unit:%

Key Indicator		Regulatory guidelines	End of 2020	End of 2019	End of 2018
Liquidity ratio	Converted into RMB	≥25	**70.81**	79.28	80.58
Proportion of call loans	Called-in RMB	≤4	**0.63**	0.74	3.80
	Called-out RMB	≤8	**5.31**	4.54	2.34
The proportion of loans to the largest borrower to net capital		≤10	**1.18**	1.35	1.58
The proportion of loans to the top 10 borrowers to net capital			**10.57**	10.97	12.13



固本

CONSOLIDATE

The Bank thoroughly learned and implemented the Thought of Xi Jinping on Socialism with Chinese Characteristics for a New Era, and strengthened the core leading and political role of the CPC Committee in keeping the strategic direction, mastering the overall situation and guaranteeing the strategy implementation during the operation management of the Bank, promoted high-quality development under the guidance of high-quality Party development.

Economic, Financial and Macroeconomic Environment

During the reporting period, high-quality development was advanced in depth and width nationwide. For the first time, the country elevated innovation to the core position of modernization construction, and took scientific and technological self-reliance as the strategic support for national development. New development momentum has been led by scientific and technological innovation, deepening reform has stimulated new development vitality, and high-level opening up has became a new advantage in international cooperation and competition. The basic trend of steady and long-term improvement of China's economy remains unchanged.

Looking forward to 2021, there are many opportunities brewing in macroeconomic operation. Firstly, The "double circulation" development pattern will promote the high-quality development of financial services. As expanding domestic demand becoming the starting point of future development gradually, financial support is urgently needed for both consumption upgrading and supply side reform. Secondly, investment demand is rising steadily. There is a vast space for the incremental market of the banking industry with the high demand for new infrastructure construction, new urbanization construction, transportation, water conservancy and other major project construction, along with the blooming development of digital economy, intelligent manufacturing, life and health, and new materials industries. Thirdly, both consumer finance and wealth management is expected to develop for the long-term. With the effective establishment of a long-term mechanism to solve relative poverty and the steadily promotion of new urbanization, a huge consumer market and wealth management market will be formed.

Fourthly, comprehensive finance is appreciated by the finance industry structure. With the further promoting of construction of diversified capital market, the comprehensive operation of banking industry has become a new development direction. It is needed to enhance synergy effect among business sectors, expand cooperation boundaries, explore new mode of comprehensive operation.

Of course, the challenges should not be underestimated. Affected by the COVID-19 pandemic and the global economic downturn, the profitability of the banking industry is still under pressure. As the increasingly demand for digitalization and innovation of banking industry, it is imperative to transform the business model, and the banking industry is expected to enter a new era of innovative development.

Economic, Financial and Macroeconomic Environment

Review of Operations

Review of Operations

General Business Overview

Strengthened the leadership of the Party and implemented the CPC Central Committee decisions and deployments, the Bank is seeking the improvement in stability. Coordinated epidemic prevention and financial services, the operation and management of the Bank tend to a better prospect. As of the end of the reporting period, the Bank's total assets amounted to RMB 3.03 trillion, an increase of 15.01% compared with the beginning of the year. The loans and advances to customers amounted to RMB 1.80 trillion, and the customer deposits amounted to RMB 1.83 trillion, an increase of 14.76% and 15.68% respectively compared with the beginning of the year. The Bank's growth was in the front rank among joint-stock peers and its ranking improved in terms of total customer deposits, corporate loans, and individual deposits. The Bank's accumulated operating income was RMB 80.525 billion, an increase of 5.52% year on year, and net profit was RMB 13.812 billion, an increase of 9.79% year on year. The Bank's NPL ratio was 1.55% and provision coverage rate was 178.32%, the main risk indicators remained stable. The Bank successfully issued Tier-2 capital bonds amounted RMB 33.5 billion. As a member of China Life Group, the Bank signed strategic cooperation agreements with governments of Guangdong, Hainan, Guizhou, Yunnan and other provinces.

Business Management

Leading by the Party, joint force of the Bank has been solidarized. The Bank reinforced the Party's comprehensive management of strategy, and put in the first place of political construction. Insisting in "two maintainances" and in accordance with the requirements of the CPC Central Committee for the financial industry, the "12333" working thought of CPC construction leading the development was put forward to guide the development of the whole bank with a clearer path. The Bank was deepened strict governance over the Party, established a leading group for Party construction, enacted a list of responsibilities for strict

governance over the Party, compacted the whole chain of responsibilities, implemented the Party's organizational line in the new era thoroughly, improved the policy of cadre selection, appointment, and supervision. The Bank strengthened the construction of Party conduct and clean governance comprehensively, deepened implement of the special rectification, rectified the common issues of state-own enterprises raised by the central inspection team, eliminated the "Four Malfeasances (formalism, bureaucracy, hedonism, extravagance)",constructed a clean and upright political ecology.

Supporting by right strategic, the responsibility of the Bank has been reinforced. Wholeheartly serving for the real economy, the Bank's loan for inclusive micro and small enterprises increased by 33.10% compared with the beginning of the year, the newly issued loan interest rate decreased by122BP year on year; and loans for private enterprises and medium and long-term loans for manufacturing industry increased by 7.32% and 48.71% respectively compared with the beginning of the year. Fully implemented "Six Stability" and "Six Security" policy, the Bank reduced fees and offered profit concessions for the real economy by RMB10.9 billion, underwrited government bonds of RMB94.1 billion, and created nearly 4,000 new jobs. Actively serving the regional strategy, the Bank saw a RMB158.3 billion net increase in loans in key development regions (e.g. Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta, Beijing-Tianjin-Hebei), which accounted for 70.36% of the increase in the Bank's loans. The Bank supported the financial innovation in the Bay Area, which became the first group of financial service providers of the online Canton Fair, and the first to realize direct connection of cross-border financial block chain service platform, and the first to launch the comprehensive financial scheme of the free trade zone (port). All-out efforts were made to combat poverty such as launching the "1+N" financial products for poverty alleviation, and successfully lifting out of poverty all the 74 targeted poverty-stricken areas. The Bank's balance of poverty alleviation loans amounted to RMB14.107 billion, increased by 19.01% compared with

the beginning of the year. For combating the pandemic, the Bank granted over RMB100 billion of credit facilities to anti-pandemic enterprises and donated over RMB40 million.

Emphasizing value creation, the development momentum of the Bank has been enhanced. The Bank promoted upgrading of the bank-insurance cooperation, raised the specific guidance, important initiatives and core objectives of collaborative value, and constructed the collaborative "four beams and eight pillars" comprehensively. During the reporting period, the Bank's scale of agent life insurance, property insurance, pension insurance and bank-insurance cooperation increased by more than 35% year on year; the bank-insurance cooperation jointly served 6,157 corporate customers; 1.26 million new customers of debit cards and credit cards were added, which drove the balance of basic deposits to RMB116.6 billion, a net increase of RMB11 billion compared with the beginning of the year. The Bank accelerated financial technology innovation, launched 10 innovative products such as digital labor union, connected 361 partners using the opening interface, added 9.1 million individual customers; launched contactless services such as cloud teller; launched retail collection robot, smart post loan and Mobile Banking 6.0; established the first 5G intelligent outlet. The Bank promoted overall layout of comprehensive operation, started business in the Hong Kong branch, Guiyang branch and three secondary branches successfully; got the business permission of wealth management subsidiary, the fund operation center and the asset custody center; accelerated the preparation of the financial leasing subsidiary. The international and comprehensive operation of the Bank has token solid steps.

Optimizing development quality, the business foundation of the Bank has been strengthened. With customer group development advanced conscientiously, the Bank's effective corporate customers increased by 21.66% compared with the beginning of the year, made breakthrough in the cooperation with strategic customers such as China Eastern Airlines, ZTE and Midea Group; the Bank's incremental amount of effective retail customers increased by 72.96% year on year, and the private banking customers exceeded 10,000; cooperated with all large, medium and local leading securities companies with universal coverage. With the improvement in quality and efficiency, the Bank's growth rate of corporate

deposits, individual deposits and corporate loans was in the front rank among joint-stock peers; the scale of retail credit loans doubled in three years; the scale of net-worth financial products increased by 30 percentage points compared with the beginning of the year; an accumulated amount of 89.34 million credit cards were issued, in the front rank among joint-stock peers; the account for non-tax revenue of Central Treasury of the Ministry of Finance was successfully opened and 60 new qualifications for provincial non-tax income collection and other business in Guangdong Province were added; the new bond underwriting scale reached a historical high; the scale of cross-border custody remained the first among joint-stock peers for six consecutive years. With comprehensively improvement of customer service, the Bank established the Department of Customer Rights Protection and Service Supervision for improving customer experience. As a result, the number of customer complaints decreased by 38% year on year, and the ranking of complaints via supervised transfer improved by 7 places.

Intensifying internal risk control, the operation stability of the Bank has been consolidated. With the strengthened of comprehensive risk management, the Bank launched a comprehensive risk management platform to manage various types of risks on-and-off statements. The Bank strengthened credit risk prevention and control, carried out special investigations, stepped up monitoring and early warning management of asset quality in high-risk areas, industries and customers, and increased provisions reasonably. In accordance with the policy requirement of “collecting and verifying as much as possible”, a total amount of RMB41.890 billion NPL were collected and disposed of for the year. The Bank improved the level of internal control and case prevention, carried out a series of activities on “Year of Compliance Case Prevention Action”, organized special investigations, established grid supervision and targeted supervision mechanism, and got through “the last kilometre of case prevention”.

Financial Statement Analysis

Financial Statement Analysis

Income Statement Analysis

During the reporting period, the Bank realized an operating income of RMB 80.525 billion, an increase of RMB4.213 billion compared with previous year or 5.52% year on year, mainly attributable to the steady growth of loan volume and interest net income with the increasingly support for the real economy. The Bank realized a net profit of RMB13.812 billion, an increase of RMB1.231 billion compared with previous year or 9.79% year on year.

Unit: RMB'000

Item	2020	2019	Increase/ decrease	Growth rate (%)
Operating income	**80,525,379**	76,312,481	4,212,898	5.52
Including: Net interest income	**62,847,299**	59,579,449	3,267,850	5.48
Net fee and commission income	**11,301,954**	9,177,573	2,124,381	23.15
Other non-interest income	**6,376,126**	7,555,459	(1,179,333)	(15.61)
Taxes and surcharges	**(969,675)**	(900,935)	(68,740)	7.63
Operating and administrative expenses	**(23,076,037)**	(23,495,484)	419,447	(1.79)
Credit impairment loss	**(38,875,894)**	(36,335,849)	(2,540,045)	6.99
Other asset impairment losses	**(44,758)**	(103,275)	58,517	(56.66)
Other operating costs	**(40,499)**	(19,813)	(20,686)	104.41
Net amount of non-operating incomes and expenses	**59,228**	(534,200)	593,428	(111.09)
Profit before income tax	**17,577,744**	14,922,925	2,654,819	17.79
Income tax	**(3,765,733)**	(2,342,001)	(1,423,732)	60.79
Net profit	**13,812,011**	12,580,924	1,231,087	9.79

Interest Income

During the reporting period, the bank realized an interest income of RMB 127.842 billion, an increase of RMB 7.661 billion over the previous year or 6.37% year on year, mainly attributable to steady growth of loan volume with the increasing investment in credit resources, and rapid growth of financial assets investment with correspondingly increase in the interest from investment.

Unit: RMB'000

Item	2020	2019	Increase/ decrease	Growth rate (%)
Interest income from loans	**98,791,123**	94,785,535	4,005,588	4.23
Including: Corporate loans	**35,934,843**	30,112,905	5,821,938	19.33
Individual loans	**57,587,192**	60,628,458	(3,041,266)	(5.02)
discounted bills	**5,269,088**	4,044,172	1,224,916	30.29
Interest income from investments in financial assets[1]	**20,785,183**	17,885,980	2,899,203	16.21
Interest income from deposits with the Central Bank	**2,722,119**	2,663,845	58,274	2.19
Interest income from placements with banks and other financial institutions	**3,255,868**	2,715,746	540,122	19.89
Interest income from financial assets held under resale agreement	**2,231,815**	1,982,950	248,865	12.55
Interest income from deposits with banks and other financial institutions	**55,973**	147,434	(91,461)	(62.04)
Total	**127,842,081**	120,181,490	7,660,591	6.37

Notes: 1. Investments in financial assets include investment in creditor's rights listed pursuant to New Financial Instrument Standards and other investments in creditor's right. Unless otherwise stated, financial assets investment items in this section "Interest income" shares the same calculation basis as "Net interest income"

Interest Expense

During the reporting period, the Bank's interest expenses was RMB64.995 billion, an increase of RMB4.393 billion over the previous year or 7.25% year on year, mainly due to the increase in the volume of deposits and the corresponding increase in interest expenses.

Unit: RMB'000

Item	2020	2019	Increase/ decrease	Growth rate (%)
Interest expenses for deposits	**45,097,969**	38,388,885	6,709,084	17.48
Interest expenses of loans from the Central Bank	**2,225,951**	1,633,592	592,359	36.26
Bond interest expenses	**5,199,336**	4,897,148	302,188	6.17
Interest expenses of deposits from banks and other financial institutions	**11,024,790**	12,859,539	(1,834,749)	(14.27)
Interest expenses of placements from banks and other financial institutions	**536,649**	1,460,417	(923,768)	(63.25)
Interest expenses of financial assets sold under repurchase agreements	**910,087**	1,362,460	(452,373)	(33.20)
Total	**64,994,782**	60,602,041	4,392,741	7.25

Net interest income

During the Reporting Period, the Bank realized a net interest income of RMB 62.847 billion, an increase of RMB 3.268 billion over the previous year or 5.48% year on year, mainly attributable to the increase in the volume of interest-earning assets, especially the increase in the allocation of loans and advances to support the real economy.

Interest-earning assets and interest-bearing liabilities

Unit: RMB'000

Item	2020 Daily average balance	2020 Interest income/ expenses	2020 Average yield/cost (%)	2019 Daily average balance	2019 Interest income/ expenses	2019 Average yield/cost (%)
Assets						
Loans and advances to customers	**1,686,150,322**	**98,791,123**	**5.86**	1,453,358,349	94,785,535	6.52
Investment in financial assets[1]	**550,086,022**	**20,785,183**	**3.78**	459,430,561	17,885,980	3.89
Deposits with the Central Bank	**191,905,388**	**2,722,119**	**1.42**	179,444,744	2,663,845	1.48
Deposits and placements with banks and other financial institutions[2]	**257,457,116**	**5,543,656**	**2.15**	182,994,222	4,846,130	2.65
Total interest-earning assets	**2,685,598,848**	**127,842,081**	**4.76**	2,275,227,876	120,181,490	5.28
Liabilities						
Deposits from customers	**1,766,859,337**	**45,097,969**	**2.55**	1,443,314,901	38,388,885	2.66
Loans from the Central Bank	**69,746,175**	**2,225,951**	**3.19**	49,893,973	1,633,592	3.27
Deposits and placements from banks and other financial institutions[3]	**533,346,365**	**12,471,526**	**2.34**	575,921,962	15,682,416	2.72
Bonds issued	**178,784,140**	**5,199,336**	**2.91**	133,962,629	4,897,148	3.66
Total interest-bearing liabilities	**2,548,736,017**	**64,994,782**	**2.55**	2,203,093,465	60,602,041	2.75
Net interest income		**62,847,299**			59,579,449	
Net interest spread			**2.21**			2.53
Net interest margin			**2.34**			2.62

Notes: 1. Investments in financial assets include investment in creditor's rights listed pursuant to New Financial Instrument Standards and other investments in creditor's right.
2. Deposits and placements with banks and other financial institutions mainly include deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements.
3. Deposits and placements from banks and other financial institutions mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Categories, Daily Average Balance and Average Annual Interest Rate of Loans

Unit: RMB'000

Item	Daily average balance	Average annual interest rate(%)
Loans	1,686,150,322	5.86
Including: general loans (excluding discounted amount)	1,512,254,825	6.18
Discounted amount	173,895,497	3.03

Main Categories, Daily Average Balance and Average Annual Interest Rate of Loans

Unit: RMB'000

Item	Daily average balance	Average annual interest rate(%)
Deposit	1,766,859,337	2.55
Including: corporate demand deposits	530,640,820	1.27
Corporate time deposits	893,851,473	3.32
Individual demand deposit	99,815,771	0.37
Individual time deposit	242,551,273	3.43

Changes of the net interest income and volume and interest rate

Unit: RMB'000

	Causes for change(2020 versus 2019)		
	Volume	Interest rate	Net increase/ (decrease)
Assets			
Loans and advances to customers	15,182,293	(11,176,705)	**4,005,588**
Investment in financial assets	3,529,286	(630,083)	**2,899,203**
Deposits with the Central Bank	184,977	(126,703)	**58,274**
Deposits and placements with banks and other financial institutions	1,971,958	(1,274,432)	**697,526**
Change of interest income	20,868,514	(13,207,923)	**7,660,591**
Liabilities			
Deposits from customers	8,605,544	(1,896,460)	**6,709,084**
Loans from the Central Bank	649,987	(57,628)	**592,359**
Deposits and placements from banks and other financial institutions	(1,159,338)	(2,051,552)	**(3,210,890)**
Bonds issued	1,638,498	(1,336,310)	**302,188**
Change of interest expense	9,734,691	(5,341,950)	**4,392,741**
Change of net interest income	11,133,822	(7,865,972)	**3,267,850**

Notes: The change attributable to volume change is measured based on the change of average balance, and the change attributable to interest rate change is measured based on the change of average interest rate. The changes attributable to both volume and interest rate changes are reflected in the change of interest rate.

Net Interest Spread and Net Interest Margin

During the reporting period, the Bank's net interest spread was 2.21%, a decrease of 32 basis points over the previous year. The net interest margin was 2.34%, a decrease of 28 basis points from the previous year. On the one hand, the Bank intensified support to the real economy, decreased the financing costs for the customers, resulting in the significant decrease of yield on interest-earning assets; on the other hand, the Bank accelerated the optimization of liabilities structure, effectively lowered the costs for liabilities, and accordingly significantly lowered the interest rate of interest-bearing liabilities. The decrease of the yield on interest-earning assets exceeds the interest rate of interest-bearing liabilities.

Item	2020 (%)	2019 (%)	Increase or decrease (basis point)
Yield on interest-bearing assets	**4.76**	5.28	(52)
Interest rate of interest-bearing liabilities	**2.55**	2.75	(20)
Net interest spread	**2.21**	2.53	(32)
Net interest margin	**2.34**	2.62	(28)

Non-interest income

During the Reporting Period, the Bank realized non-interest net income of RMB17.678 billion, an increase of RMB945 million over the previous year or 5.65% year on year, mainly attributable to the increase in fee and commission income.

The Bank realized a net fee and commission income of RMB11.302 billion, an increase of RMB2.124 billion over the previous year or an 23.15%, mainly attributable to continued growth in income from bank card fees trough the on-line and non-cash consumptions as the change of residents consumption behaviors during the pandemic.

Unit: RMB'000

Item	2020	2019	Increase/ decrease	Growth rate (%)
Net fee and commission income	**11,301,954**	9,177,573	2,124,381	23.15
Investment gains	**5,086,633**	3,652,240	1,434,393	39.27
Gains arising from changes in fair value	**771,545**	3,252,091	(2,480,546)	(76.28)
Foreign exchange gains	**257,558**	417,015	(159,457)	(38.24)
Other income[1]	**260,390**	234,113	26,277	11.22
Total	**17,678,080**	16,733,032	945,048	5.65

Note: 1. Including other business income, and gains from asset disposal and other gains.

Breakdown of net gee and commission income

Unit: RMB'000

Item	2020	2019	Increase/ decrease	Growth rate (%)
Fee and commission income:				
Settlement and clearing fees	**324,132**	364,077	(39,945)	(10.97)
Agency service fees	**1,454,858**	1,115,157	339,701	30.46
Bank card fees	**11,624,204**	10,428,220	1,195,984	11.47
Consultancy and advisory fees	**148,201**	142,242	5,959	4.19
Assets custody fees	**637,655**	595,918	41,737	7.00
Guarantees and commitment fees	**414,305**	324,664	89,641	27.61
Commission on wealth management products	**503,958**	434,164	69,794	16.08
Bond underwriting fees	**623,991**	435,232	188,759	43.37
Others	**86,488**	98,706	(12,218)	(12.38)
Sub-total	**15,817,792**	13,938,380	1,879,412	13.48
Less: Fee and commission expenses	**4,515,838**	4,760,807	(244,969)	(5.15)
Net fee and commission income	**11,301,954**	9,177,573	2,124,381	23.15

Operating and Administrative Expenses

During the reporting period, the Bank's operating and administrative expenses were RMB23.076 billion, a decrease of RMB419 million compared with the previous year or 1.79% year on year.

Unit: RMB'000

Item	2020	2019	Increase/ decrease	Growth rate (%)
Staff costs	**13,525,834**	13,560,757	(34,923)	(0.26)
Rental and property management expenses	**2,177,387**	2,160,498	16,889	0.78
Repair and maintenance fees	**913,413**	901,542	11,871	1.32
Depreciation charges	**811,092**	1,016,088	(204,996)	(20.18)
Other fees	**5,648,311**	5,856,599	(208,288)	(3.56)
Total	**23,076,037**	23,495,484	(419,447)	(1.79)

Impairment losses of credit and other assets

During the reporting period, the Bank reported the provision of asset impairment loss of RMB 38.921 billion, an increase of RMB2.482 billion over the previous year or 6.81% year on year. On the one hand, the Bank increased provision coverage ratio for reinforced resistance against risk, which corresponding reflected an increase in impairment loss on loan provisions. On the other hand, the Bank disposed a portion of off-balance sheet wealth management products, which corresponding reflected an increase in impairment loss of financial asset investments.

Unit: RMB'000

Item	2020	2019	Increase/ decrease	Growth rate (%)
Impairment losses of loans and advances to customers	**34,836,207**	34,514,379	321,828	0.93
Impairment loss on investment in financial assets	**3,448,359**	718,371	2,729,988	380.02
Impairment losses of inter-bank business	**(51,516)**	103,788	(155,304)	(149.64)
Impairment losses on-and-off-balance sheet operations	**1,013,212**	649,323	363,889	56.04
Impairment losses on debt assets	**44,758**	103,275	(58,517)	(56.66)
Others	**(370,368)**	349,988	(720,356)	(205.82)
Total	**38,920,652**	36,439,124	2,481,528	6.81

Balance Sheet Analysis

Assets

At the end of the reporting period, the Bank's total assets were RMB3,027.972 billion, an increase of RMB395.174 billion or 15.01% compared with the beginning of the year. Gross loans and advances to customers increased rapidly, by RMB230.718 billion, an increase of 14.66% compared with the beginning of the year; net investment increased by RMB94.646 billion, an increase of 15.00% compared with the beginning of the year.

Unit: RMB'000

	31 December 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Gross loans and advances to customers[1]	**1,803,981,418**	**59.58**	1,573,263,018	59.75
Less: Loan impairment allowances[2]	**(49,408,014)**	**(1.63)**	(41,952,459)	(1.59)
Loans and advances to customers, net	**1,754,573,404**	**57.95**	1,531,310,559	58.16
Net investment	**725,754,606**	**23.97**	631,108,143	23.97
Cash and deposits with the Central Bank	**249,293,004**	**8.23**	232,377,933	8.83
Net deposits and placements with banks and other financial institutions	**113,304,405**	**3.74**	106,211,169	4.03
Financial assets held under resale agreement	**107,044,659**	**3.54**	66,849,357	2.54
Others	**78,001,919**	**2.57**	64,940,685	2.47
Total	**3,027,971,997**	**100.00**	2,632,797,846	100.00

Note: 1. According to the Notice on Strict Implementation of Accounting Standards for Business Enterprises to effectively Enhance 2020 Annual Report (Caikuai [2021] No. 2) issued by the Ministry of Finance, the Bank reclassified income from credit card instalment from handling fees income to interest income, reclassified fee receivables from credit card instalment into loans and advances issued and has adjusted the early data accordingly.

2. Include only the loan impairment allowances measured by amortized cost.

loans

At the end of the reporting period, the Bank reported a loan balance of RMB1,803.981 billion, an increase of RMB230.718 billion or 14.66% compared with the beginning of the year, mainly attributable to the steady growth of the loan scale with the efforts to serve for the real economy.

Loans by Business Category

At the end of the reporting period, the Bank reported a corporate loan balance of RMB783.651 billion, an increase of RMB146.486 billion or 22.99% compared with the beginning of the year, mainly attributed to the fast growth of corporate loans as more resource allocation to corporate business. The Bank reported an individual loan balance of RMB815.064 billion, an increase of RMB18.230 billion or 2.29% compared with the beginning of the year, mainly because the Bank optimized the loan structure and increased the high-quality individual loans such as individual housing mortgage and other operation loan product. The discounted amount was RMB198.965 billion, an increase of RMB66.551 billion or 50.26% compared with the beginning of the year, mainly attributable to the increase in corporate bill financing demand.

Unit: RMB'000

	31 December 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Corporate loans	**783,650,641**	**43.44**	637,164,516	40.49
Including: working capital loan	**519,082,548**	**28.77**	422,643,613	26.86
Fixed asset loans	**194,961,008**	**10.81**	153,671,541	9.77
Trade financing	**34,550,306**	**1.92**	12,707,131	0.80
Other corporate loans	**35,056,779**	**1.94**	48,142,231	3.06
Individual loans	**815,064,222**	**45.18**	796,834,230	50.65
Including: individual housing mortgage	**235,940,568**	**13.08**	190,668,620	12.12
Credit card overdraft	**417,146,757**	**23.12**	466,105,820	29.63
Other individual loans	**161,976,897**	**8.98**	140,059,790	8.90
Discounted amount	**198,965,469**	**11.03**	132,414,749	8.42
Accrued interest	**6,301,086**	**0.35**	6,849,523	0.44
Total	**1,803,981,418**	**100.00**	1,573,263,018	100.00

Note: Discounted amount comprises the amounts of bill discounting, letter of credit discounting, forfeiting and document negotiation of domestic letter of credit.

Loans Classified by Region

Unit: RMB'000

Item	31 December 2020 Amount	31 December 2020 Percentage (%)	31 December 2019 Amount	31 December 2019 Percentage (%)
Head Office	**463,134,963**	**25.67**	499,088,757	31.72
Yangtze River Delta	**330,491,739**	**18.32**	274,813,342	17.47
Pearl River Delta	**407,150,366**	**22.57**	325,763,432	20.71
Bohai Rim	**241,271,603**	**13.37**	196,367,413	12.48
Central and Western Regions	**340,739,003**	**18.89**	256,641,785	16.31
Overseas	**14,892,658**	**0.83**	13,738,766	0.87
Accrued interest	**6,301,086**	**0.35**	6,849,523	0.44
Total	**1,803,981,418**	**100.00**	1,573,263,018	100.00

Loans by type of collateral

During the reporting period, the Bank reported a rise in collateral loans and a decline in credit loans.

Unit: RMB'000

Type of collateral	31 December 2020 Amount	31 December 2020 Percentage (%)	31 December 2019 Amount	31 December 2019 Percentage (%)
Unsecured loans	**722,713,107**	**40.06**	683,294,171	43.43
Guaranteed loans	**444,687,163**	**24.65**	318,702,638	20.26
Loans secured by mortgages	**514,523,339**	**28.52**	450,474,569	28.63
Loans secured by pledges	**115,756,723**	**6.42**	113,942,117	7.24
Accrued interest	**6,301,086**	**0.35**	6,849,523	0.44
Total	**1,803,981,418**	**100.00**	1,573,263,018	100.00

Top 10 borrowers

At the end of the reporting period, the Bank's largest single client totalled RMB3.227 billion, accounting for 0.18% of the total end-of-period loan balance and1.18% of the net capital.

Unit: RMB'000

Borrower	Balance of loans	Percentage of net capital (%)	Percentage of total end-of-period loan balance (%)
Client 1	3,227,180	1.18	0.18
Client 2	3,080,000	1.12	0.17
Client 3	3,019,400	1.10	0.17
Client 4	3,000,000	1.09	0.17
Client 5	3,000,000	1.09	0.17
Client 6	2,945,450	1.07	0.16
Client 7	2,896,000	1.06	0.16
Client 8	2,744,000	1.00	0.15
Client 9	2,558,310	0.93	0.14
Client 10	2,500,000	0.91	0.14
Total	28,970,340	10.57	1.61

Investment

The Bank's financial assets held for trading, debt investments, other deblt investments, other equity investments and long term equity investments included securities, funds and beneficiary interests plan and other financial assets.

Investments by accounting items

At the end of the reporting period, the Bank reported an investment balance of RMB725.755 billion, an increase of RMB94.646 billion or by 15.00% compared with the beginning of the year, representing steady growth of business volume.

Unit: RMB'000

	31 December 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Financial assets held for trading	**146,809,871**	**20.23**	129,304,286	20.49
Debt investments	**332,401,222**	**45.80**	307,500,885	48.72
Other debt investments	**243,799,610**	**33.59**	192,147,597	30.45
Other equity investments	**2,743,903**	**0.38**	2,150,319	0.34
Long term equity investments	**–**	**0.00**	5,056	0.00
Total	**725,754,606**	**100.00**	631,108,143	100.00

Investments by investment products

During the reporting period, taking into account of the credit risk situation of the bond market and the trend of the bond yield curve, the Bank increased investments on government bonds, financial bonds and funds, etc.

Unit: RMB'000

	31 December 2020		31 December 2019	
Category	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Government bonds	**291,529,230**	**40.17**	254,297,175	40.29
Central bank bills and financial bonds	**195,819,046**	**26.98**	165,428,048	26.21
Other bonds[1]	**19,780,632**	**2.73**	18,910,473	3.00
Other investments[2]	**218,625,698**	**30.12**	192,467,391	30.50
Long-term equity investment	**–**	**0.00**	5,056	0.00
Total	**725,754,606**	**100.00**	631,108,143	100.00

Notes: 1. Other bonds mainly refer to corporate bonds.
2. Other investments mainly include investments in funds, beneficial interests of trust investment plans, beneficial interests of asset management plans, etc.

Investments by remaining maturity

Unit: RMB'000

Remaining maturity	31 December 2020 Amount	31 December 2020 Percentage (%)	31 December 2019 Amount	31 December 2019 Percentage (%)
Undated	**2,743,903**	**0.38**	2,155,375	0.34
Within 3 months	**186,307,829**	**25.67**	142,220,358	22.53
3-12 months	**94,626,748**	**13.04**	95,611,886	15.15
1-5 years	**252,769,340**	**34.83**	258,040,170	40.89
Over 5 years	**189,306,786**	**26.08**	133,080,354	21.09
Total	**725,754,606**	**100.00**	631,108,143	100.00

Long-term Equity Investments

During the reporting period, the Bank completed the equity disposal and liquidation of Guangdong Guangfa International Financial & Consulting Co Ltd and nil of long-term equity investment during the reporting period.

Liabilities

At the end of the reporting period, the Bank reported liabilities totalling RMB2,809.822 billion, an increase of RMB386.589 billion or by 15.95% from the beginning of the year. Deposits from customers increased rapidly by RMB 252.385 billion or by 15.77% from the beginning of the year. The bonds issued increased by RMB74.052 billion, an increase of 50.08% from the beginning of the year.

Unit: RMB'000

Item	31 December 2020 Amount	31 December 2020 Percentage (%)	31 December 2019 Amount	31 December 2019 Percentage (%)
Deposits from customers	**1,852,555,464**	**65.93**	1,600,170,141	66.04
Deposits from banks and other financial institutions	**464,918,582**	**16.55**	416,715,620	17.20
Financial assets sold under repurchase agreements	**85,124,335**	**3.03**	104,742,824	4.32
Bonds issued	**221,916,699**	**7.90**	147,864,483	6.10
Other liabilities	**185,307,276**	**6.59**	153,740,553	6.34
Total	**2,809,822,356**	**100.00**	2,423,233,621	100.00

Deposits

At the end of the reporting period, the Bank reported a customer deposit balance of RMB1,852.555 billion, an increase of RMB252.385 billion or 15.77% compared with the beginning of the year, mainly attributable to an increase in demand deposit as a result of comprehensive financial advantages, strengthening of customer development, and expansion of core customer.

Loans by business Category

At the end of the reporting period, the Bank reported a demand deposit balance of RMB762.452 billion, an increase of RMB201.174 billion or 35.84% compared with the beginning of the year, mainly attributable to actively optimization of deposit structure, expansion of deposit volume, strengthening of customer development, and accumulation of deposits by providing good services and products. The Bank's time deposit balance amounted to RMB1,067.066 billion, an increase of RMB45.745 billion or 4.48% compared with the beginning of the year.

Unit: RMB'000

	31 December 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Corporate deposits	**1,456,819,246**	**78.64**	1,274,372,330	79.64
Including: demand deposits	**649,407,471**	**35.06**	469,240,443	29.32
time deposits	**807,411,775**	**43.58**	805,131,887	50.32
Individual deposits	**372,699,253**	**20.12**	308,227,681	19.26
Including: demand deposits	**113,044,893**	**6.10**	92,038,004	5.75
time deposits	**259,654,360**	**14.02**	216,189,677	13.51
Other deposits	**1,888,094**	**0.10**	522,334	0.03
Accrued interest	**21,148,871**	**1.14**	17,047,796	1.07
Total	**1,852,555,464**	**100.00**	1,600,170,141	100.00

Deposits by remaining maturity

Unit: RMB'000

	31 December 2020		31 December 2019	
Remaining maturity	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Demand/spot	**785,474,869**	**42.40**	602,135,954	37.63
Within 3 months	**321,358,745**	**17.35**	231,299,792	14.45
3-12 months	**274,971,480**	**14.84**	416,423,527	26.02
1-5 years	**469,498,614**	**25.34**	332,943,735	20.81
Over 5 years	**1,251,756**	**0.07**	17,367,133	1.09
Total	**1,852,555,464**	**100.00**	1,600,170,141	100.00

Changes in Shareholders' Equity

Unit: RMB'000

Item	31 December 2020	Increase in the current period	Decrease in the current period	31 December 2019
Share capital	**19,687,196**			19,687,196
Other equity instruments	**44,991,071**	255		44,990,816
Capital reserve	**37,050,086**			37,050,086
Other comprehensive income	**940,329**	80,585	1,943,838	2,803,582
Surplus reserves	**12,533,173**	1,381,201		11,151,972
General risk reserve	**34,991,137**	4,954,645		30,036,492
Undistributed profits	**67,956,649**	13,812,011	9,699,443	63,844,081
Total shareholders' equity	**218,149,641**	20,228,697	11,643,281	209,564,225

Note: the main reasons for changes in shareholders' equity:

1. The Bank paid interest on perpetual bonds and cash dividends during the reporting period, and therefore the undistributed profit was decreased accordingly.
2. The Bank allocated 10% of net profit of the year to statutory surplus reserve.
3. The Bank allocated1.5% of the balance of the Bank's risk assets as at 31 December 2019 (before impairment allowance) to the general risk reserve.
4. The decrease in other comprehensive income is mainly attributable to the loss from the decrease in the fair value of the financial assets at fair value through other comprehensive income.

Cash Flow Statement Analysis

At the end of the reporting period, the balance of cash and cash equivalents amounted to RMB218.602 billion, representing an increase of RMB33.645 billion or by 18.19% from the end of the previous year.

The net cash inflow generated by operating activities reached RMB41.098 billion, and the net cash outflow from operating activities was RMB29.144 billion in the previous year, mainly because the growth rate of deposits absorbed by the Bank and interbank deposits during the reporting period was higher than that of loans, and the net deposit inflow increased by RMB116.851 billion, an increase of 62.84% over the previous year.

The net cash outflow generated by investment activities amounted to RMB71.732 billion, an increase of RMB59.775 billion or 499.89% over the end of the previous year, mainly due to an increase in the balance of investment in financial assets over the end of the previous year, and the cash outflow generated by payments for investments in the year exceeded the cash flow generated by investment payments in the previous year.

Cash inflows generated by financing activities amounted to RMB65.617 billion, representing an increase of RMB39.017 billion or 146.68% over the end of the previous year, mainly due to the increased tier two capital bonds and interbank negotiable certificates of deposits released in the year.

Segment Reporting

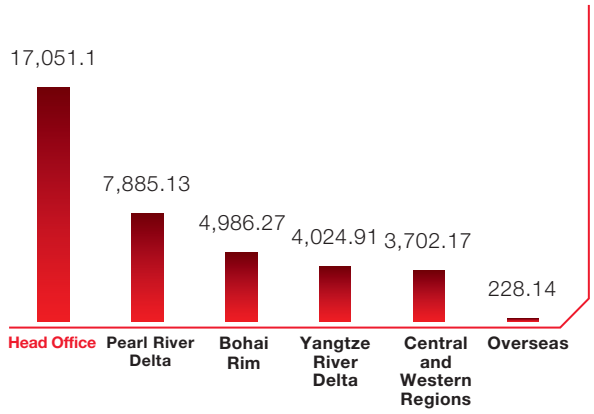
Segment Operating Results by Region

Unit: RMB'000

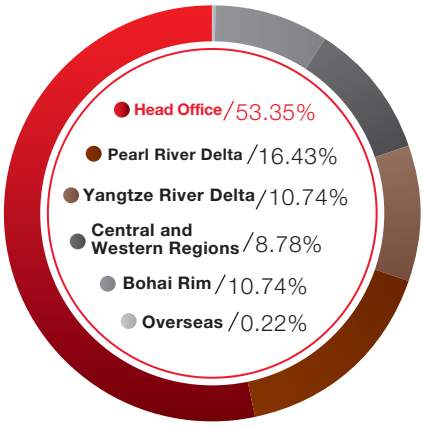
Region	Total assets	Operating income	Gross profit
Head Office	1,705,119,057	42,961,798	12,767,120
Yangtze River Delta	402,490,531	8,649,138	(218,547)
Pearl River Delta	788,513,000	13,230,009	4,152,945
Bohai Rim	498,627,295	7,070,039	271,311
Central and Western Regions	370,216,746	8,439,611	608,332
Overseas	22,813,662	174,784	(3,417)
Elimination among regions	(759,808,294)	–	–
Total	3,027,971,997	80,525,379	17,577,744

Total assets by region

Unit: RMB100 million



Operating income by region



Segment Operating Results by Business Type

Unit: RMB'000

Business type	Total assets	Operating income	Gross profit
Corporate banking business	924,720,033	24,050,405	1,628,851
Retail banking and credit card business	807,614,281	40,526,536	4,983,412
Treasury operations business	1,295,637,683	15,948,438	10,965,481
Total	3,027,971,997	80,525,379	17,577,744

Total assets by business category

Operating income by business category

Financial Position and Operating Results of the Bank

Changes of Main Financial Indicators and Corresponding Reasons

Unit: RMB'000

Item	31 December 2020	31 December 2019	Increase/ decrease over the end of the previous year (%)	Brief reasons
Total assets	**3,027,971,997**	2,632,797,846	15.01	Growth in loan volume
Total liabilities	**2,809,822,356**	2,423,233,621	15.95	Growth in deposits
Shareholders' equity	**218,149,641**	209,564,225	4.10	Net profit retained, payment for the perpetual bonds interests and payment of cash dividends
Net profit	**13,812,011**	12,580,924	9.79	The Bank continued prudent operation and strengthened cost control at the same time, contributing to steady profit growth

Information of the main items with changes over 30%

Unit: RMB'000

Major accounting items	31 December 2020	Increase/ decrease over the end of the previous year (%)	Brief reasons
Bonds issued	**221,916,699**	50.08	During the reporting period, the Bank issued tier two capital bonds for supplementary capital, and the volume of inter-bank deposits issued increased compared with the same period last year
Investment gains	**5,086,633**	39.27	Increased returns on the disposal of financial assets held for trading and investments in financial assets measured at amortised cost
Income tax expense	**3,765,733**	60.79	Increase in pre-tax profits and non-tax-deductible expenditure

Other Financial Information

Major Off-balance Sheet Items

Unit: RMB'000

Item	31 December 2020	31 December 2019	31 December 2018
Loan commitments	**19,849,038**	10,906,661	13,867,805
Bank acceptances	**346,144,738**	240,208,599	158,098,448
Letters of guarantees	**42,460,220**	36,662,646	30,036,480
Letters of credit	**49,772,430**	47,378,219	29,548,907
Financial derivatives	**3,224,624,720**	4,551,624,678	4,978,822,531
Operating lease commitments	**6,364,585**	7,721,515	6,000,291
Capital commitments	**5,652,928**	3,666,572	4,542,941
Credit cards unused overdraft limit	**700,836,850**	645,225,188	556,108,080
Securities redemption obligations	**4,479,622**	3,734,478	4,969,796

Change in Off-Balance Sheet Interest Receivables

Unit: RMB'000

Item	Opening balance	Closing balance
Off-balance interest receivable	7,520,278	5,817,217

UTMOST DEVOTION TO SERVE THE COUNTRY

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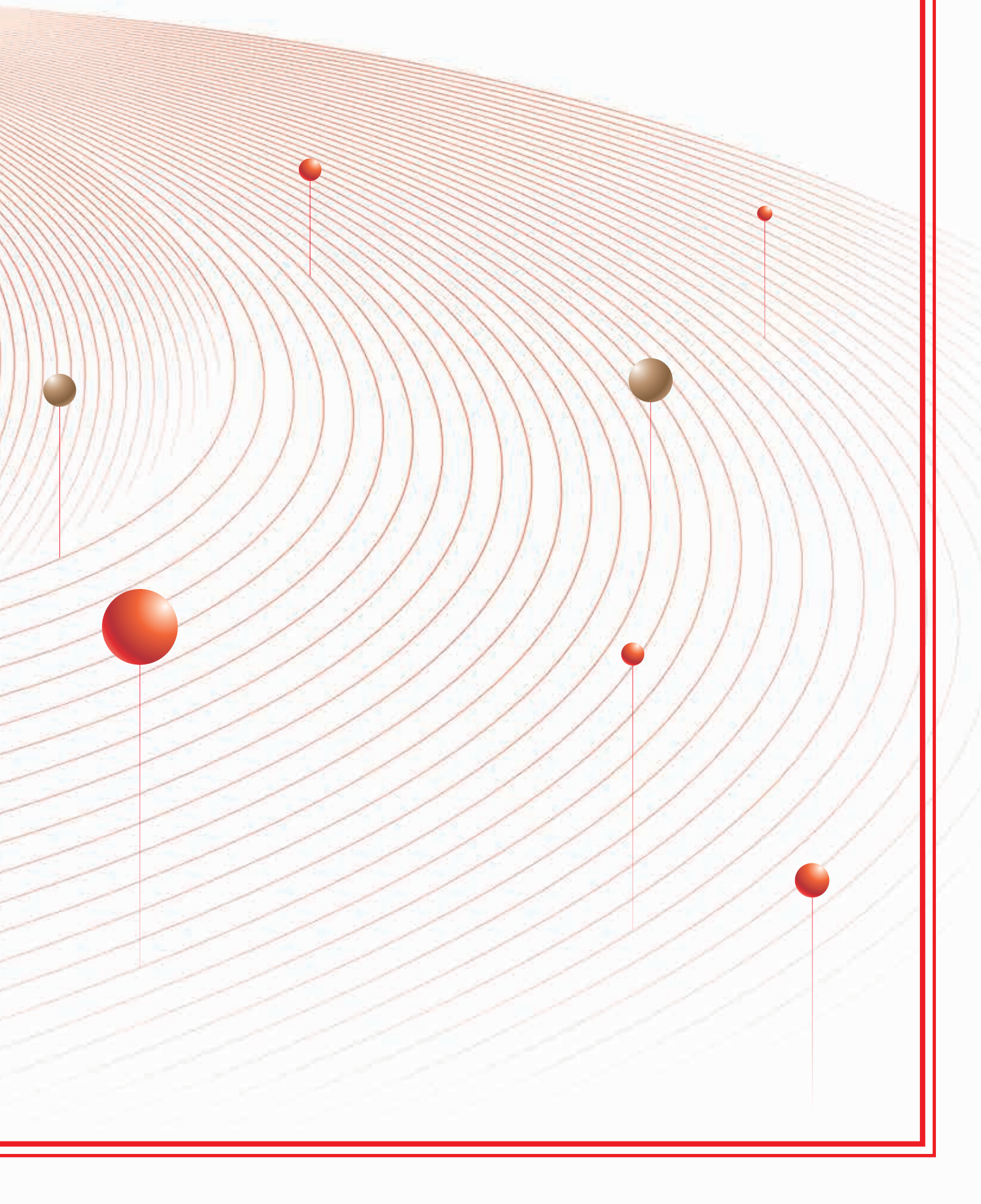
CONTRIBUTE

The Bank faithfully took serving the national strategy and the real economy as the starting point and goal, embraced the blossoming national development, adhered to the concept of finance for the people, formulated the green-finance development strategy, fulfilled social responsibilities, assisted in rural revitalization and pandemic fighting.



Business Overview

Business Overview

Corporate Finance Business

During the reporting period, the Bank thoroughly implemented the national development strategy, with the help of the China Life's resources in insurance, investment and banking three segments, relied on the advantages of comprehensive finance, insisted on customer-oriented principle, focused on value creation and promoted high-quality development; strengthened financial support for private enterprises, manufacturing industry, inclusive financing and other strategic areas, and steadily improved the quality and efficiency of financial services; adhered to the strategy of serving the real economy, reduced debt costs, optimized business structure, strengthened customer group building tactics, and constantly promoted its own transformation and upgrading.

Corporate Deposits and Loans Business

The Bank actively served the major strategic development layout of the country, researched and formulated comprehensive financial service plans for key strategic areas such as Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Economic Belt (including Yangtze River Delta) and Beijing-Tianjin-Hebei region, make full use of its superiority in terms of location, layout and bank-government relationship, deepened insurance-banking cooperation, seized the development opportunities of strategic areas, promoted the settlement of key projects, and helped the high-quality development of national strategic areas with excellent financial services. At the end of the reporting period, the balance of corporate loan in key strategic regions increased by 31.87% compared with the beginning of the Year.

Focusing on the key regions, sectors, projects and customers ("three keys and one core" for short), the Bank strengthened marketing, promoted implementation, emphasised on supporting services, and increased credit loan releasing to key regions, key customers and key projects. Corporate loans maintained rapid growth, with the growth rate forerunning peers among joint-stock banks, and the market share of corporate loans continued to increase, with the loan scale ranking higher among joint-stock banks. At the end of the reporting period, the balance of corporate loan (including discounted amount) was RMB982.616 billion, representing an increase of 27.68% over the beginning of the year. The Bank steadily optimized the loan structure and increased the high-quality corporate loan volume. The loan balance for enterprises above the 'A-level' increased by 6 percent compared with the beginning of the year; improved medium and long-term loan issuing and the balance of medium and long-term loans increased by 2 percent compared with the beginning of the year. Committed to serving the real economy, and offering the credit loan to manufacturing industry for transformation and upgrading, engaged in key areas, and major benchmarking projects such as "new infrastructure, new urbanization initiatives and major projects", strategic emerging industries, national economy and people's livelihood; at the end of the reporting period, loan balance for manufacturing industry showed an increase of 18.22% compared with the beginning of the year; the Bank improved the "Dare to loan, Willing to loan, Able to loan" long-term mechanism, to enhance credit loan support for private enterprises; the Bank continuously increased investments in the green credit, supported the implementations of green bond business, explored various forms of green and integrated financial service solutions, and advocated the organic unity of economic, social and ecological benefits. During the reporting period, the Bank was awarded as "Excellent Bank by Green Bank Overall Evaluation" by China Banking Association.

The Bank used four major means of "increasing customer deposits, increasing product deposits, increasing asset deposits and increasing comprehensive financial deposits" so as to enrich the deposit product system and seek for opportunities in the whole chain of funds from insurance-banking cooperation and promoted steady growth of the corporate deposits. The Bank improved the marketing capabilities of product portfolio including demand deposits, time deposits, large amount deposits, cash management, intelligent series, instantaneous series, debt underwriting, and corporate fund custody, so as to continuously transfer the customer settlement funds into deposits, and optimize the corporate deposit structure. At the end of the reporting period, the balance of corporate deposits totalled at RMB1,456.819 billion with an increase of 14.32% as compared with the beginning of the year.

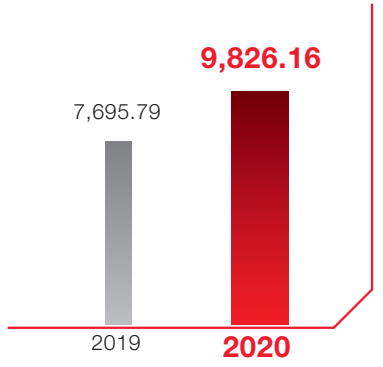
Cross-border Finance Business

The Bank strengthened cooperation with regulatory agencies in science and technology projects and was directly connected with the cross-border financial block chain service platform of the CBRIC, becoming the first bank to realize direct connection with the platform in Guangdong-Hong Kong-Macao Greater Bay Area, and also one of the national joint-stock commercial banks realizing direct connection in a "headquarters-to-headquarters" mode. As a financial service provider of the 127th and 128th Canton Fair, the bank built five major service entities including "facilitating cross-border, quick financing, convenient funds settlement, security assurance and preferential consumption" to solve problems from corporate customers. The bank launched the comprehensive financial service solution "Cross-border Communication" to help the linkages between domestic and foreign enterprises, and entirely upgraded the online service "Cross-border Instant Communication" series of products to meet the needs of cross-border funds settlement, investment and financing, deposit and wealth management, hedging and value-adding, fund management, etc. of enterprises in one stop, helping enterprises "linking cross-border and financing around the world"; carried out innovative attempts under NRA to achieve breakthroughs in non-financing guarantees and cross-border M&A financing under NRA.

During the reporting period, the Bank has provided RMB 100 billion cross-border online convenience services for enterprises, and continuously maintained the leading level of online international business.

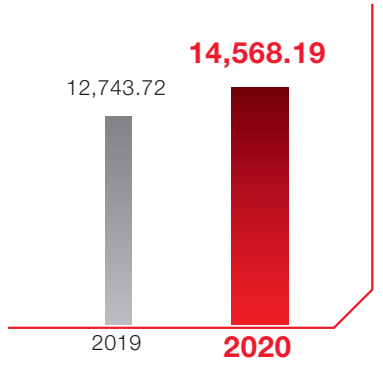
Corporate loan balance

Unit:RMB 100 million



Corporate deposit balance

Unit:RMB 100 million



"Supply Chain+Bill" Business

The Bank actively promoted the innovation of supply chain financing through industry/project innovation, and helped micro, small and medium-sized enterprises in the industrial chain to resume work and production. The Bank cooperated with the Credit Reference Center Receivable Financing Service Platform of the People's Bank of China in providing online order financing services for government procurement suppliers and further enhanced the financial services capabilities for micro, small and medium-sized enterprises. During the reporting period, the Bank's coverage rate of the online supply chain financing business continued to increase, with year on year cumulative growth of 21.57%.

The Bank continued to promote digitalization construction, exerted the power of digital finance, and upgraded and improved functions of "e-second bills" series products. At the same time, the Bank actively promoted the use of electronic bill products and supported the development of small and micro enterprises through differential pricing and special FTP subsidies. During the reporting period, the accumulative amount of transactions of the "e-second bill pool" increased by more than 22 times year on year. Since the launch of the "e-second bills" series, the amount of product transactions exceeded RMB950 billion, effectively solving the difficulty of financing of enterprises. The bank was awarded as the "Outstanding Discount Institution" by Shanghai Commercial Paper Exchange Co., Ltd. during the reporting period.

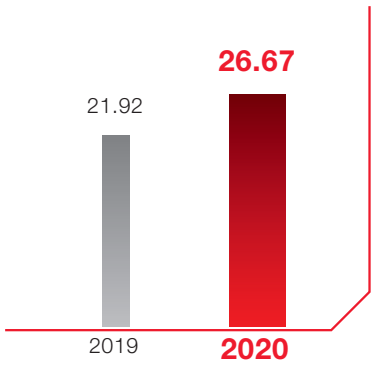
Cash Management Business

During the COVID-19 pandemic, the Bank carried out fee reduction and strengthened the publicity and guidance of online business instantly, giving full play to the advantages of online services through electronic channels, providing contactless financial services for corporate customers, and supporting resuming of work and production of enterprises; actively carried out digital transformation, developed the cash management business to scenarized, openization and intelligence-oriented with financial technology, and researched and launched the exclusive product "Receipt and Payment Insurance" of the insurance industry and the exclusive product "Bidding Insurance" of the bidding industry on the basis of intelligent series of cash management and pool series products; the corporate electronic channel empowered online corporate business, so as to realized the online products' development such as non-tax collection on behalf of the Central Treasury, customs tax payment, Shuiyintong 2.0, electronic guarantee, electronic invoice, and enterprise credit report inquiry which effectively promoted the transformation of digital services of banks; Corporate Mobile Banking 2.0 was fully upgraded, providing scenarialized financial services for small and micro enterprises. The amount and number of transactions increased rapidly, and the number of new customers increased by over 200% year on year. During the reporting period, the Bank won many honors including "Enterprise Standard Leader" issued by eight ministries and commissions including the State Administration for Market Regulation, the Ministry of Finance, the People's Bank of China, "Best Digital Operation Award" issued by China Financial Certification Authority, and "Excellent Cooperation Award" issued by City Commercial Banks Clearing Co. Ltd.

At the end of the reporting period, the Bank had 266,700 cash management customers, increasing of 47,500 over the beginning of the year; during the reporting period, the cumulative number of transactions was 41,571,700, with a cumulative transaction amount of RMB16.99 trillion.

Cash management customers

Unit: 10 thousand



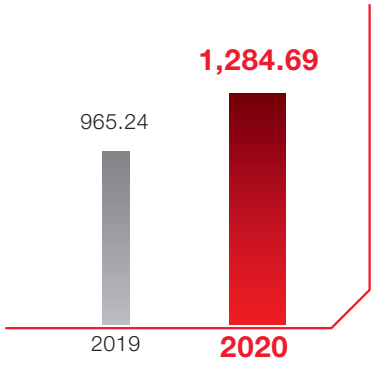
Inclusive Financial Business

The Bank has set up an Inclusive Financing Development Committee under the Board of Directors to be responsible for the construction of inclusive financial business planning and system; set up an inclusive financial leading group at the senior management level to be responsible for the development and management of inclusive financial business throughout the Bank. The Bank promoted high-quality development of inclusive financial business by allocating special credit lines, increasing FTP concessions, formulating due diligence exemption rules, improving tolerance for bad loans, increasing assessment incentives, and gradually building the inclusive financial structure of branches. During the reporting period, combined with China Life's "Poverty Alleviation Insurance" project and the industrial characteristics of poverty alleviation areas, the Bank launched the exclusive financial poverty alleviation product "Poverty Alleviation Loan", with special limit line, exclusive channel, special authorization, exclusive interest rate, special products and due diligence exemption to improve the quality and efficiency of financial poverty alleviation. The Bank expanded the promotion scope of an online credit loan product Shuiyintong 2.0, continuously optimized product functions, completed key points for online risk control, docked with channel platforms, and enhanced product application efficiency. Launching inclusive finance cards on the basis of the Jie Suan Tong cards, the Bank provided a number of exclusive rights and interests to inclusive finance customer group.

At the end of the reporting period, the Bank had issued 227,200 Jie Suan Tong cards, showed an increase of 48,100 cards over the beginning of the year; the balance of inclusive loans to small and micro enterprises was RMB128.469 billion, up by 33.10% from the beginning of the year and 18.22 percentage points higher than the growth rate of other loans. There were 249,900 customers with loan balance, up by 8,300 customers from the beginning of the year. The interest rate of inclusive loans newly issued to small and micro enterprise in the whole year was 5.52%, down by 1.2 percentage points from the beginning of the year, and the NPL ratio was 1.26%, down by 0.83% from the beginning of the year, realizing "two increases and two controls". The balance of the agriculture-related inclusive loans was RMB13.164 billion with an increase of 86.30% compared to the beginning of year. There were 152,200 customers with loan balance, up by 19,800 customers from the beginning of the year. The interest rate of inclusive loans newly

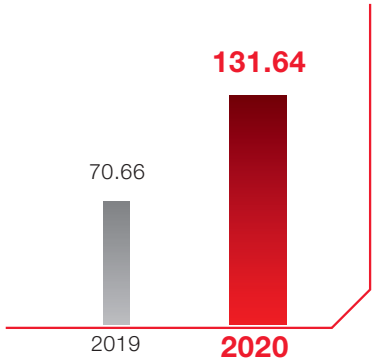
Balance of inclusive loans to small and micro enterprises

Unit: RMB100 million



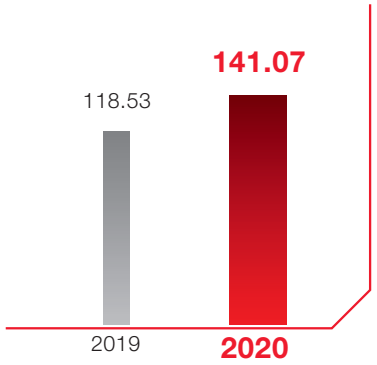
Balance of inclusive agriculture-related loans

Unit: RMB100 million



Balance of financial targeted poverty alleviation loans

Unit: RMB100 million



issued in the whole year was 8.87%, down by 0.65% from the beginning of the year. The balance of targeted financial loans for poverty alleviation was RMB14.107 billion, up by 19.01% from the beginning of the year, realizing continued growth, encouraging the filing and card registration of 257,200 poor people and bringing 1,399,200 people out of poverty, up by 490,700 from the beginning of the year; the average interest rate of existing loans was 3.64%. The balance of the inclusive financial loans was RMB118.406 billion with an increase of RMB30.474 billion compared to the beginning of year, achieving the assessment objective of the targeted cuts to required reserve ratios.

During the reporting period, the Bank won the "2020 Outstanding Cases of Financial Services for Micro, Small and Medium-sized Enterprises in Financial Services" by the China Association of Small and Medium Enterprises and the China Banking Association, "Union Pay Card Cooperation Excellence Award" by the China Union Pay, "Annual Inclusive Financing Service Bank" by Sina.com and "Outstanding Contribution Award for Annual Inclusive Financing Service" by National Business Daily.

Corporate Customer Group

During the reporting period, the Bank implemented the three-year action plan for the corporate customers, and effectively strengthened the construction of the corporate customers through six measures of "emphasizing on coordination, allocating resources, launching products, building teams, optimizing systems and strengthening management", continuously expanding the customer scale, exploring the channels for obtaining customers and improving the quality and efficiency of development. The Bank steadily promoted the digital transformation of business processes, gradually realized the online management of all-channel customer acquisition processes, and laid a solid foundation for systematic management and control, digital decision-making and delicacy management.

Strategic Corporate Customers

The Bank adhered to the customer-oriented principle and serving the national strategy and practicing comprehensive finance, paid attention to high-quality and sustainable development, strengthened the headquarters construction, steadily boosted the six key tasks of "expanding customers, promoting investment, increasing deposits, strengthening coordination, improving comprehensive income and controlling risks" around the three chains and one circle, and made great efforts in comprehensive financial services for strategic customers; the scale, quality and efficiency of strategic customers are steadily improved. At the end of the reporting period, the average daily balance of RMB corporate deposits of the strategic customers was RMB167.009 billion, representing an increase of 36.92% over the previous year; the balance of general loans for strategic customers was RMB135.978 billion, representing an increase of 28.30% over the beginning of the year.

Institutional Corporate Customers

The Bank set up the Institutional Customer Department at the Head Office to lead marketing and strengthen unified management of the Bank's government and institutional customers and to offer excellent financial services for institutional customers. During the reporting period, the bank successfully reached cooperation with National Healthcare Security Administration and has obtained the qualification of Electronic Certificate for National Basic Medical Insurance in 15 provinces and cities across the country; successfully obtained the qualification as agent bank collecting the non-tax revenue on behalf of the Central Treasury; implemented the national small and medium-sized enterprise development funds business; reached the strategic cooperation agreement with Guangdong Province, vigorously promoted smart city projects, and helped the construction of local digital government affairs; actively participated in the investment of local government bonds in various provinces and cities, and provided full-process advisory services for issuing special bond issuance for department of finance and development and reform departments at all levels to support local economic development.

Key Corporate Customers

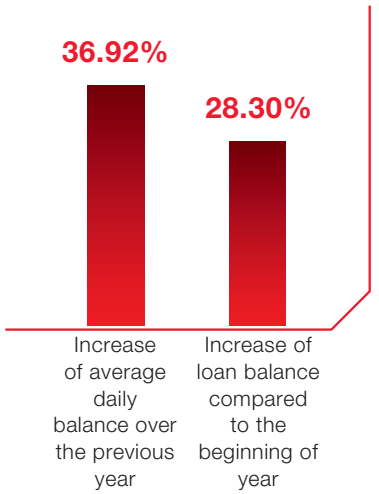
The Bank has clearly positioned its target market and continuously expanded key customer groups; as a response to the national strategy, the Bank actively acquired customers in key industries such as infrastructure, high-end manufacturing and new strategic industries; took the advantages of the supply chain finance, insurance-banking cooperation and product portfolios to provide diversified and comprehensive financial services to customers. At the end of the reporting period, the number of key customers of the Bank increased by 21.31% compared with the beginning of the year.

Effective Corporate Customers

The Bank has continuously strengthened the construction of its customer groups, promoting the rapid growth of its customer groups through six major customer acquisition channels including products, insurance-banking cooperation, individual-corporate linkage, online platform, supply chain finance and strategic customer linkage; promoted the digital transformation of businesses and performed well in empowering science and technology into businesses; further improved the group construction of customer managers and built up professional marketing teams. At the end of the reporting period, the number of effective customers of the Bank increased by 21.66% compared with the beginning of the year.

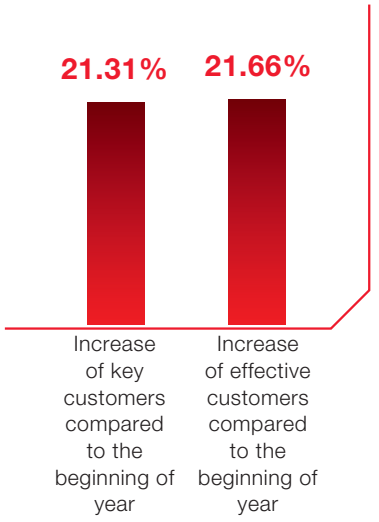
Strategic customers

Unit: %



Corporate customers

Unit: %



Business Topic

Corporate Insurance-Banking Cooperation

Relying on the advantages of comprehensive finance of China Life Insurance Group, the Bank's corporate business focused on infrastructure, energy source and electric power, advanced manufacture, medical and health industries, effectively combined the insurance investment and financing business with bank credit granting, settlement, trading banking, asset custody, bond underwriting, insurance, annuity, wealth management and other businesses around the diversified needs of customers in the full life cycle and the whole industrial chain, so as to create comprehensive coordination among insurance, investment and banking and jointly served the real economy and key national strategies. At the end of the reporting period, the cooperation scale of China Life-CGB comprehensive financial service totalled over RMB350 billion, with the funds mainly invested in major infrastructure projects, livelihood projects, industrial upgrading and technological transformation projects.

The Bank cooperated with China Life Insurance Group, together with local governments and enterprises in several provinces and cities in key national strategic areas, to build efficient cooperation platforms among government, enterprises, banks and insurance; under the guidance of serving the real economy, the Bank optimized the business collaboration mode, focused on investing in major national development strategic projects such as the Belt and Road Initiative, Beijing-Tianjin-Hebei region, Yangtze River Economic Belt, and the Guangdong-Hong Kong-Macao Greater Bay Area; and vigorously supported the national supply-side reform and the transformation and development of state-owned enterprises while exporting a package of financial services such as financing, funds settlement, investment banking and insurance.

In terms of insurance agent that protected people's livelihood, the Bank, in conjunction with subsidiaries of the Group, actively integrated into the supply-side structural reform of the financial industry to meet the diversified financial needs of different types of corporate customers. During the reporting period, the Bank provided over 8,000 corporate customers with a package of comprehensive insurance services including employees' group life insurance and enterprise property insurance, with a total scale of insurance coverage exceeding RMB420 billion, representing an increase of over 30% compared to the previous year, of which the insurance amount for customers in national strategic areas such as the Yangtze River Economic Belt and the Guangdong-Hong Kong-Macao Greater Bay Area exceeded RMB250 billion.

In terms of insurance premium settlement, the Bank obtained the qualification of centralized collection and payment businesses of insurance premium for the first time and launched the "Collection and Payment Insurance" product. At the end of the reporting period, the "Collection and Payment Insurance" product successfully served 13 insurance institutions with a total of 8.38 million transactions and transaction amount of RMB44.7 billion, achieving full coverage of insurance institutions of central enterprises. The bank won the "Excellent Cooperation Award" by City Commercial Banks Clearing Co., Ltd., and laid a solid foundation for becoming "insurance financial service provider".

Serving the Overall Interests: New Perspective

The Bank actively implemented the national regional coordinated development strategy, formulated and implemented the CGB's Three-Year Action Plan on Comprehensive Financial Services in the Guangdong-Hong Kong-Macao Greater Bay Area (2020-2022), the CGB's Action Plan on Integrated Financial Services in the Yangtze River Delta (2020-2022), the CGB's Action Plan on Comprehensive Financial Services in the Yangtze River Economic Belt (2020-2022), the CGB's Action Plan on Serving Shenzhen as a Pilot Demonstration Zone for Building Socialism with Chinese Characteristics and High-quality Development of CGB Shenzhen Branch, the CGB's Action Plan on Comprehensive Financial Services for Beijing-Tianjin-Hebei Coordinated Development (2020-2022), the CGB's Action Plan on Comprehensive Financial Services for the Ecological Protection and High-quality Development in the Yellow River Basin (2020-2022), the CGB's Action Plan on Comprehensive Financial Services for the Rise of Central Region, the CGB's Action Plan on Comprehensive Financial Services to Serve the Construction of Hainan Free Trade Port and so on; actively served the country's major strategic development, and facilitated the high-quality construction of national strategic areas such as Guangdong-Hong Kong-Macao Greater Bay Area, Beijing-Tianjin-Hebei region, Yangtze River Delta integration and Yangtze River Economic Belt. CGB set up major benchmarking projects in national strategic areas, and led marketing in key areas and major projects such as new infrastructures, strategic emerging industries and national economy and people's livelihood. CGB established joint conference mechanisms, promoted system optimization and innovation, integrated resources, improved service quality, implemented "One District, One Policy, and One Industry, One Policy", enhanced the Bank's market share and influence in national strategic areas, and created featured regional finance.

During the reporting period, the Bank actively helped local development, with the loan scale forerunning peers. The Bank had over 50 key investment projects landed in Guangdong-Hong Kong-Macao Greater Bay Area, over 70 key investment projects in Beijing-Tianjin-Hebei region and the Yellow River Basin and over 80 key investment projects in the Yangtze River Delta and Yangtze River Economic Belt. The Bank made breakthroughs in business qualifications, winning the bid for the qualification as agent bank collecting the non-tax revenue of Guangdong Province and becoming an agency bank with "double qualifications" of centralized collection and payment on behalf of the Guangdong Provincial Treasury. It actively carried out financial innovations, and became the first bank for direct connection of systems of the cross-border financial blockchain service platform, the first bank to implement the cross-border electronic payment between Guangdong and Macao, and released comprehensive financial scheme of "Smart Free Trade" firstly.

The Bank fulfilled the mission of central financial enterprises, helped the development of the real economy and allocated more credit resources to key areas and weak parts of the national economy and people's livelihood. It increased credit support for small and micro enterprises, private enterprises, manufacturing industries, green finance and other fields, reduced the comprehensive financing costs of enterprises, and gave full play to the financial power to stabilize enterprises and ensure employment. It helped overcome poverty in an all-round way, actively promoted the "Poverty Alleviation Insurance" project, innovatively launched the "1+N" special poverty alleviation financial products, increased resources in the "three districts and three states", and continued to increase targeted poverty alleviation loans.

Business Topic

Intelligent City: New Manager

Intelligent City is a powerful exploration in the Bank's active planning of scenarialized services. Essentially, Intelligent City aims to break down barriers between banks and scenes, integrate the product portfolio into scene applications with the help of emerging technologies, provide comprehensive services of "finance + scene" for the development of various fields of the industry. Focusing on "improving policies, benefiting enterprises and benefiting the people", the Bank devoted itself to improving the integrated managerial competence of urban administrators in 12 aspects of government affairs, courts, party affairs, commerce, manufacturing, parks, chains, hospitals, schools, people's livelihood, transportation and tourism.

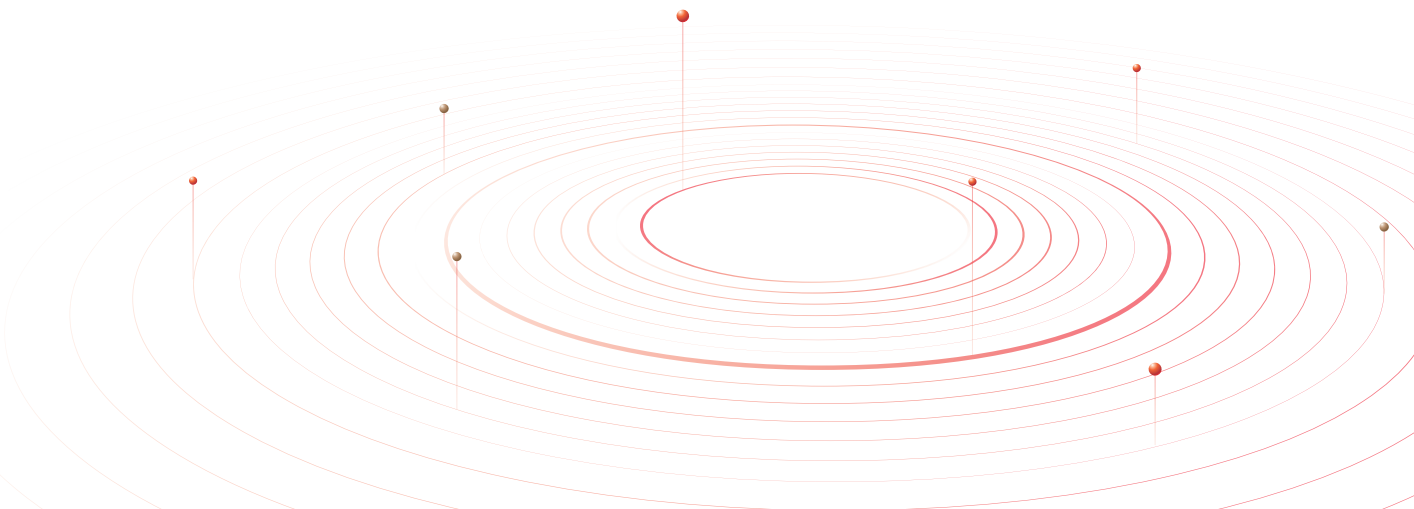
Going beyond the banking stereotype, the Bank provided products from other perspectives, exporting not only financial products, but also overall resources including talents, technology, software and hardware in the process of launching Intelligent City service. The Bank was committed to developing from a financial product expert to an industry application expert and creating a featured image of CGB as a "financial service provider". During COVID-19 pandemic, based on the intelligent, refined and convenient application demands derived from customers and the original Intelligent City industry scheme, the Bank launched special service schemes to fight against COVID-19, for example, "Smart Commerce" added business registration integrated machine, "Guangdong Commerce Connect" APP's online reservation for account opening and other convenient application schemes; "Smart Chain" added contactless application scheme in catering scene; "Smart Transportation" added ETC insentience travel application scheme; "Smart People's Livelihood" added canteen and logistics convenience application scheme and "Smart Real Estate" added intelligent park service scheme, so the scenarialized service capability of the bank was further improved.

During the reporting period, the Bank launched more than 2,000 demonstration projects with the help of Intelligent City scenarialized services, up by 297.13% year on year. Intelligent City service has become the key product of corporate service. Main projects concentrated on the fields of commerce, government affairs, hospitals, parks, transportation and so on, with financial power boosting the information construction of cities. The Bank continued to give full play to the service concept of "starting from transactions and ending in scenes" of transaction banking, provided comprehensive services for smart cities, and promoted scene-based construction with a new marketing mode of "marketing integration, service integration and configuration integration".

"E-second Bills": New Pace

Fulfilling the initial mission of serving the real economy, the Bank increased the technological empowerment, optimized and upgraded the key produced of corporate bills "E-second bills", and provided enterprises with more convenient, efficient and innovative corporate bill financial services. The "E-second bills" covers such products as "E-second invoicing", "E-second discount", "E-second pledge" and "E-second bill pool", realizing online coverage of the full life cycle of bill products from settlement links such as invoicing, acceptance and endorsement to financing links such as discounting and pledging. The E-second bills highlight "customer's independent application, system intelligent approval, whole-process online operation, and second-level receipt of capital", supports the online discounting of various bills such as banking bills and business bills, in various interest payment methods such as interest payment by buyers and interest payment by sellers, provides customers with extremely fast and simple contactless operation experience, and fundamentally solves the sore point of "slow payment" of traditional bills. During the reporting period, the "E-second bills" served corporate customers of 38.39% higher than the previous year.

At the same time, the Bank closely followed the development trend of supply chain finance and the trend of bills financing receivables, and optimized the innovative linkage mechanism between corporate bills and supply chain business. According to characteristics of payments and financing in different industries, the Bank realized flexible management mode of amount by using the product portfolios and various designs of business processes, solved the bottlenecks of difficult and expensive financing for small and micro enterprises, implemented customized service schemes for customers in environmental protection, electric power and construction industries, and enhanced its support for the industrial chain and supply chain.



Retail Financial Business

During the reporting period, the Bank focused on "highlighting retail" business positioning, accelerated the transformation of retail business, gave full play to cooperations with the Group and credit card business advantages, and made great efforts to promote the three major transformations of "customer management, digital drive and ecological construction"; continued to strengthen credit card, wealth management, private banking and consumer finance, actively promoted the development of feature finance such as pension finance, overseas finance and cross-border finance, and continuously enhanced the differentiated competitiveness of retail business; deepened online and offline omni-channel collaborative operations, actively promoted the construction of open banking, facilitated the digital transformation of offline branches, and accelerated the high-quality development of retail business.

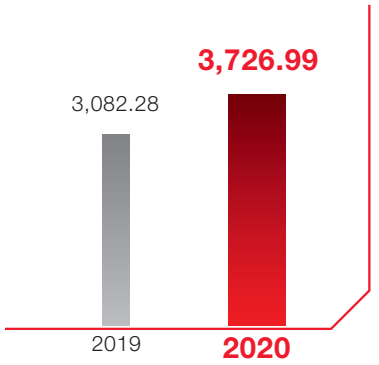
Wealth Management Business

The Bank continued to deepen batch acquisition of customers, aiming at key customer groups and combining with main products to strengthen targeted marketing. First, relying on the ecological circle of the Group, the Bank developed comprehensive finance and promoted the insurance-banking cooperation channels to obtain customers. Second, the Bank promoted Social Security 3.0 marketing activities and increased the proportion of effective social security customers. Third, the Bank continued to enrich the acquisition scenes of double-card interconnection marketing and enhanced the effective customer contributions referred by credit card teams. Fourth, the Bank continued to upgrade the individual-corporate linkage marketing mode such as payment of wages on behalf of enterprises, and improved the penetration of paying wages on behalf of public enterprises. The Bank paid close attention to the trend of pension finance policies, integrated the advantageous resources of the Group and the Bank, and built up an easy card pension brand. The Bank promoted the continuous upgrading of card products such as air travel cards and love cards, and built up rights and interests system around the scenes of customers to help increase deposits and gain more customers. The Bank enriched the wealth management product system by introducing consignment products such as public offering funds, fixed income asset management products and pension insurance products. The Bank comprehensively upgraded CGB's intellectual investment services, enhanced asset allocation capabilities, and focused on promoting the transformation of sales of public offering funds. At the end of the reporting period, the Bank reported a balance of RMB372.699 billion of individual deposits, doubling the scale in three years; the balance of non-monetary public offering funds doubled from the beginning of the year.

During the reporting period, the Bank won a number of awards in the Sina Banking Financial Planners Competition, the 11th National Outstanding Wealth Management Planners Competition, the First Financial RFP Wealth Management Elite Selection and other national financial advisor competitions. The number of winners and the rankings were the highest over previous years, showing the professional wealth planning ability of the Bank's financial planner team.

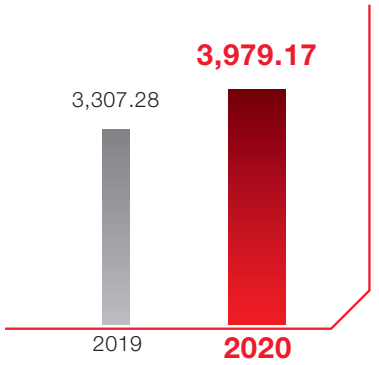
Individual deposits

Unit: RMB100 million



Individual loans

Unit: RMB100 million



Retail Credit Business

The Bank actively responded to the national strategy of expanding domestic demands, developed high-quality consumer finance, promoted the deep integration of online and offline consumers, and launched credit products such as "Xinxiang Loan" and "Annuity Loan"; participated in the construction of social security system, cooperated with "Guangdong Provincial Tax Service" to launch "Social Security Loan" product, and became the first partner among joint-stock banks; delivered more inclusive loans to small and micro enterprises to reduce the financing costs of enterprises, launched anti-epidemic loan products such as "Work Resumption Loan" and "Medical Loan", and implemented a number of poverty alleviation projects such as "Cattle-breeding Loan" and "Rice Farmer Loan"; strengthened featured, differentiated and refined management of customer groups, and launched products like "Strategic Customer Employee Loan", "Salary Loan", "Mortgage Customer Credit Loan" and "Wonderful Loan".

At the end of the reporting period, the Bank's asset portfolio became increasingly sound, and development quality and efficiency continued to improve. At the end of the reporting period, the balance of personal loans was RMB397.917 billion, with an increase of 20.32% over the beginning of the year, of which the proportion of consumer personal loans increased to 74.65% and mortgage loans increased to 83.46%.

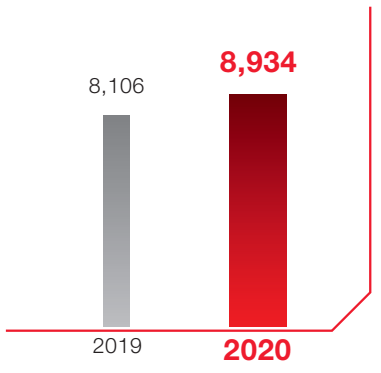
Credit Card Business

The Bank's credit card business followed the consumption trend, accelerated product innovation, and optimized the customer acquisition mode and scene construction. While realizing the expansion of business, the Bank optimized the asset structure, refined the cost management, promoted the platform-based strategy, realized the high-quality development of comprehensive operations, and further consolidated the market position of the first-class credit card brand of joint-stock commercial banks.

The Bank accurately locked the target customer group, met the consumption needs of different customer groups through product innovations, multi-dimensional scenes and differentiated services, and realized the optimization of structure of the customer group. In the high-end credit card market, the Bank offered CGB Infinite Card to high-net-worth customers; Good Luck Card for high-quality consuming customers; as the first batch of partner banks of American Express in China, the Bank launched American Express for young online-shopping and credit loan customers, innovating and realizing the business model of "concessions of cross-platform consumptions and credit consumption linkage". For the anti-epidemic population under the epidemic situation, the Bank launched CGB Public Angel Welfare Credit Card to provide cares and guarantees for the daily works and lives of medical staffs. Focusing on the consumer demand of Greater Bay Area customers, the Bank launched the "Greater Bay Area Free Flight" product on "Wonderful Discovery" APP and simultaneously on the "Wonderful Discovery" APP to serve the Greater Bay Area's construction and economic development. The Bank supported the construction of Chengdu-Chongqing Economic Circle, deeply integrated with Chengdu's featured local economy through exclusive activities and products, and promoted regional economic integration and development.

Credit cards issued

Unit:10 thousand



The Bank strengthened online operations, expanded consumption scenes, promoted customers to bind the "Wonderful Discovery" APP with third-party payments, and took advantage of the brand exposure and insentience experience of payment terminals to fully seize the online consumer financial service market; paid close attention to the consumption milestones, based on brand activities such as "Super Benefits" and "Weekly Swiping" throughout the year, supplemented by promoting high-value consumption activities, and promoted customers' card consumption by attractive activity benefits such as immediate discount of consumptions, bonus points exchange and instalment payment for customers.

The Bank continuously laid out mobile payment, developed "Wonderful Discovery" APP, WeChat Bank and Mobile Banking, expanded ecological scenes, deepened the construction of "Finance + Scene" comprehensive financial ecosystem, took "Wonderful Discovery" APP as the core platform of ecosystem construction, explored user's needs, infiltrated various financial services into various ecosystem business scenes, met user's comprehensive finance needs, and realized one-stop convenient consumption services. At the end of the reporting period, there were 53.57 million registered users and 36.09 million card-binding users in accumulation on "Wonderful Discovery" APP.

At the end of the reporting period, the Bank issued 89.34 million credit cards, up by 10.22% from the beginning of the year. The Bank's core indicators in terms of credit card business, such as number of new cards, yield rates and average card overdrafts, maintained the leading position in the industry. The Bank's non-performing loan ratio was lower than the average of peers, and the assets quality maintained a good level, realizing coordinated development of benefits, quality and scales. During the reporting period, the Bank's credit card business won the "Fourth Good Experience Award in 2020", "American Express Card Issuance Excellence Award", "Annual Excellence Credit Card Award", "Annual Credit Card Award", "Annual Excellent Travel Credit Card Award", "Credit Card Gamma Award", "Star Credit Card Strength Star", "Guangdong Extraordinary Transformation Employer", "Annual Top Employer of China Internet", "China Best Customer Contact Center" and "Best Practices of China Customer Contact Center" and "Best Productivity, Efficiency and Automation Awards".

Internet Financial Business

The Bank actively promoted the construction of a new online digital business transformation pattern of "one carrier with two wings and two engines" with online channels as the carrier, online front-line operation and online channel operation as the two wings, insurance-banking cooperation and data drive as the engines, and value creation and high-quality development as goals. The bank timely launched special services such as pandemic prevention value-added services, poverty alleviation services and e-commerce poverty alleviation services; during the "China Life Customer Day", mobile banking was designated as the main online venue by the Group, and a love version of mobile banking was launched. It innovatively launched AR voice assistant with "customer-oriented" to realize multiple rounds of voice

interaction, introduced voiceprint application service, and continuously built up a new interactive service system with "voice" as the carrier; introduced new convenient services to continuously integrate service capabilities for individual customers, corporate customers and government and institutional customers; strengthened online front-line operations, and launched various online services such as Urban Service Area 2.0, Account Manager Cloud Store, Online Marketing Platform 2.0, and Branch Customer Group Area; sought for potential and differentiated comprehensive financial advantages, launched the China Life Selection Area, upgraded and launched the China Life Alliance 2.0, and promoted the realization of the new model of "one customer, one mobile phone, whole group services"; built up an intelligent "connection" between users and products, services and activities around "human intelligence + machine intelligence" and "self-selection + intelligent selection"; built up and continuously expanded related business diversion scenes and optimized online customer service experience; consolidated the data foundation and carried out life cycle management of all-channel selling data. At the end of the reporting period, there were 51 million customers using mobile banking, the conversion rate of new customers reached 91.62%, and the sales of wealth management products on mobile banking accounted for 76.60%, up by 9.92% year on year.

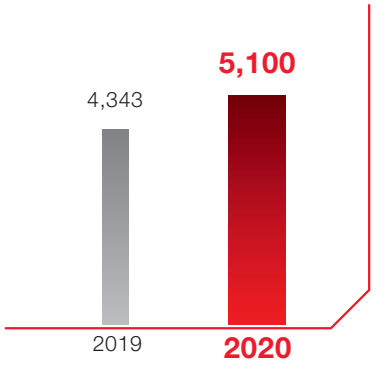
During the reporting period, the Bank's internet financial business was awarded CFCA's "Gold Award for Integrated Intelligent Platform in 2020 China Financial Technology Innovation Competition" and "Best Mobile Banking Innovation Award", "Best Application Achievement Award in 2020 China Banking Financial Technology Application Achievement Competition" by China Banking, "2020 China Financial Technology Outstanding Case" by Financial Association, "2020 Excellent Mobile Banking APP" by 21st Century Business Herald, "Annual Mobile Banking Innovation" by First Finance and many other authoritative awards in the industry.

Retail Customers

During the reporting period, the Bank accelerated the upgrading of the customer acquisition business model and deepened the acquisition of customers through multiple channels such as the Group resources, double-card linkage, personal-corporate linkage and assets and liabilities linkage; built a data-driven customer group business model, and realized all-customers, all-products and all-channels access to customers with the help of customer portraits and precise strategies; adhered to the "customer-oriented" principle, continuously enriched financial products, improved the differentiated rights and interests system, upgraded the value-added service brand "Guangfa Hui", and provided diversified financial and non-financial services to customers; by combining with the customer life cycle, customized personal products that meet the needs of customers; continuously optimized the service process and strived to offer excellent service experience based on the end-to-end customer journey; integrating with customers' new consumption needs, launched more scenario-based consumer financial products to help customers upgrade their consumptions; focused on customers high-frequency livelihood and consumption scenes, actively laid out open banking, created comprehensive service online ecosystem, and strived to provide customers with cross-border services that are ready to use.

Mobile banking customers

Unit:10 thousand



Business Topic

Retail Insurance-banking Cooperation

The Bank's retail business adheres to the comprehensive financial service concept of "one customer, one China Life", took the insurance-banking cooperation as the core kinetic energy, and tailored a package of financial service solutions covering wealth management, credit financing, payment and settlement, and consumer services for customers based on their full life cycle.

The Bank upgraded service model with products innovation. It accelerated the enrichment of multi-level scenarialized products and upgraded the "Xinxubao" and "Xindanbao" series products to meet the diversified needs of insurance customers; promoted consumer credit loan products such as Xin Mortgage Loan, Xin Enjoyment Loan, Annuity Loan, Agent Consumer Loan and China Life Employee Loan to meet different needs of segment customers. At the end of the reporting period, the Bank had more than 4 million retail comprehensive financial customers and managed more than RMB50 billion of customer AUM.

The Bank built new scenario ecology for consumer finance. The Bank focused on "Promoting Demand and Optimizing Supply", cooperated with the Group's insurance, pension and other platforms, and combined own banking advantages to actively enrich the supply of credit consumer products, meet the needs of customers for upgrading consumption such as pension, tourism, education and medical care, and cultivated and expanded various new consumption formats and new modes such as online education, smart tourism and online entertainment; started the construction of "B-side New Financial Ecology", focused on merchant payments and relative needs of financial service, built scenario ecology through merchant centers, provided "insurance + banking" financial services, and promoted the development of new consumption patterns integrating O2O and B2C. At the end of the reporting period, the Bank has provided quality services to more than 4,000 merchants.

The Bank provided customers with new experience by scientific and technological innovation. The Bank upgraded and launched the China Life Alliance 2.0 functions on the two major apps of "Mobile Banking" and "Wonderful Discovery", realizing the mutual jump between apps in the China Life Group system, and established a new model of "one customer, one mobile phone, whole group service" to provide customers with one-stop comprehensive services; upgraded the China Life Selection Area, built up new "Elderly Community" service, and enhanced the online comprehensive service capability.

Boosting Consumption: New Experience

In response to the national strategic deployment, the Bank's credit card business focused on the consumer finance, set promoting consumption and expanding domestic demands as the mission, and continuously enabled customers to obtain high-quality financial benefits at low cost through innovative products and activities to help upgrade consumptions. In 2020, the CPC Central Committee proposed to speed up the construction of a new development pattern with the domestic cycle as the main body and the domestic and international dual circulation promoting each other, and expanding domestic demands and promoting consumption became the highest priority. Under such background, consumer finance represented by credit cards has played an important role in boosting consumptions.

In 2020, under the COVID-19 pandemic, the Bank's was devoted fully to fighting against the epidemic through credit card business. In order to support catering merchants, the local living platform of "Wonderful Discovery" APP formulated seven assistant measures, such as subsidy plans, marketing projects, food safety insurance gifts, and "Customer Acquisition Treasure" plans, to fight with the pandemic together with platform merchants. When the pandemic eased, in order to help the travel market of flight business recover as soon as possible, the Bank offered CGB Deluxe Credit Card: "with the card, you can exchange tickets of more than 60 airlines"; subsequently, released CGB China Eastern Airlines Intercontinental Co-branded Credit Card, which links three high-quality customer groups of the "Finance-Aviation-Business Travel" circle, creating the "Business Travel Plus" product system and strategic layout composed of banks, airlines, hotels and other resources. Focusing on the consumer demand of the public in various fields such as clothing, food, housing, transportation and entertainment, the Bank continued to create targeted consumption scenes, and launched personalized products to meet customers' financial consumption needs throughout their life cycle. For example, in the travel industry, the Bank aggregated the products and services of many travelling and car brands or service platforms such as Ctrip, Touhu Car Maintenance, GAC NIO and Hongqi, so that credit card users could easily complete car purchase, maintenance, insurance and other car services on the "Wonderful Discovery" APP.

The Bank's credit cards could quickly adapt to different consumption scenes and provided credit consumption services for the public, not only relying on insight into market trends and inclusively public financial needs, but also benefiting from the recreation of the card issuing process. The Bank took the lead in introducing the fast card issuing mode of "instant issuance, instant enjoyment and instant benefits" in offline scenes, which connected the linkages of customer acquisition, card application, card approval, card activation and consumption in one stop, bringing customers a new carefree experience of using cards.

At the end of the reporting period, the Bank's credit cards expanded to cover more than 50,000 merchants such as caterings and entertainments, department stores and supermarkets in over 1,000 offline business circles with high-quality customers. The "Wonderful Discovery" APP brought together tens of thousands of partners and created a varied consumption ecology which includes shopping, catering and travelling.

Investment Banking and Financial Market Businesses

During the reporting period, the Bank oriented to the high-quality development, and actively served major national strategies and the real economy through bond investment, bond underwriting and distribution, asset management, asset custody, foreign exchange transactions and other businesses. According to the strategic positioning of "Outperforming Peers", the Bank optimized product supply, made full use of cooperation advantages, promoted comprehensive financial services within the Group and the Bank, and boosted the transformation and upgrading of "Double Light" business.

Financial Institution Business

The Bank continued to strengthen the expansion and maintenance of the relationship of financial institution customers, constantly improved customer credit granting management mechanism, intensified access management over financial institution transaction counterparties, and carried out targeted marketing by panoramic customer information obtained by big data technologies. At the end of the reporting period, the Bank's financial institution clients involved banks, wealth management subsidiaries corporation, insurance, securities, trusts, funds, financial leases, financial companies, auto financing companies and consumer financing companies; the Bank established credit-granting cooperation relationship with 404 domestic and foreign financial institutions; established SWIFT RMA relationships with 1,174 financial institutions in nearly 100 countries and regions around the world; the number of third-party depository customers increased by 10.66% over the beginning of the year; and signed important strategic agreements with 5 financial institutions.

Investment Banking Business

Centered on "light assets", the Bank continuously optimized business structure, promoted transformation of the investment banking business, and developed with low capital and low risks. The Bank gave priority to enterprises greatly affected by the pandemic and issued special anti-pandemic bonds, assisted three enterprises in issuing RMB2.5 billion of pandemic prevention and control bonds, and provided targeted financial support for pandemic prevention and control.

During the reporting period, the investment banking business realized a year-on-year increase of 23.31% in operating income and a year-on-year increase of 44.68% in intermediary business income, and the bond underwriting reached RMB54.535 billion accumulatively. The volume of new bond underwriting hit a record high, and remarkable achievements were made in business transformation.

Financial Market Business

The Bank actively carried out market making, proprietary trading and customer services, and provided a wide range of financial products and services for customers, including exchange rate, interest rate, precious metals, bonds underwriting and distribution. As a primary dealer of open market, a Shibor quotation bank, and an underwriter for government bonds and financial bonds of policy banks and also a market maker for RMB exchange rates, bonds, derivatives, bills and precious metals, the Bank actively implemented major national strategies, served the real economy, supported local government bonds underwriting and distribution, investment in creditor rights and corporate foreign exchange trading services in the key national development regions, such as Guangdong-Hong Kong-Macao Greater Bay Area, Beijing-Tianjin-Hebei region, Yangtze River Economic Belt and the "Belt and Road", as well as expanded financing channels for enterprises to boost regional economic development.

During the reporting period, the Bank won the honors such as "Core Trader", "Excellent Currency Trader", "Excellent Bond Trader", "Excellent Derivative Trader", "Best Member of Foreign Currency Lending", Shanghai Commercial Paper Exchange Corporation Ltd's "Outstanding Member Unit" and "Outstanding Bank Dealer".

Asset Management Business

In terms of wealth management business, the Bank strictly implemented the requirements of new regulations on wealth management, adhered to steady development, built and improved the architecture of net value wealth management products, such as "Happy Wealth Management", actively pushed forward transformation of the product, and optimized the investor structure of wealth management. During the reporting period, the Bank was approved to prepare for the establishment of Guangyin Wealth Management Co., Ltd., a wholly-

owned wealth management subsidiary corporation. The preparatory group aimed at achieving independent operation conditions before the formal approval of the regulator for establishment, advanced preparation work with high quality and high standard to ensure smooth transition of operation and management, and strived to achieve a good start to wealth management business during the "14th Five-Year Plan" period.

During the reporting period, the Bank cumulatively sold 1,005 non-capital-guaranteed wealth management products and raised RMB849.371 billion, effectively meeting the wealth management needs of investors. The Bank successively won 11 awards, including the "Most Popular Wealth Management Product in 2020" granted by 21st Century Business Herald; the "Phegda Wealth Management Net Value Financial Product in 2020" granted by Securities Times; the "'Best Investment Institution' Ranking First in the Banking Sector in China" by The Asset; "Excellence Award for Annual Gold Asset Management" and "Excellence Award for Annual Gold Fixed-income Wealth Management" by Shanghai Securities News. The Bank was fully recognized by all parties in the society.

Asset Custody Business

With the focus on "making breakthroughs in key customers, empowering by technology improvement and strengthening management capability", the Bank maintained steady and sound development of its custody business. The Bank's cross-border custody business remained the first of joint-stock banks for six consecutive years. The Bank landed a number of custody projects in key national strategic areas such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Economic Belt, and Beijing-Tianjin-Hebei to support the development of the real economy and enhance the breadth and depth of serving the national major regional strategies; the Bank successively realized the direct connection between the custody system and the China Central Depository and Clearing Corporation, Shanghai Clearing House, China Foreign Exchange Trade System & National Interbank Funding Center, China Securities Depository and Clearing Corporation Limited and over-the-counter investment business platform for institutional investors, making the business fully online and process-oriented.

As of the end of the reporting period, the amount of assets under custody of the Bank were RMB2,831.154 billion, an increase of 12.05% over the beginning of the year; the fee income from asset custody business reached RMB638 million, a year-on-year increase of 7.05%; the Bank was awarded the "Outstanding Asset Custody Bank" by JRJ.com.

Business Topic

Financial Investment Banking-insurance Cooperation

Investment business, actively integrated into the Group's business cooperation ecosystem by means of bond underwriting, market-oriented entrusted investment, insurance-banking cooperation, and innovation of custody products and services, and continued to strengthen product cooperation and innovation, to improve the insurance-banking cooperation efficiency.

In terms of capital transactions, the Bank and the Group members became the preferred targets for mutual support, and provided liquidity support for capital operations and deposits; and the Bank provided high-quality bond underwriting services for the Group members, and deeply cooperated with the Group members in asset allocation.

In terms of joint investment, the Bank actively expanded the new mode of insurance-banking cooperation investment, and successfully established the investment path for the Bank to participate in the insurance asset-backed plan and the bond guarantee plan of the Group; continued to develop its wealth management and partnership investment and entrusted investment between the Group members, with the cooperation scale reaching nearly RMB10 billion at the end of the year.

In terms of custody business, the Bank gave full play to the Group's comprehensive financial advantages, continued to strengthen collaborative marketing and actively expanded the scope of custody cooperation, with the balance of custody business exceeding RMB700 billion, a year-on-year increase of 18.47%, realizing both growth in scale and income.

In terms of service innovation, the Bank actively implemented the requirements of the Group, provided individualized services such as negative information monitoring and advance notice of principal and interest payment for the assets under custody, and ensured the efficient implementation and smooth development of investment and financing business with innovative and high-quality services.

Guangyin Wealth Management: New Momentum

On July 13, 2020, upon the approval of China Banking and Insurance Regulatory Commission (CBIRC), the Bank established a wholly-owned wealth management subsidiary, Guangyin Wealth Management Co., Ltd. (Hereinafter referred to as "Guangyin Wealth Management"). It became the seventh joint-stock commercial bank approved to establish a wealth management subsidiary corporation, with a registered capital of RMB5 billion in Shanghai Pudong New District. At present, the preparation for establishment of Guangyin Wealth Management was in full progress and would be officially opened after regulatory approval.

During the reporting period, the Bank strictly implemented regulatory requirements, steadily pushed forward the preparation for establishment of Guangyin Wealth Management, vigorously reduced the scale of old products, and accelerated the net value transformation of wealth management business. First, the Bank strengthened the building of market-oriented talent team, and built a high-quality and diversified talent team with excellent education background, rich practical experience and strong professional competence. Second, the Bank enhanced technological empowerment, and attached great importance to the integration of financial technology and wealth management business. The Bank completed the construction of multiple business systems such as direct sales dual recording system, wealth management registration and transfer system (TA), project business management system, transaction system, regulatory reporting and anti-money laundering system, and launched a number of system construction projects, including data middle-office, risk and performance. Third, the Bank accelerated the net value transformation of wealth management products, preliminarily built a multi-asset, multi-strategy and all-weather net value product system, and continuously enhanced the brand value of "Happy Wealth Management". Fourth, the Bank continued to strengthen the building of investment research capacity, further enhanced the ability to allocate major asset classes, and gradually built a research system covering major industries, multiple fields and multiple assets.

Financial Technology

The Bank gave full play to the advantages of technology-empowered development drivers to push forward digital transformation in an all-round manner, and its open financial capacity provided effective support for building the second curve of digital customer acquisition. AI and other technologies were widely used in all aspects of operation and management, and the featured big data service system with leading technologies effectively excavated the value of data assets. The constantly improved technology governance and technology architecture system provided a strong guarantee for the digital transformation, and highlighted the strategic support and leading role of technology in the Bank. During the reporting period, the Bank invested RMB2.285billion in financial technology; accounting for 2.84% of the Bank's operating income. As at the end of the reporting period, the Bank had 1,697 IT contract employees, with a year-on-year increase of 36.20%, accounting for 4.55% of the Bank's total employees.

Supporting Digital Customer Acquisition

The leading electronic account functions, diversified comprehensive financial products, rapid connection ability and extensive successful cases made the Bank's open banking highly competitive in the market and flexibly and efficiently meet the demand of scenario-based financial development, extending the boundary of banking services. At the end of the reporting period, the Bank's open banking owned 361 partners, with a year-on-year increase of 7times, accumulatively outputted 883API interfaces, with a year-on-year increase of 5 times, and the daily average trading volume was increased by 80 times. Taking the opportunity of digital transformation in various industries, the Bank created flexible open and win-win innovative business models, and positioned the "finance + non-finance" cross-sector cooperation scenarios. The Bank built a digital platform integrating service scenarios of the B and C ends with the B ends as the starting point, and extended financial services to the C ends, so as to achieve the digital industries empowered comprehensive customer acquisition objective of empowering the digital industry. During the reporting period, a series of comprehensive financial solutions, including digital labor union, digital property and digital pension, were launched to create the second curve of business growth. The Bank optimized the batch marketing and real-time marketing decision-making engine based on the big data technology, and obtained accurate basic customer marketing information through the rapid linkage of marketing data and strategies. The monitoring of over 44 activity indicators effectively improved the operating efficiency and success rate of marketing activities. For example, after analysis and optimization of "Weekly Swiping "activities, the number of registered customers increased by 1.6 times and the number of qualified customers increased by 1.7 times; In terms of corporate CRM intelligent targeted marketing, the Bank developed six intelligent scenarios, including the high-quality white list and group cliques etc., pushed more than 400,000 clues covering scenarios of customer acquisition, activation and retention. By using big data, the bank managed to excavate 2,600 new corporate customers and activate or upgrade the existing corporate customers by nearly 30,000; the intelligent model marketing conducted by personal CRM for retail customers increased customer assets by 11.30% on average, and the marketing effect was doubled compared with traditional marketing.

Building a Digital Platform

The Bank built an online data-based platform for Internet business. In terms of "Wonderful Discovery" 5.0, scenario-based intelligent overall search was added, and an all-link experience closed loop from search to intelligent recommendation was built, so that stability-related data can be improved in an all-round way while high data flow was generated. During the peak period, the concurrent processing capacity exceeded 50,000 transactions per second, the first start-up time of the Android system improved from 2.1 seconds to 1.1 seconds, and the flash-back rate of APP decreased from 0.04% to 0.01%. The brand-new version of personal online banking built the ability to channel to the mobile terminal, realizing login-free marketing and recommendation and carrying out accurate-targeted marketing for customer groups. WeChat banking version 3.0 launched WeChat service hall to recommend customized marketing information based on customers in different regions. The WeChat applet version 2.0 created a brand-new marketing channel, added functions such as posters and sharing of social activities, and the special urban area of the branch provided the branch with a convenient and light-weight service dissemination tool for personalized marketing. The integrated service of Wonderful Discovery, WeChat official account and WeChat applet shortened the process of customer participation and improved the customer experience.

Serving Digital Operation

The Bank improved the quality and efficiency of operation and management through intelligent technologies. By applying technologies such as big data, AI, biological recognition, machine learning and blockchain to various operational and management scenarios, effectively improving the service level and operation efficiency. During the reporting period, the Bank built a bank-wide service governance platform, set up a bank-wide service gateway, completed 100 application access services, released 1,924 services in total, and realized online service management and end-to-end full-link tracking, accelerating the rapid positioning of production problems and improving the efficiency of production operation and maintenance. The intelligent risk control management system provided a uniform risk summary view, integrated and deeply excavated in-depth the internal and external data by using knowledge mapping knowledge domain technology, and introduced big data, machine learning and other technologies to improve the intelligent level of post-loan management, expand the scope of risk management and improve the effect of risk high-risk warning. Based on the remote service capability of the Internet video platform for customers, the Bank opened the remote break point of non-contact services for customers, realized such service scenarios as remote wealth management dual recording, remote cloud cabinet and video customer service, and conducted nearly 4,400 transactions per day, effectively reducing on-counter services. The Bank comprehensively stepped up the online level of retail loans, reduced the offline contact with customers before loan granting from three times to one time, and automatic approval rate of housing mortgage loans reached 79.64%. Meanwhile, the Bank fully optimized the “Loan upon Application” APP with new interface, new experience and new channel, improving operating efficiency and customer experience. While meeting the needs of pandemic prevention and control, the Bank improved its business efficiency by activating over 79.64% of the total number of online marketing cards and electronic marketing cards through Internet video, and the activation rate of online marketing cards and electronic marketing cards increased by 7.33% and 4.50% respectively.

Boosting Digital Transformation

The Bank introduced external data to support business decision-making, served the credit card decision-making and credit management business systems, and supported the upgrade of “Shuiyintong 2.0” and the launch of innovative loan products under inclusive finance scenarios such as “Electronic Easy Loan”. There were total 209 million external data inquiries during the reported period, saving inquiring fees for about RMB104 million. The Bank continued to promote the construction of multi-cloud, intelligent and flat IT infrastructure, continuously improved the cloud infrastructure, with 73.51% cloud application rate, realizing uniform delivery and flexible dispatch of IT infrastructure resources. The transformation of the distributed technology platform structure has been deepening, and the three middle-office capabilities of financial business, data service and intelligent service were further improved, so as to build the modularization and service-oriented capabilities of the underlying functions of technologies, effectively responding to the explosive growth of business and customer scale. The Bank established an IT business partner mechanism, and the IT business integration team and worked together with business departments worked together to generate system requirements, continuously iterated and operated products, and integrated IT services and data governance into daily work, jointly improving R & D efficiency and quality. The Financial Technology Innovation Committee, the Innovation Fund, the Innovation Lab, the “New Bud” Innovation Platform and the Creativity Incubation Competition provided a solid mechanism foundation for fintech innovation. During the reporting period, the Bank collected a total of 742 innovation proposals, and 16 of which had been formally initiated, providing innovative soil for ideas with market potential and fostering the Bank’s unique innovation culture.

Financial Technology Topic

Upgrading Service: New Intelligence

The Bank continued to upgrade banking services and business models by applying emerging financial technology, and sharpened digital transformation in intelligent decision-making, efficient operation, accurate analysis and excellent experience.

Complete "intelligent" service functions. In the field of AI, the Bank has completed the construction of three capacity systems in terms of intelligent voice, biological recognition and image recognition, and formed a cluster of capabilities in regard to intelligent perception, intelligent model and intelligent operation and service. It provided functions of voice recognition, semantic understanding, voice synthesis, voiceprint recognition, face recognition and character recognition, and formed multi-level and multi-field intelligent scenario applications for active user access, user services and back-office operation, realizing intelligent, convenient and comprehensive customer service and operation management. The voice robot business accounted for 51.22% of the credit card customer voice-call service, representing a year-on-year increase of 44.36%, and the self-solution rate of customer problems rose by 10.36%, reducing the workload of 100 manual agents. The intelligent collection outbound call robot was used for independent credit card collection, with a collection rate equivalent to 90% of the former outsourced manual collection agents, and the service capacity was equivalent to the capacity of 200 manual agents at the end of the reporting period. It can also be used for out-going calls such as identification expiry reminder and repayment reminder. The use of voiceprint recognition for customer identity authentication can save an average of 30 seconds of call time per call, effectively improving customer experience and saving operating costs.

Leading "intelligent" service system. The Bank has set up an intelligent service system featuring rich functions, extensive application and leading technology, and its application achieved numerous awards from the regulators. There were over 2.4million successful sales fuelled by products recommendation mobile banking, resulted in sales volume of approximately RMB 200 billion. The real-time flow computing technology was used to improve the anti-fraud function of transactions and realize the real-time fraudulent cut offs at millisecond level. During the reporting period, 219,000 suspicious registration and login transactions were cut, and 25,400 suspicious funds transfers were stopped. Information on 19,600 early warning transactions was provided for personal loan applications.

Mobile Banking: New Lifestyle

During the reporting period, the Bank rolled out the annual version of Mobile Banking 6.0, which continuously deepened the main online channel operation and cross-channel collaboration. Firstly, the Bank made early arrangements for pandemic prevention and poverty alleviation services. In the mobile banking and WeChat banking, the Bank introduced the anti-pandemic information service of Sina and Tencent at the same time, set up the poverty alleviation special area, and cooperated with the member units of China Life to launch the poverty alleviation special service. Secondly, the Bank took the lead in the service for the elderly. In June 2020, the Bank launched a mobile banking service for the elderly by means of voice, broadcast, big font, experience optimization and process streamlining. Thirdly, the Bank explored the comprehensive financial advantages. The Bank upgraded the special area for China Life, and built a special area for comprehensive financial services integrating life insurance, property insurance, pension insurance, fund, annuity service and e-commerce poverty alleviation. In addition, the Bank launched China Life Alliance 2.0 to achieve the new mode of "one customer, one mobile phone and entire group-wide services". A special area for club members of branches was set to provide self-operated online platform tools for branches to carry out differentiated insurance banking cooperation, being a leader among banking peers. Fourthly, the Bank built an applet digital operation area and a WeChat branch area, and preliminarily formed a channel collaboration matrix framework. Fifthly, the Bank deepened the new interactive service system with "voice" as the carrier. The Bank upgraded the scenario-based interactive experience support of the overall intelligent voice assistant of "Xiaozhi AR", implemented the financial technology pilot project in six ministries and commissions including the central bank, and launched the universal services such as enterprise annuity inquiry and trial calculation on mobile banking. Meanwhile, it deployed the voiceprint application, with convenient functions such as voiceprint login and fund transfer under the same name by voiceprint, to consolidate the advantages of banking peers. Sixthly, the Bank aggregated and extended personal customers, corporate customers and government institutional customers to provide comprehensive online and offline services. The Bank launched cross-sector and cross-channel services such as online non-tax payment for central finance, cross-province and non-local payment for traffic fines, "Shuiyintong 2.0" service and special area for convenient services. In addition, as a brand-new business place other than mobile banking, the newly-built customer manager cloud store together with the Urban Service Area 2.0 mobile banking for branches, the Online Marketing Platform 2.0, the Branches Customer Group Area, and the Activity Square on the home page has became the tool matrix for branch operation on-line transformation, outperformed other banks in overall arrangements.

According to the public appraisal result, the Bank's mobile banking ranked 8th in terms of comprehensive scores and 10th in terms of total scores among the 23 influential banks listed in the appraisal. It was the only bank that has consistently improved scores and ranking in the past three years, and surpassed the state-owned commercial banks for the first time. The user experience score has jumped for three consecutive years, ranking among the top in the national banks, and featured voice intelligent applications such as Xiaozhi Voice Assistant and voiceprint transfer are leading the industry.

Services and Support

Operation and Process Management

Innovative Operation Management

The Bank continued to deepen operational transformation, innovate in customer services and improve customer experience. The Bank built flagship 5G smart outlet stores, introduced 17 kinds of new devices such as robots and credit reference machines, used 17 sets of new systems such as intelligent monitoring and digital board, and adopted six new technologies such as the Internet of Things and voice recognition. The Bank innovated in the remote back-office "cloud teller" service mode to support the "non-contact" handling of customers business; innovated in the new mode of corporate service, and provided quick experience speedy service for corporate customers by setting up the bill machine. The Bank upgraded smart machines and optimized 283 functions and processes, and the replacement rate of intelligent counter was 80.02%. The mobile terminal realized a total of 85 functions of personal account management, personal comprehensive business and corporate banking, supported online pre-filling of forms and zero entry logging on the site, and shortened curtailed the whole process time of for corporate account opening to 26 minutes and reduced personal quick card opening by half to 2 minutes and 20 seconds. The Bank piloted the real-time social security card printing making machine, so that customers can apply for, reapply for and replace the card on a one-stop basis, and the whole process can be completed within five minutes.

Intensive Operation and Management

The Bank continuously promoted intensive operation, strengthened payment and settlement, and supported business development. The Bank expanded the scope of business centralization, and accumulatively concentrated 257 types of business in six categories, including counter-based outlets and back-office of financial market. The Bank promoted robot process automation (RPA) which was cumulatively applied to 88 RPA processes across the bank, with an average of more than 20,000 working hours replacement per month. The Bank continued to cooperate with clearing institutions like Union Pay and Nets Union to provide Union Pay payment channels for corporate customers and broaden settlement channels. The Head Office manages the payment channels for branches, realizing 7*24 real-time account entry and improving the efficiency of fund payment. The Bank generalized mobile phone number payment, with 252,500 registered numbers. During the reporting period, the Bank won such honors as "Best Industry Practice Award" by the Process Automation Industry Summit of "RPA China", "Excellence Award for Interest Rate Swap Self-support Clearing", "Excellence Award for Credit Default Swap Quotation Institution" and "Excellent Policy Financial Bond Market Making and Settlement Institution" granted by Shanghai Clearing House and China Central Depository and Clearing Corporation.

Compliance Operation Management

The Bank always adhered to standardized operation, strengthened supervision and inspection and ensure compliance operation. It strengthened centralized post-supervision and video monitoring, identified abnormal and suspicious businesses, controlled and intercepted risk cases. It controlled the risk of accounting items, realized the coverage of centralized reconciliation items of 99.70%, and the automatic reconciliation rate of the system of 93.04%. The Bank standardized the rules for maintaining basic customers information and data, and improved the personal information synchronization mechanism. The Bank strengthened customer reconciliation, with an average bank-enterprise reconciliation rate of 98.47% across the bank, ensuring the safety of customers' funds.

Brand and Service Management

Brand Building

By focusing on products, services and customer experience, and adhering to the service concept of "Accompanying with you,serving you wholeheartly", the Bank built up an excellent banking brand image. During the reporting period, the Bank ranked 9th in the banking category of "China's 500 Most Valuable Brands" by the World Brand Lab.

During the reporting period, the Bank gave full play to the role of news publicity in unifying ideas and providing positive guidance, and made publicity plan around the themes of fighting against the pandemic, resuming work and production, serving major national strategies, poverty alleviation, reviving China Life and insurance banking cooperation, demonstrating the mission responsibility and market image of a member unit of central financial enterprises. The Bank continued to deepen the work concept of "brand building and marketing performance", innovated in brand publicity methods, and used the CBA sponsorship platform to carry out customer marketing and maintenance. Besides, it planned and launched multi-channel advertising and publicity at the "China Life 616" Customer Festival. The Bank carried out the Knowledge Spring Festival Gala Communication Program, and directed brand placement to business marketing. The Bank set up a We-Media matrix of "WeChat + Microblog + TikTok + Toutiao", studied and analyzed the content characteristics and transmission routes of We-Media, and paid attention to the selection of topics, language, titles and length of text. It took advantage use of important time, milestones and hot topics for reporting by comprehensive use of posters, audio and video, long pictures and other forms.

Protection of Consumer Rights and Interests and Service Supervision

Focusing on the resolution of complaints, the Bank took strong moves including the first independent business evaluation mechanism, held the first all-employee consumer protection service conference within the reporting period, and firstly set up the Department of Customer Rights and Interests Protection and Service Supervision. The Bank increasing valued consumer protection services, continuously improved the construction of various systems and mechanisms, and achieved remarkable results in complaint resolution, which was fully recognized by regulators.

Firstly, the Bank introduced authoritative third-party mediation institutions to solve customer disputes in a diversified manner. Secondly, it actively responded to and resolved customer objections. The Bank took the initiative to propose deferred repayment, individualized reduction and exemption and installment repayment solutions to credit card customers who had difficulties in repayment due to the pandemic, and ranked top in the industry in terms of the complaint resolution rate in third-party online complaint platforms. Thirdly, it improved the service supervision system. On one hand, the Bank established a service monitoring center, started up the "Sky Eye" project, and formed a three-dimensional supervision and inspection system covering the Head Office, branches and sub-branches; on the other hand, the consumer protection service thousand-point assessment system was effectively operated. All business lines and branches gradually established an effective management system where responsibilities were consolidated and pressure was transmitted from level to level. Fourthly, the Bank strengthened the consumer protection control system. On one hand, the Head Office conducted consumer protection review on all businesses involving natural persons and material complaint risks. During the reporting period, the Bank completed 544 consumer protection reviews on products and service processes; on the other hand, in line with new regulatory rules, the Bank further improved the management and control system, refined and clarified complaint handling and responsibility identification, and established the complaint management cockpit function to enhance the real-time management and control of complaints across the Bank.

Institution Management

By the end of the reporting period, the Bank had established 882 service business outlets in 104 cities at and above the prefecture level or above across 25 provinces (including municipalities and autonomous regions) in mainland China, including Beijing, Tianjin, Hebei, Shanxi, Liaoning, Jilin, Heilongjiang, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Chongqing, Sichuan, Yunnan, Guizhou, Shaanxi and Xinjiang, as well as Hongkong and Macau Special Administrative Region. Qingdao Branch, Haikou Branch and the wealth management subsidiary are under construction. The Bank set up work station for post-doctoral scientific research in the Head Office.

During the reporting period, with the tenet of supporting the real economy, the Bank actively served such national strategic plans as Beijing-Tianjin-Hebei coordinated development, development of the Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Delta Economic Zone, the integrated development of Yangtze River Delta region and the construction of Hainan Free Trade Port, supported the revitalization of traditional industrial bases in northeast China and economic development in central and western China, so as to continue to optimize the layout of existing outlets and continuously make ceaseless efforts to promote the high-quality development of branch outlets.

Human Resources Management

Organization Management

In pursuit of the vision of "building the first-class commercial bank in China", the Bank continuously strengthened basic management, proactively consolidated management foundation, and strengthened impetus for reform and development. During the reporting period, the Bank continuously optimized the organization structure, business processes and post-establishment based on consolidation of structure setting in alignment with strategic direction, which further strengthened business cooperation, improved business processes, optimized personnel structure, enhanced efficiency, strengthened risk management and internal control, and promoted the rapid and stable business development of the Bank. By setting up Institution Customer Department under the Head Office, the Bank built the organizational system managing governmental institution customers and completed the setting of the departments dedicated to anti-money laundry, protection of consumers 'rights and interests, service supervision and improved the framework of legal compliance.

Personnel Management

The Bank followed market-oriented selection and employment mechanism, selected and employed competent personnel in the principle of "equality, openness, competition, merit-based" according to the "person-post matching criteria", and cultivated high-quality talent teams by such means as open competition, taking temporary posts for mutual exchange. selection and promotion from cadre reserves and market-oriented talent introduction.

During the reporting period, the Bank comprehensively established the personnel recruitment, talent selection and personnel exchange system under the new position framework, further enhanced the scientific and standard design of employees' career development, and formed the sound competitive mechanism which stresses on both integrity and ability, appoints personnel in a fair manner, emphasizes responsibilities, focuses on actual capabilities and encourages steady progress. The Bank held 2020 CGB Digital Elite Campus Challenge Contest to vigorously attract outstanding college students. The Bank expedite the "2551" talent project to reserve outstanding talents at different levels, enhanced the growth and cultivation of outstanding young cadres, and gradually cultivated a group of outstanding reserve talents for operation and management positions in the Bank by various means such as training, exchange positions between the Head Office and branches and practice at a temporary post.

Performance Management

The Bank established scientific and fair performance assessment and incentive and restrictive mechanism, conveyed the strategic focus of the Bank to each outlet through performance assessment, strengthened application of performance evaluation results, built the performance culture oriented towards value contribution, gave full play to the forcing role of performance appraisal, and enhanced strategy execution of the Bank.

During the reporting period, the Bank established and improved a short-term as well as medium-and-long-term assessment and evaluation system in accordance with development strategies and business conditions. It continuously improved performance management index system, strengthened the assessment in terms of risk compliance, capacity per capita and market competitiveness, implemented the operation principle of seeking progress while maintaining stability and enhancing quality and efficiency; continuously intensified incentive and restrictive mechanism, and closely integrated the evaluation results with remuneration package of institutions and remuneration distribution of individuals; constantly strengthened supervision and improvement of the performance assessment process, improved the level of refined management and promoted the optimization of comprehensive work with the help of assessment.

Remuneration and Benefits Management

The Bank established a mechanism of linking the increase in total wages with the increase in net profits and linking them in the same direction. The remuneration distribution insisted on providing favourable policies towards the front line, science and technology, top performer and key contributor. The Bank studied and formulated differentiated remuneration policies and pushed their implementation. As for remuneration management, the Bank aims to establish a market-oriented salary system and an effective incentive and restrictive mechanism. To this end, the Bank adhered to the principle of putting efficiency first and maintaining fairness; insisted on market-oriented distribution of post-matched and performance-linked remuneration; the Bank established flexible salary mechanism and strengthened individualized rewards for core talents.

The Bank continuously improved remuneration structure and gradually stepped up incentive and restrictive measures. It intensified the linkage of performance bonus to evaluation results by establishing the wide range remuneration system determining target annual salary according to posts and actual annual salary based on performance. As for Senior Executives and employees in positions heavily involving risks, the Bank explored medium-and-long-term incentive mechanism, continuously improved the deferred payment of performance bonuses, coordinated short-term and long-term incentives, and integrated effective incentives and strict restrictions.

The Bank has established an enterprise annuity system to guarantee income for employees after their retirement. Moreover, the Bank offers a supplementary medical insurance scheme to provide comprehensive supplementary medical insurance for all the staff and retired employees by purchasing commercial insurances, issuing allowances and setting up a mutual-aid medical fund.

Training Management

During the reporting period, the Human Resource Department, business departments and employees jointly established the curriculum system oriented at leadership, business capability and professional quality according to the conception of "three-in-one" training system, centered on the three objectives of "strategic demands of the Bank, post qualification for posts and professional career development of employees", in order to improve employees' knowledge, skills and attitudes, and provide further support for the implementation of the Bank's strategy, achievement of business performance and professional growth of employees. It established the Party School of China Guangfa Bank and five professional training institutes, and formulated the training system construction scheme as a whole.

According to the Bank's strategic deployment and talent development needs, the Bank organized all kinds of multi-tiers, through-wide-channels and full-coverage trainings. The Head Office and branches cooperated together to build and promote the "Eagle" series of training programs at different levels; relying on the Party School, Party member studies and leading cadre training were carried out; training was promoted through competitions, and the first "Wonderful Guangfa" Case Competition was held. The Bank strengthened the team building of trainers, action learning facilitators and mentors. At present, there are 127 internal trainers at the Head Office and 81 action learning facilitators, so as to improve the quantity and quality of the Bank's internal trainer team. A "Guangxue" cloud learning platform was established. During the reporting period, a total of 212 live streaming trainings were held, with more than 151,000 learner.

Risk Management

Risk Management

Overview of Risk Management

During the reporting period, in face of the complicated and changeable economic and financial situation at home and abroad and the impact of COVID-19 pandemic, the Bank continued to maintain a prudential and moderate overall risk management strategy, continuously promoted "full-coverage" comprehensive risk management system, improved the risk management system, strengthened the use of risk management tools, cultivated a risk compliance culture, and accelerated the digital and intelligent transformation of risk management, in an effort to deliver more active, forward-looking and effective risk management.

The Bank has established fully structured risk management framework system with responsibilities clearly defined, forming a multi-level, interconnected and effectively balanced operating mechanism. The Risk Management Organizational Structure is composed of the Board of Directors and its special committee, Board of Supervisors, senior management and its special committee, Comprehensive Risk Management Department, etc..

The Board of Directors assumes ultimate responsibility for the Bank's risk management and is responsible for determining the overall risk appetite and risk tolerance, and approving the Bank's targets, strategies, policies and procedures for major risk management. Risk Management Committee subordinate to the Board of Directors is set up, responsible for reviewing strategies, policies, and major affairs of risk management, money laundry risk management, case prevention management, major asset disposal programs, and carrying out control, management, evaluation, and supervision over the risks of the Bank, etc..

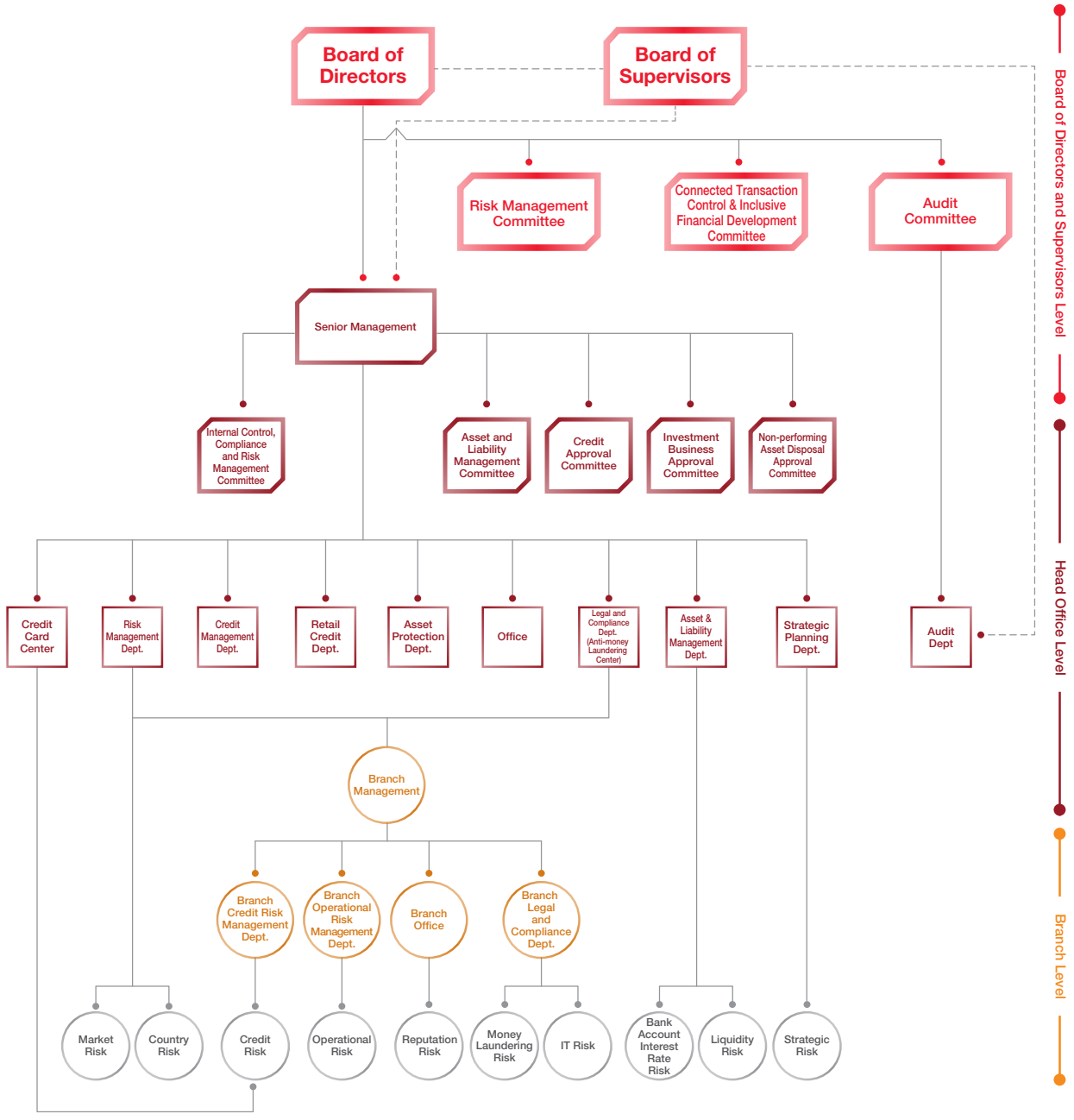
The senior management undertakes the responsibilities for implementing the risk management and executes the resolutions by the Board of Directors. The Internal Control Compliance and Risk Management Committee, the Asset and Liability Management Committee, the Credit Approval Committee, Investment Business Approval

Committee and Non-performing Asset Disposal Approval Committee under the senior management are responsible for analysing risk strategies, guidelines and policies for preventing credit risk, market risk, bank account interest rate risk, liquidity risk, operational risk, country risk, etc. Meanwhile, they are also responsible for evaluating the effectiveness of the management system, monitoring the implementation of management measures as well as identifying deficiencies in the management system and figuring out solutions accordingly.

The Risk Management Department is the leading department in comprehensive risk management and is responsible for centralized risk management of the Bank. The Risk Management Department, Credit Management Department, Retail Credit Department, Credit Card Center and Asset Protection Department are responsible for formulating, implementing and managing the Bank's credit risk management regulations. The Risk Management Department is responsible for the formulation, implementation and management of the Bank's management regulations for market risk, operational risk and country risk; the Asset & Liabilities Management Department is responsible for the formulation, implementation and management of the Bank's management regulations for bank account interest rate risk and liquidity risk; the Legal and Compliance Department is responsible for the formulation, implementation, examination and management of the Bank's management regulations for money laundering risk and IT risk; the Audit Department and four regional audit centers are responsible for conducting independent inspection, supervision and evaluation of the Bank's business operation and risk control.

Risk management decisions made by the Board of Directors, the Risk Management Committee of the Board and senior management are executed by branches under instructions from the relevant departments.

Risk Management Organizational Structure



Risks Encountered by the Bank and Corresponding Countermeasures

Credit Risk

Credit risk refers to the risk of economic losses to the creditor or holder of a financial product due to the borrower's or the trading counterpart's failure to perform its contractual obligations or due to changes in credit quality which affects the value of the financial product. In recent years, the Bank sought for progress while maintaining stability, comprehensively improved its risk management capability, and continuously promoted its own high-quality development to prevent and reduce credit risk losses.

During the reporting period, in the face of various challenges brought by the COVID-19 pandemic, the Bank strengthened its confidence, maintained its strategic determination, highlighted key points, adopted multiple measures simultaneously, stabilized its asset quality as a whole, and firmly held the bottom line of risks. Firstly, the Bank adhered to the new development concept, emphasized source control, strictly controlled customer access and product access standard, optimized credit structure, and increased the placement of core customers and high-quality projects. Secondly, the Bank made efforts to enhance risk prevention and control empowered by science and technology, continued to strengthen the support of intelligent risk control for business management, enriched the application scenarios of new technologies such as big data, artificial intelligence and blockchain, provided intelligent, efficient and flexible support for credit approval, risk management and marketing management, established intelligent marketing and risk control systems, accurately warned and pushed risk information, and helped digital transformation. Thirdly, the Bank strengthened the construction of customer credit rating system and evaluated the credit risk level of relative customers more accurately; continuously optimized and improved the rating model and rating-related system functions, and raised the model coverage, fineness and distinction. Fourthly, the Bank established mechanisms such as risk consultation, situation consultation, joint prevention and control of risks, and strengthened risk management of various lines; intensified the credit risk investigation of key businesses and key branches, and implemented problem rectification; reinforced the asset risk classification management of the whole bank, and strictly implemented the relevant provisions of the CBIRC on asset classification. Fifthly, the Bank increased financial support, implemented classified policies, helped market players by providing financial relief and gave full play to the financial power of stabilizing enterprises and ensuring employment. At the same time, the Bank did a good job in the overall management of credit supply and risk prevention and control, established bottom line awareness, and handled the relationship between development and risk prevention.

Overview of Credit Risk Management

Corporate Credit Risk Management

During the reporting period, the Bank implemented national policies and important strategies, strictly fulfilled the requirements of various regulatory policies, focused on strategic placements of the Group, followed the risk preference and operating objectives of the Bank, orderly promoted the development of loan system, and made business placement through the guidance of credit loan policies, and supported prevention and control of the pandemic by means of credit loans. The Bank improved core risk management system such as the management over core businesses such as the loan of working capital, unified credit granting for single corporate clients, group customer credit granting, loan extension business of working capital, classified credit granting strategies for corporate customers, loan release of corporate credit granting business, appraisers, credit granting for real estate, financing business supported by fixed assets etc.; the Bank formulated corporate credit loan policies and credit granting guidance for 45 industries in 2020 and monitored the industries on a quarterly basis. CGB streamlined business processes for corporate credit granting and made all approvals on line.

The Bank strengthened risk management in key areas. By strictly following national policies and regulatory requirements, the Bank tightened up risk management in key areas such as the financing platform of local governments, and real estate, and strictly controlled the credit granting for enterprises lack of mature credit modes and risk mitigation measures. The Bank improved risk governance mechanism and continuously optimized whole-process risk management and the system of granting corporate credit loans. In an effort to further improve its credit business management, the Bank urged all levels of organizations and credit personnel to implement credit policies in strict compliance with regulations through all credit business processes, strengthened risks monitoring and early warning, conducted routine and special inspections, reinforced team building, and improved professional training and qualification certification on credit personnel to ensure strengthened monitoring and management over inspection quality and efficiency. The Bank strengthened the construction of risk management system, and consolidated the basis for the risk management of corporate finance. A new-generation credit management system and a collateral management system are running stably, providing optimized system support for process management. The Bank improved credit rating management over customers, and continued to reinforce risk stress testing.

Credit Risk Management on Group Customer Loans

The Bank attaches great importance to the management on group customer credit granting business. Following the unified credit granting principle,the bank explicitly requires to put, loan (including trade finance), bills acceptance and discount, overdraft, bond investment, investment in specific purpose vehicles, L/C issuance, factoring, guarantee, loan commitment, exposure to credit risk arising from transactions such as derivatives and other transactions as well as other businesses whose credit risks shall be essentially borne or may be borne by the Bank, into unified credit management.

The Bank further refined and standardized the management on group customers from the aspects including overall structure, division of responsibilities, business processes and management requirements of group customer credit management; effectively controlled the total risk exposure of each group customer by determining their credit limit; stringently scrutinized credit granting access for group customers; strengthened the management over loan payments to affiliated enterprises of a group customer; and strengthened post-loan inspections and conducted offsite risk monitoring.

Credit Risk Management of Small and Micro Enterprise Loans

The Bank provides active support for credit granting business development of small and micro enterprises, and increases financially inclusive credit loans granted for small and micro enterprises. It carries out whole-process risk management covering target market planning, pre-loan investigation, customer access, review and approval, loan release, post-loan management, portfolio monitoring and debt collection management. The Bank, on the prerequisite of compliance, reduced the approval steps, improved review efficiency and differentiated management from large and medium enterprises by improving authorization management, delegating approval to lower levels, and optimizing review and approval processes for credit granting business.

Credit Risk Management of Retail Loans

The Bank further enhanced the online, automatic and intelligent approval of retail credit. Through access to local housing funds, social insurance, taxation and core enterprise data, conducting joint modelling and data link with China Life Insurance Group, and continuously detailing the customer's information, the bank realized automatic approval of credit consumer loans and credit operation loans; realized the mobile application acceptance and approval of the mortgage operation loan product "Easy Mortgage", and further enhanced

the granting efficiency of small and micro loans and risk management capability; further raised automatic approval rate of housing mortgages, with remarkable results in system construction and process optimization. The Bank gradually applied intelligent robot technology in business scenarios to effectively improve operational efficiency and service quality and enhance customer experience.

During the reporting period, the Bank constantly strengthened the development of retail credit risk system to improve the level of collection intelligence; successfully launched the retail credit intelligent robot collection project; organized special risk investigation for the pandemic and reinforced post-loan control of high-risk customers; strengthened the collection and litigation management of overdue and non-performing loans. Remarkable debt collection and disposal results were achieved for the year.

Credit Risk Management of Credit Card Business

The Bank always adheres to the concept of whole-process risk management, takes sound operation as the premise, implements science and technology empowerment for risk management, deepens data and technology drive, and realizes healthy and steady development of risk management.

In the pre-loan credit approval process, the Bank continued the iterative updating of data, models and technologies, and implemented credit approval strategies for differentiated customer group; paid attention to regional and industry risks, prevented risks of multiple sources, and continuously improved the customer group management system; strengthened the marketing of high-quality customer groups and increased the proportion of well-educated customers and high-value customers. In mid-loan credit maintenance, the bank combined with the application of big data model and real-time risk control system, further improved the risk identification ability and fine management of customer groups; reduced the exposure to high-risk customers and removed high joint-debt customers; strengthened transaction-level control and increased the management of high-risk and cash-in customers; expanded the application of income information, optimized the instalment quota strategy, and enhanced the value of existing customers. In the post-loan asset collection process, the Bank reduced the scale of assets to be collected by linking pre-loan and mid-loan credit, innovatively carried out robot automatic collection, and promoted the repayment reminder project before delay, so as to improve the efficiency of overdue asset collection. In terms of asset portfolio management, according to the Bank's risk preference policies and the actual risk status, the Bank implemented regular stress tests and portfolio limit management so as to obtain, monitor and warn risks in real time and promote the advance and retreat management of risk policies. In terms of risk management by science and technology empowerment, the Bank promoted "digital, intelligent and online" risk management as its objectives, improved the risk management system, created financial technology risks, and focused on promoting the risk indicator early warning system, all-round data monitoring and intelligent identification technology.

Credit Granting Risk Management of Financial Market Business

During the reporting period, the Bank proactively took several measures according to regulatory requirements such as conducting financial institutes businesses de-leveraging, tackling disorder in the financial market, and rebuilding asset management regulations, carried out de-leveraging and de-foaming in the prudent and stable manner, actively implemented the requirements of the Administrative Measures for Exposure of Risks with Significant Amounts of Commercial Banks promulgated by China Banking and Insurance Regulatory Commission, and reasonably controlled the credit granting of financial institutions. The Bank included the business on and off-balance sheet in the investment banking and financial market segment, of which credit risks shall essentially be borne by the Bank, into its unified credit management in strict accordance with the penetration principle.

Five-grade Classification of Loans and Changes in Non-performing Loans

Five-grade Classification of Loans and Loss Provisions for Each Grade of Loans

Unit: RMB'000

Item	As at 31 December 2020 Balance	Percentage (%)	As at 31 December 2020 Loss provisions for loans
Pass	**1,752,074,371**	97.46	22,512,064
Special mention	**17,783,332**	0.99	6,583,272
Substandard	**9,560,695**	0.54	5,578,400
Doubtful	**12,268,319**	0.68	9,370,028
Loss	**5,993,615**	0.33	5,568,487
Total	**1,797,680,332**	100.00	49,612,251

Note: Accrued interest is excluded in the data of the five-grade classification of loans.

Changes in Non-performing Loans

Unit: RMB'000

Item	31 December 2020		Increase/decrease during the period		31 December 2019	
	Balance	Percentage (%)	Amount	Percentage (%)	Balance	Percentage (%)
Substandard	**9,560,695**	**0.54**	4,628,966	0.23	4,931,729	0.31
Doubtful	**12,268,319**	**0.68**	(2,315,541)	(0.25)	14,583,860	0.93
Loss	**5,993,615**	**0.33**	1,208,657	0.02	4,784,958	0.31
Total	**27,822,629**	**1.55**	3,522,082	0.00	24,300,547	1.55

Major Policies, Measures and Effects of Non-Performing Asset Management

During the reporting period, the Bank sped up the disposal of non-performing assets with several approaches such as conventional debt collection and batch transfer, and bad debt write-off, in accordance with the legal compliance, transparency and risk settlement principle. Firstly, the Bank strengthened the collection of non-performing assets with conventional approaches such as lawsuit and disposal of collateral, implemented the business philosophy that collection is profit-making, and continuously strengthened cash collection. Secondly, the Bank flexibly grasped the market opportunity, carried out batch transfer of non-performing assets, tapped the value of property, stepped up marketing, and improved the recovery rate of batch transfer of non-performing assets. Thirdly, the Bank accelerated the write-off of non-performing loans by properly using means of write-off and disposal of bad loans, in accordance with the principle of "full verification", and at the same time, continued to increase the collection of non-performing assets after write-off in accordance with the principle of "write-off account with case retained". Fourth, in response to the call of the state, the Bank, fulfilled social responsibilities, reorganized loans affected by the pandemic, eased the pressure on the capital chain of enterprises, and supported enterprises to extricate themselves from difficulties. By the end of the reporting period, the Bank recovered and disposed of RMB41.89 billion non-performing loan principals in total.

Loans Classified by Business and Structure of Non-performing Loan

In terms of corporate loans, the Bank increased its placement in manufacturing, transportation and infrastructure management related industries, strongly supported the development of the real economy, and obtained stable and sound quality of assets. As of the end of the reporting period, the Bank's corporate loans (including discounted bills) increased by 5.53% over the beginning of the year, and its non-performing loan ratio was 1.63%, down by 0.15% from the beginning of the year. In terms of retail loans, the Bank actively expanded its retail credit business, steadily delivered loans in housing mortgage loans for self-occupation demand and actively adjusted the structure of credit card customers, making the asset quality stable and controllable. As of the end of the reporting period, the Bank's personal loan balance decreased by 5.53% over the beginning of the year, and its non-performing loan ratio was 1.44%, slightly higher than the beginning of the year.

Unit: RMB'000

	31 December 2020			31 December 2019		
Item	Balance of loans	Percentage (%)	NPL ratio (%)	Balance of loans	Percentage (%)	NPL ratio (%)
Corporate loans (including discounted bills)	982,616,110	54.66	1.63	769,579,265	49.13	1.78
Personal loans	815,064,222	45.34	1.44	796,834,230	50.87	1.33
Including: Credit card overdraft	417,146,757	23.20	1.98	466,105,820	29.76	1.65
Total	1,797,680,332	100	1.55	1,566,413,495	100.00	1.55

Note: Accrued interest is excluded in the data of loans.

Corporate Loans Classified by Industry (Excluding Discounted Bills) and Non-performing Loans

Unit: RMB'000

	31 December 2020			31 December 2019		
Industry customers	Balance of loans	Percentage (%)	NPL ratio (%)	Balance of loans	Percentage (%)	NPL ratio (%)
Manufacturing	121,273,814	15.48	6.64	102,583,309	16.10	6.00
Wholesale and retail	84,463,727	10.78	4.27	82,675,068	12.98	4.57
Real estate	160,944,281	20.54	0.20	139,146,339	21.84	1.01
Construction	58,852,792	7.51	1.53	51,026,010	8.01	1.66
Transportation, warehousing and postal services	37,025,394	4.72	0.31	22,178,392	3.48	2.12
Water resources, environment and public facilities management	125,512,645	16.02	0.02	96,929,535	15.21	0.10
Leasing and commercial services	94,614,274	12.07	1.50	71,791,441	11.27	0.85
Mining industry	30,870,603	3.94	0.70	20,663,403	3.24	0.17
Information transmission software and information technology services	6,548,851	0.84	10.11	4,542,998	0.71	1.31
Others	63,544,260	8.10	1.15	45,628,021	7.16	0.55
Total	783,650,641	100.00	2.05	637,164,516	100.00	2.15

Provision and Write-off of Loan Impairment Allowances

Unit: RMB'000

Item	Loan impairment allowances
Opening balance	41,952,459
Impairment allowance for the year	52,811,458
Reversal of the year	(17,991,419)
Recovery of amounts written off in previous years	4,417,392
Write-offs in the year	(31,781,876)
Closing balance	49,408,014

Note: Include only the loan impairment allowances measured by amortized cost.

Assets as debt repayment

Unit: RMB'000

Item	2020 31 December	2019 31 December
Assets as debt repayment	**835,619**	1,243,306
Including: Housing property	**751,029**	1,158,716
Land use rights	**84,590**	84,590
Others	**–**	–
Less: Impairment allowance	**(192,765)**	(327,397)
Net assets as debt repayment	**642,854**	915,909

Market Risk

Market risk refers to the risk of losses incurred from on-sheet and off-sheet business of a commercial bank caused by adverse changes of market prices (including interest rates, exchange rates, stock prices and commodity prices). The Bank's market risks mainly comprise the fluctuations in interest rate and exchange rate.

The Bank established and improved the market risk management system according to regulatory requirements such as the Administrative Measures for Capital Management of Commercial Banks (Trial), Commercial Bank Market Risk Management Guidelines and Commercial Bank Account Book Interest Rate Risk Management Guidelines (Revision). The Board of directors of the Bank assumes the ultimate responsibility for monitoring market risk management; the senior management is responsible for formulating, regularly reviewing and supervising the implementation of policies, procedures, and specific operational codes for market risk management; the Risk Management Department leads the instalment identification, measurement and monitoring of market risks of the Bank, and report the market risk management to the Board of Directors, the Risk Management Committee of the Board and senior management on a regular basis; the Asset and Liability Management Department is responsible for managing market risks such as the interest rate and exchange rate risks of the Bank's account books.

In terms of trading accounts and bank account books, the Bank manages their market risks with different methods. Market risk management over trading accounts mainly involves daily revaluation of positions in trading accounts by the application of market risk-related limits such as VaR limit, exchange rate sensitivity limit, interest rate sensitivity limit and stop-loss limit, and regular measurement of market risks using such methods as sensitivity analysis, VaR analysis and stress testing. In terms of market risk management over bank accounts, the Bank focuses on management of interest rate and exchange rate risks to identify, measure, and monitor the market risks of various business lines using a range of approaches such as duration monitoring, exposure analysis, sensitivity analysis, scene analysis and stress testing. The market risk and capital mid-office systems, and the liquidity risk and bank account interest rate risk management systems have successfully measured and monitored various risks regarding trading accounts and bank accounts.

During the reporting period, due to the development of the pandemic and the marginal changes in Sino-US relations, the fluctuation of domestic and foreign financial markets intensified. Facing the complicated financial situation, the Bank's market risk management department took active management measures to improve the quality efficiency of market risk management. The Bank reasonably set market risk limit indicators within the framework of risk appetite indicators, organically combined the performance of risk indicators with market changes, and strengthened stared at market monitoring and early warning prompts; timely guided the adjustment of liability structure and used interest rate derivatives to mitigate interest rate risks; revised and improved the system and optimized the system functions; strengthened the risk assessment of new products and new businesses, conducted regular stress tests, and strengthened the financial market situation and business analysis and reporting mechanism. As of the end of the reporting period, the Bank's market risk didn't have any breach of the risk appetite indicators set by the Board of Directors for risk limits and warning thresholds of the Bank. According to the Administrative Measures for Capital Management of Commercial Banks (Trial), the market risk capital provision of the Bank covered the interest rate risk, exchange rate risk, stock price risk and commodity price risk in the transaction accounts, as well as the foreign exchange risk and commodity risk in bank accounts. At the end of the reporting period, the Bank's capital market risks occupied capital under the standardized approach amounted to RMB3.044 billion with a decrease of 16.47% compared with the end of 2019, mainly due to the greater reduction in the scale of interest rate swap product.

Bank Account Interest Rate Risk

The bank account interest rate risk refers to the risk of losses of economic net value of bank accounts and overall earning caused by in case of adverse changes in the interest rate level and term structure, mainly including gap risk, basic risk and option-related risk.

The Bank established the bank account interest rate risk management system Board of Directors covering risk appetite, risk limits, gap analysis, duration analysis, scene simulation and stress testing in accordance with the Commercial Bank Account Book Interest Rate Risk Management Guidelines (Revision) promulgated by China Banking and Insurance Regulatory Commission, and evaluated the impacts of interest rate changes on operation from the aspects of net interest income and economic value. The Board of directors assumes ultimate responsibility for the effective management of bank account interest rate risks. The senior management is responsible for approving the bank account interest rate risk limits of the Bank, and authorizing and urging functional departments to effectively manage bank account interest rate risks. The Asset and Liability Management Department is responsible for the identification, measurement, monitoring and control of the bank account interest rate risks of the Bank. The Bank shall measure the bank account interest rate risks undertaken by the Bank in accordance with the standardized measurement framework; according to the gap of asset and liability period terms and expectations on market interest rate, it the bank guided the adjustment of liability duration via FTP and active liability, and studied the risk hedging strategy of interest rate derivatives in accordance with market situations.

During the reporting period, the Bank kept a close eye on fundamentals of the macro economy and monetary policies at home and abroad, changes in external interest rate environment such as LPR and regulatory policies, worked harder on studies on interest rate trend, continuously optimized the asset and liability structure, and enhanced risk measurement methods. It attached great importance to the management of bank account interest rate risks. In 2020, the control of bank account interest rate risks was considerable, and all indicators were within the limit.

Liquidity Risk

Liquidity risk refers to the risk of a commercial bank failing to obtain sufficient funds timely at reasonable cost to repay debt due, perform other payment obligation and meet other funds demand to conduct normal business.

The Bank established liquidity risk management governance structure following the principle of separate functions of policy formulation, implementation and supervision, and specified the function, responsibility and reporting line of the Board of Directors and its special committee, Board of Supervisors, senior management, Asset and Liability Management Committee and relevant departments in liquidity risk management, in order to enhance the effectiveness of liquidity risk management.

The Bank strictly implemented regulatory regulations and internal policies, in accordance with the Board of Directors liquidity risk appetites requirements, adhered to prudent and stable liquidity risk management strategies, and continuously improved liquidity risk management regulations and methods. The Bank continued to strengthen day-to-day liquidity management, rationally allocated high-quality liquidity assets, maintain appropriate and reasonable reserves, and provided kept payments and clearing safe and smooth payments and settlements. Through internal transfer price tools, the Bank actively adjusted the total amount of asset and liabilities, structure of liabilities and cash flow gap limit and, extended the duration of liabilities, improved the stability of liabilities and reduced term mismatch. The Bank identified, measured, monitored and controlled liquidity risks involved in liability management, and effectively implemented regulatory indicators of liquidity risks by means of several liquidity risk management tools and technology. The overall liquidity of the Bank for the year was safe and stable. Liquidity regulatory indicators met regulatory requirements. The Bank successfully issued Tier-2 capital bonds, supplementing long-term funds and effectively enhancing the capabilities to resist risks. The Bank paid close attention to macro policies and new regulatory regulations, properly predicted the trend of money market, interest rates and actions of peers, and timely adjusted the Bank's capital operation and pricing strategy. The Bank also conducted regular liquidity risk stress tests and supplementary liquidity risk stress tests in particular periods to analyze the abilities to withstand liquidity risk and mitigate its own risk under various stress scenarios; conducted regular liquidity emergency drills to verify the effectiveness and timeliness of emergency measures and developed liquidity contingency plan for particular periods to ensure that the Bank's liquidity is safe and stable under various uncertain scenarios.

As at the end of the reporting period, the Bank's relevant indicators including LCR were as follows:

Unit: RMB'00,000,000

Item	2020 31 December	2019 31 December
LCR (%)	**144.78**	139.99
High-quality liquid assets	**3,178**	2,652
Net cash outflow in the next 30 days	**2,195**	1,894
Liquidity ratio (%)	**70.81**	79.28
Liquid assets	**7,732**	7,159
Liquid liabilities	**10,921**	9,030

In accordance with the requirements for Measures for the Information Disclosure on the Net Stable Funding Ratio of Commercial Banks promulgated by the China Banking and Insurance Regulatory Commission, the information of the net stable funding ratio in 2020 is disclosed as follows:

Unit: RMB'00,000,000

Item	2020 31 December	2020 30 September
Net stable funding ratio (%)	**108.14**	105.21
Stable funds available	**16,675**	15,786
End-period value of net stable funding needed	**15,420**	15,004

Operational Risk

Operational risk refers to the risk of loss arising from imperfect or problematic internal procedures, employees, IT systems and external events, including law risks but excluding strategy and reputation risks. The Bank has established an operational risk management system and management tools that meet the requirements of regulatory agencies and the Bank's development needs, and has controlled the encountered operational risk losses within the risk appetite limit approved by the Board of Directors. At the same time, it was committed to building an industry-leading operational risk management information system to further improve the quality and efficiency of operational risk management.

During the reporting period, the Bank continued to strengthen its risk compliance awareness, focusing on key areas and key positions, stressing on key points, overcoming difficulties, complementing shortcomings and seeking practical results, to improve the effectiveness of operational risk management. Firstly, the Bank strengthened the construction of operational risk management system, optimized and improved the system functions, and consolidated the foundation of operational risk management. With the advanced operational risk management system in the industry, the Bank won the award of "China's Annual Operational Risk Technology Implementation" by The Asian Banker in 2020. Secondly, the Bank reinforced the implementation and application of operational risk management tools such as operational risk and control self-assessment, monitoring of key risk indicators and collection of loss data to improve the effectiveness of risk control. Thirdly, the Bank enhanced operational risk monitoring and analysis. Through regular statistical analysis of key information such as regulatory priorities, peer risk events, and high-risk problems found in internal and external inspections, the Bank predicted the change trend of operational risks to improve the pertinence of risk management. Fourthly, the Bank augmented risk investigation and problem rectification in key areas. For high-risk areas and weak links in internal control, the Bank intensified internal control inspection and self-inspection, strengthened problem rectification from the aspects of improving systems, optimizing processes, implementing accountability, strengthening training, etc., took multiple measures to solve the problem of repeated violations even with repeated investigations, and established a long-term mechanism for risk prevention and control. Fifthly, the Bank reinforced the construction of risk management culture. It made full use of online channels such as online video and "Guangxue" Platform; strengthened the basic knowledge training and system learning to effectively improve the staff's business level and risk compliance awareness; compiled and released electronic journals such as Operational Risk Management Instructions, Risk Compliance Instructions and Criminal Cases Warning in a bid to strengthen risk compliance and case warning education, and cultivate a risk compliance culture of "knowing fears, upholding bottom line and preventing risks".

Country Risk

Country risk refers to the risk that economic, political or social changes and events occurred in a foreign country or region render borrowers or debtors in that country or region unable or unwilling to repay bank debts or cause the Bank to suffer commercial losses or other losses in that country or region.

Under the complex and volatile international situation, the Bank continued to strengthen country risk management by revising the Measures for Country Risk Management of CGB, and further improving the division of responsibilities and management procedures of country risk management. According to the results of country risk assessment, the Bank divided relevant countries/regions into 7 internal ratings, corresponding to 5 risk levels of lower, low, medium, high and higher, and carried out classified management on each risk level. The Bank conducted limits management for businesses bearing country risks. Considering factors such as international credit business development strategy, risk preference, country risk rating and business development, the Bank reasonably verified country risk limits and monitored the limits on a monthly basis. The Bank continued to strengthen country risk monitoring, promptly triggered warning once the country risk was downgraded, and earnestly prevented risks. During the reporting period, the scale of the bank's country risk creditors was relatively small, the risk level of the countries involved was lower, sufficient country risk impairment provision was made and the country risk was controllable as a whole.

Reputation Risk

Reputation risk refers to the risk of negative evaluation of a commercial bank by its stakeholders arising from its operations, management, and other behaviors or external events.

During the reporting period, the Bank strictly implemented the management requirements of public opinion set by the regulators work of regulatory agencies, actively responded to the impact of the pandemic, and carried out reputation risk prevention and control and public opinion management. It made greater efforts from several aspects to explore a long-term mechanism for public opinion management, strengthened responsibility and took the initiative to continuously improve the level of reputation risk management. The Bank didn't have any significantly reputation risk, thus maintaining stable, healthy and controllable public opinions throughout the year.

Firstly, the Bank strengthened the construction of public opinion management mechanism. In strategic planning, corporate governance, business operation, employee behavior management and other fields and process, the Bank gave full consideration to reputation risks, and established mechanisms for monitoring, disposing of, repairing and evaluating reputation risks, preventing reputation risk through the whole process of operation and management so as to realize full participation, full coverage and full management. Secondly, the Bank reinforced the source management of reputation risk. Through the implementation of a number of effective measures, such as investigation of potential reputation risks, closed-loop management of public opinion and monitoring of online complaints, the Bank prevented the emergence of industrial negative news from the source. Thirdly, the Bank raised its ability to deal with public opinion. The Bank properly handled all kinds of hidden dangers and sensitive reports of public opinions, responded in a timely and efficient manner, and no major negative public opinions spread. Fourth, the Bank strengthened positive and active response. It responded to public and media concerns in a timely manner and created a positive public opinions over the bank. Fifthly, the Bank enhanced reputation risk management training. It revised and released the Reputation Risk Response Manual, organized reputation risk management training and emergency drills, and enhanced the awareness and level of reputation risk management of all employees.

Strategic Risk

Strategic risks refer to the risks caused by improper operation strategies or changes in external operation environment of commercial banks.

The Bank proactively formulated its development strategy in combination with internal and external environment and policy orientation with five years as a strategic planning period in accordance with the planning cycle of national macro-economy, promptly carried out dynamic adjustments of the strategic planning according to changing situations, and corrected strategy implementation deviation through regular strategic evaluation, in order to prevent adverse impacts on the Bank's stable operation due to improper strategic decisions or ineffective strategy implementation. The Bank will not step in business fields unless it has relevant knowledge, resources and risk management capability. New products and new businesses shall be launched upon completion of approval procedures and based on necessary resources, technology, processes and risk management capability, and in compliance with regulatory policies..

During the reporting period, to regularly evaluate strategy implementation, the Bank oriented itself to the market, dynamically evaluated the staged strategic objectives and the effects and shortcomings of strategy implementation, analysed the opportunities and challenges in the future, and put forward pertinent development strategies for the following period. Meanwhile, the Bank regularly monitored and evaluated strategic risks under the comprehensive risk management system.

During the reporting period, the Bank's strategic risks were controllable on the whole and had no material adverse impacts on the Bank's normal business operations.

Compliance Risk

Compliance risk refers to the risk of legal sanction, regulatory punishment, significant financial losses and reputation loss resulting from a commercial bank's failure to obey laws, administrative laws and regulations, departmental rules and other normative documents, as well as industry standards, code of conduct and professional ethics of self-regulatory authorities. During the reporting period, the Bank continuously paid close attention to the latest development in relevant laws and regulations, internalized external laws and regulations and strengthened process monitoring, earnestly implemented compliance trainings and outreach, and carried out comprehensive identification, assessment and effective prevention of compliance risks. It continuously intensified the preliminary compliance reviews for new products and new businesses, and prevented compliance risks in on and off-balance sheet business innovations.

During the reporting period, the Bank thoroughly implemented the strategy of "Revitalizing China Life" and firmly adopted the "12333" working thoughts. Under the complex external environment and severe compliance case prevention situation, by implementing series of "Year for Compliance Case Prevention Action", the Bank improved the ability of case prevention and control and perfected the accountability mechanism, carried out joint special actions on case prevention and control as well as employee abnormal behaviors management throughout the Bank, launched an integrated platform for internal control and compliance, actively advocated and cultivated a culture of "compliance is the bottom line and lifeline", and strived to promote the construction of a long-term mechanism for compliance risk management.

Under the current severe international and domestic anti-money laundering situations, the Bank further consolidated its political stance and attached great importance to anti-money laundering compliance management. During the reporting period, the Bank established an Anti-Money Laundering Center in the Head Office, with the goal of "comprehensively improving the ability of money laundering risk management and building an anti-money laundering management framework with centralized mode of the Head Office", actively promoted the optimization of anti-money laundering workflow and the improvement of anti-money laundering management mode, focused on organizing comprehensive benchmarking of new anti-money laundering regulatory requirements, further perfected the anti-money laundering working mechanism, increased the frequency of reporting to the Board of Directors and senior management, and continuously optimized the anti-money laundering system, regulations and procedures; through the organization of various forms of anti-money laundering hierarchical trainings and internal and external publicity activities, the Bank took multiple measures to strengthen the internal spread of knowledge and raise the public's awareness of money laundering risk prevention. According to the new regulatory requirements, the Bank implemented institutional money laundering risk assessment projects to enhance the effectiveness of risk assessment and control; actively carried out exchanges with advanced banks, continuously promoted the construction of anti-money laundering staffing and resources, and expanded investment in science and technology.

Information Technology Risk

Information technology risk refers to the operational, legal and reputation risks arising from natural and human factors, technical vulnerabilities and management defects during the application of information technology by a commercial bank. In practice, the Bank's information technology risk management includes business continuity management and outsourcing risk management.

The Bank has set up "three lines of defence" for IT risk management, with IT departments as the "first line of defence", the IT risk management departments as the "second line of defence" and the auditing departments as the "third line of defence". The goals, principles, frameworks and implementing approaches for IT risk management were specified. The rule and regulation frameworks for IT risk were formulated, and the management system was established in such aspects as production and operation & maintenance, development testing, information security, business continuity and outsourcing risks.

In terms of IT risk management, the Bank continuously improved IT risk management system structure, revised IT risk management measures, ameliorated IT risk monitoring tools, and carried out inspection and evaluation on key areas such as network security, application of new technologies, change of management, etc. At the same time, the Bank implemented self-examination and spot check on IT risks in all branches, strengthened the awareness of IT risk prevention of the whole bank through training, and jointly built a consolidated IT risk defence line with the linkage between the head office and branches and the linkage of three lines of defence.

In terms of business continuity management, the Bank basically developed a business continuity management system in line with the regulatory requirements and actual needs of the Bank. The Bank has established an overall information system structure with three centers in two regions, comprising Foshan Nanhai Database Center, Guangzhou Intra-city Backup Center and Beijing Non-local Disaster Recovery Center. The disaster backup center has covered the Bank's important information systems, core businesses, payment and settlement and major channel businesses, basically meeting the Bank's business continuity management needs. During the reporting period, the Bank carried out business impact analysis and risk assessment, identifying important businesses and risk scenes pertinent to the current business development of the bank; the Bank conducted a comprehensive check on the organizational structure, reporting routes, contingency measures in response to emergencies and enhanced all staff's capabilities in emergency response and disposal by such drills as annually comprehensive emergency pre-planning of the whole bank, real switching of important information systems, disaster recovery, real exercise and simulation drillings.

In terms of outsourcing risk management, the Bank has embedded the outsourcing risk management in the whole process of outsourcing projects and achieved hierarchical and phased control of outsourcing projects. During the reporting period, the Bank continued to perfect relevant mechanisms for outsourcing risk management, established an outsourcing risk assessment model, quantified the outsourcing risk status, and introduced external enterprise big data risk information searching tools to enhance the effectiveness and comprehensiveness of risk management of outsourcers. Self-inspection of outsourcing risk management and on-site inspection of important outsourcers were carried out to intensify the outsourcing risk management requirements.

Exposure of Risks with Significant Amounts

According to the Administrative Measures for Exposure of Risks with Significant Amounts of Commercial Banks (YBJH 2018 Order No.1) promulgated by China Banking and Insurance Regulatory Commission, exposure of risks with significant amounts refers to the exposure of risks which account for more than 2.5% of the Tier 1 capital of a single client or a group of connected clients by the commercial bank. The Bank attached great importance to the management of exposure of risks with significant amounts, set internal limits, dynamically monitored changes in exposure of risks with significant amounts and gave early warnings so as to proactively promote information system building, and constantly enhance the capability of the Bank to prevent risks with significant amounts. As of the end of the reporting period, the Bank's exposure of risks with significant amounts was controlled within the regulatory limit.

Internal Control

The Bank has formulated internal control objectives and principles and promoted the establishment of the internal control system composed of five elements, i.e. internal environment, risk assessment, activities controlling, information and communication, and internal supervision in accordance with relevant laws and regulations such as the Commercial Bank Law and the Guidelines on Internal Control of Commercial Banks, aiming at conducting whole-process management and control of all operation and management activities, and continuously optimized and perfected its internal control system in practice. During the reporting period, the Bank continued to optimize and improve the internal control system by such measures as strengthening institutional system building, formulating the Internal Control Standard Manual (2020 Edition), continuously perfecting the overall inspection management mechanism and problem rectification work mechanism, comprehensively implementing the special work of "Looking Back" to rectify disorders in the market, making research on the construction of information sharing platform which integrates internal control with compliance.

The Bank strengthened the construction of institutional system throughout the bank. During the reporting period, the Bank organized the departments of the Head Office to carry out annual system initiation, implemented the "legislation, reform and abolition" of rules and regulations as planned, closely focused on the transformation, upgrading, development and management of businesses, optimized the systems, and provided timely training and propaganda on important systems. In addition, the Bank sorted out and summarized the label information of "system characteristics", collected lists of applicable external regulations, and formulated the system compilation of the Head Office as of the end of 2019 in a bid to provide support for system implementation and inspection.

The Bank continuously improved the overall inspection management mechanism. During the reporting period, the Bank strengthened the overall management of internal control and compliance inspection throughout the Bank, standardized inspection behaviors, strengthened the supervision and inspection functions of the first and second lines of defence, and improved the quality efficiency of internal control and compliance inspection throughout the Bank. In addition, the Bank formulated the Operational Guidelines for Tracking the Rectification of Supervision and Inspection Problems to promote the institutionalization and standardization of the Bank's problem rectification work, promote the effective rectification of problems found in inspections, strengthen the closed-loop management of rectification, and perfect the long-term mechanism of internal control management.

The Bank fully implemented the special work of "Looking Back" to rectify market disorder. According to the regulatory requirements, the Bank released the Notice on Carrying out the Special Governance Work of "Looking Back" on Market Disorder Rectification in 2020, and organized to carry out self-inspection evaluation and rectification accountability throughout the Bank. Taking the review of market disorder rectification as the starting point, the Bank strictly conducted self-inspection and rectification so as to find out and resolve problems; deeply analysed the root of the problems, rectified problems once found, intensified the accountability and punishment, and continuously improved the long term mechanism of internal control management.

The Bank studied and built an integrated information sharing platform for internal control and compliance. During the reporting period, the Bank started the integrated information sharing platform for internal control and compliance, initially integrated the internal control and compliance systems decentralized throughout the Bank, reconstructed the Bank's rules and regulations management and accountability management functions, newly developed case prevention and employee behavior management functions, and ensured centralized management of the Bank's rules and regulations by automatically synchronizing system document data with OA official document system; through docking the external risk information of human resources system and anti-fraud system, the Bank initially developed a compliance portrait of employee behaviors. The first-phase function of the platform has been put into operation and is now in the trial stage, providing systematic support for the internal control and compliance case prevention management of the whole bank.

Internal Audit

The Bank established an independent audit system accountable to the Board. The Audit Committee of the Board,, manages and guides the audit work of the whole Bank in accordance with the authorization of the Board. The Head Office has an Audit Department and four Regional Audit Centers in Guangzhou, Beijing, Shanghai and Wuhan, which independently fulfil the functions of supervision, appraisal and consultancy, and report to the Board, Audit Committee, Board of Supervisors, etc. During the reporting period, the audit department carried out audit projects in an orderly manner as planned, innovated audit methods, sorted out risk shortcomings, made up for management loopholes, improved audit effectiveness, and contributed audit strength to the high-quality development of the whole bank.

The Bank strengthened audit inspection and supervision. According to the annual plan, the Bank carried out regular, special, unannounced inspection, audit investigation and audit projects related to pandemic prevention and control, and conducted audits in emerging, fast-growing and important business areas according to the thought of "focusing on the new, fast and important items", so as to achieve full-coverage audit for important business departments and first-level branches. It further standardized the standards and procedures for risk classification and accountability on problems found in audits, and propelled the application of audit results. It promoted to rectify the problems once found in the audit, organized the implementation of rectification and verification, put emphasis on the establishment of a long-term mechanism, and effectively boosted the management effectiveness and governance capability.

The Bank improved the level of audit informatization. Through the five-in-one system of "building systems, establishing mechanisms, conceiving methods, organizing teams and achieving results", the Bank comprehensively promoted the reform of digitalization, started the construction of an audit data analysis platform, and steadily improved the application level of internal audit data. After the outbreak of the COVID-19 pandemic, the Bank quickly formulated work plan related to off-site audit, and carried out off-site audits on the Bank's implementation of financial support for pandemic prevention and control and the implementation of major national policies and measures with data audit as the core, effectively investigating and identifying potential risks in the process of policy implementation and business operation.

The Bank strengthened the internal and external linkage mechanism. It continuously strengthened the sharing and cooperation of risk information in the second and third lines of defence, promoted the coordination and cooperation between internal audit and risk prevention and control departments such as internal control and compliance, risk management, discipline inspection and supervision, stimulated the timely disposal of risks, formed a joint force of risk prevention and control, and raised the effectiveness of risk control. It continued to improve the communication mechanism with external regulatory authorities such as the CBIRC and the National Audit Office, comprehended the national principles and policies and regulatory focus priorities, and strived to create a sound external regulatory environment.

The Bank enhanced level of overall duty performance. The Bank strengthened the building of audit team under the guidance of Party building, carried out various forms of training, established a professional curriculum system on audit subject, improved the professional skills and comprehensive quality of auditors, and realized the transformation to a learning and research based audit team. It carried out post competition and exchange of rotations among auditors, optimized the incentive and restraint mechanism, and continuously bettered the professional structure of the audit team; organized to take various professional qualification examinations to improve the overall duty performance of the audit team.

Capital Management

Capital Allocation and Management

The Bank implemented capital-intensive management and strove to build up a development model centering on capital management and value management. During the reporting period, the Bank carried out comprehensive arrangement on the total capital, and reasonably restricted the over-expansion of risk-weighted assets according to the management objective of the capital adequacy ratio, and maintained capital adequacy ratio in line with regulatory requirements. Meanwhile, the Bank constantly improved the resource allocation and operation management mechanism, adopted the guideline of economic value-added and risk-adjusted return on capital, further promoted "capital-light and asset-light" business development, and strove to realize the maximum rate of return on risk-weighted assets.

During the reporting period, the capital adequacy ratio of the Bank was continuously higher than regulatory requirements.

Capital Adequacy Ratio

Overview of Capital Adequacy Ratio

The Bank calculates its capital adequacy ratio in accordance with the Administrative Measures for Capital Management of Commercial Banks (Trial) and other regulatory requirements promulgated by the CBIRC. The particulars at the end of the reporting period are as follows:

Unit: RMB thousand

Item	2020 31 December
Total net capital	274,188,455
Including: Core Tier-1 capital	173,158,570
Deductions of core Tier-1 capital	(2,150,807)
Net core Tier-1 capital	171,007,763
Other Tier-1 capital	44,991,071
Deductions of other core Tier-1 capital	–
Net Tier-1 capital	215,998,834
Tier-2 capital	58,189,621
Deductions of Tier-2 capital	–
Total risk-weighted assets	2,192,860,460
Including: Credit risk-weighted assets	2,021,170,667
Market risk-weighted assets	38,050,399
Operational risk-weighted assets	133,639,394
Core Tier-1 capital adequacy ratio (%)	7.80%
Tier-1 capital adequacy ratio (%)	9.85%
Capital adequacy ratio (%)	12.50%

Notes:
1. The calculation of capital adequacy ratio covered all domestic and overseas branches of the Bank and did not involve subsidiaries that are financial institutions under consolidated management.
2. Measurement methods for risk-weighted assets concerning various risks: method of weighting for credit risk-weighted assets, standardized approach for market risk-weighted assets and basic indicator approach for operational risk-weighted assets. During the reporting period, there was no significant change in the measurement methods for various risk-weighted assets concerning credit risk, market risk and operational risk, the risk measurement system and relevant capital requirements.
3. In accordance with the Administrative Measures for Capital Management of Commercial Banks (Trial), the Bank's capital instruments entitled to preferential policies during the transition period are the RMB4.5 billion subordinated bonds issued by the Bank in 2012.

Composition of Capital

For more details of the Bank's capital composition according to the Regulations on Disclosure of Capital Composition of Commercial Banks issued by the CBIRC, please refer to "Investors Relationship" on the Bank's website (www.cgbchina.com.cn).

Leverage ratio

For details of the Bank's leverage ratios according to the Administrative Measures on Leverage Ratios of Commercial Banks (Revised) issued by the CBIRC, please refer to "Investors Relationship" on the Bank's website (www.cgbchina.com.cn).

Capital Financing Management

The Bank was fully committed to implementing capital planning, strengthening capital management and enhancing capital strength. It proactively optimized asset structure, constantly enhanced profitability and realized the coordinated development of internal capital and risk-weighted assets. Innovative capital explorations were conducted to broaden the capital replenishment channels and fully promote the diversified capital replenishment. During the reporting period, the Bank successfully issued RMB33. 5 billion of Tier-2 capital bonds to replenish Tier-2 capital. Among them, Category I for the 10-year period, with the non-issuer's right of redemption at the end of the fifth year, issuing size of RMB30 billion and a coupon interest rate of 4.26%; Category II for the 15-year period, with the non-issuer's right of redemption at the end of the tenth year, issuing size of RMB3.5 billion and a coupon interest rate of 4.51%.

Implementation of the New Basel Capital Accord

In recent years, in accordance with the New Basel Capital Accord framework and comprehensive risk management guidelines, the Bank has been exploring the construction of a comprehensive risk management system under Pillar II on the basis of deepening the construction of Pillar I. Firstly, the Bank continued to perfect the risk appetite and limit management system, systematized the Bank's risk appetite and limit management, and strengthened the role of fintech in risk monitoring. Secondly, the Bank continued to optimize risk stress testing mechanism. In addition to conducting comprehensive risk stress tests and capital adequacy ratio stress tests once a year, in line with the impacts of emergencies such as COVID-19 pandemic during the reporting period, the Bank independently carried out special stress tests for small and medium-sized enterprises and participated in banking stress tests organized by the CBIRC and the Central Bank, giving full play to the role of stress testing tools in forward-looking identification and positioning of potential risks and vulnerable links, and corrected measures in the risk management which carried out in advance and provided management decisions in response to the impacts of the pandemic Thirdly, risk identification and assessment were piloted in the whole Bank. The Bank has piloted the identification and assessment of major risks and their management for four consecutive years, accumulating useful experience.

Strategic Cooperation with Major Shareholders

Strategic Cooperation with Major Shareholders

The Bank carried out all-around cooperation with its major shareholders in the principle of complementary advantages and mutual benefits. During the reporting period, the Bank cooperated with China Life Insurance Company Limited and members of its superior group in the fields including commission-based insurance distribution, commission-based fund distribution, cash management, interbank deposits and lending, asset management, investment banking and asset custody, achieving remarkable effects. Focusing on the operation concept of “one customer, one China Life”, through the linkage of insurance, investment and banking, the Bank continued to innovate individualized and customized comprehensive financial service supply, improved the ability to serve national strategies and real economy and raised customers’ experience.

The Bank partnered with State Grid Yingda International Holding Group Co., Ltd. and other member companies of its parent company in such areas as commission-based insurance distribution, commission-based fund distribution, asset custody, and interbank deposits and lending; the Bank cooperated with CITIC Trust Co., Ltd. mainly in the field of investment banking, commission-based trust distribution, asset custody and interbank credit granting; the Bank cooperated with Jiangxi Provincial Expressway Investment Group Co., Ltd. mainly in the field of deposits, loans and securities underwriting; the Bank carried out cooperation with Guangdong Utrust Investment Holdings Co., Ltd. and Brilliance Auto Group Holding Co., Ltd. in such areas as asset custody and financing credit granting.

Outlook on the Future Development of the Bank

Outlook on the Future Development of the Bank

Industrial Competition Pattern and Development Trend

In 2020, the COVID-19 pandemic has been raging all over the world and the global macro economy has been hit hard. Under the strong leadership of the CPC Central Committee, China's economy recovered rapidly, market demand gradually picked up, employment and prices were generally stable, new energetic drivers grew and expanded, market confidence tended to increase, and the national economy maintained a stable recovery trend. In this context, China's banking industry continued to deepen the structural reform of the financial supply-side, took high-quality development as the guide and served the real economy as the goal, adjusted business strategies promptly in accordance with the macro situations, and promoted business transformation and upgrading by virtue of financial science and technology. In general, China's banking industry achieved sustainable development in 2020. The scale of asset and liabilities grew steadily, the growth rate of deposits and loans continued to remain stable, profitability remained basically stable, the level of capital adequacy rose steadily, the ability to offset risks was continuously enhanced, the overall liquidity was reasonable and abundant, the market was generally smooth and stable, and the level of science and technology empowerment as well as the level of light weighting continuously went up. At the same time, China's banking industry actively served the national strategies and implemented social responsibilities, playing an important role in maintaining the smooth operation of China's economy and realizing China's development strategies.

Looking forward to the future, China's banking industry is expected to remain in stable operation in 2021. Under the background that COVID-19 pandemic has been effectively controlled in China, the economy has recovered rapidly, the policy no longer prompts the counter-cyclical expansion of credit, the opening up to the outside world has been further deepened, and comprehensive victory has been achieved in the campaign of poverty alleviation, the asset scale and net profit of China's banking industry will maintain steady growth, and the NPL ratio will be at a reasonable and controllable level. It is expected that the supply-side reform of the banking industry will continue to go forward and improve the quality and efficiency of serving the real economy; continue to intensify support for major national strategies, especially major infrastructure, high-end manufacturing, strategic emerging industries and new infrastructure under regional economic integration strategies such as serving international and domestic double circulation, western development, Hainan Free Trade Port, Chengdu-Chongqing Economic Circle, Beijing-Tianjin-Hebei region, Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area; enhance cross-border financial service capabilities, accelerate the internationalization of RMB, improve the level of global supply chain financial services, and escort Chinese enterprises to go global; accelerate science and technology empowerment and the transformation of light weighting and lightweight, utilize financial technology and big data to continuously innovate business development models and improve data risk control capabilities; strengthen risk compliance management, enhance supervision of shadow banking, strictly keep the bottom line of no systemic financial risks, and accelerate the new round of high-quality development of the banking industry.

2021 is the first year of China's 14th Five-Year Plan, China's economy has turned to a high-quality development stage, and is accelerating the formation of a new development pattern in which the domestic big cycle takes dominance and the domestic and international double cycles mutually fuelled. However, COVID-19 pandemic is still not effectively controlled in Europe and America, the external economy is still uncertain, the future global economic development trend is still unclear, and China's financial system still faces multiple challenges. The specific manifestations are as follows: The credit demand has not fully recovered, and the COVID-19 pandemic breaks out from time to time in some areas; the Central Bank's credit guidance decreases and credit easing gradually withdraws; under the influence of the pandemic, local debt problems of some local areas have aggravated, and regional operational risks have intensified. On the whole, however, the economic margin has recovered, the overall asset quality has improved, and science and technology empowerment has obviously accelerated under the impetus of the pandemic. Facing the new pattern of economic development, China's banking industry should earnestly follow the CPC central spirits, persist in serving the real economy, reduce costs while increase efficiency, strengthen risk control, continuously promote strategic transformation, and take the road of capital-saving and high-quality development.

Business Plan for 2021

In 2021, the Bank will fully follow the spirits of the Fifth Plenary Session of the 19th CPC Central Committee and the Central Economic Work Conference, adhere to the general tone of striving for stability, firmly follow the road of high-quality development, base itself on the new development stage, implement new development concepts, serve the new development pattern, focus on improving operating efficiency and business value, and achieve a balanced development of scale, efficiency and quality.

Firstly, focusing on serving the real economy. The Bank will conscientiously implement the tasks of "Six Stability" and "Six Security" and eight key tasks of serving the economy, so as to improve the quality and efficiency of implementing the decisions and deployments of the CPC Central Committee. Secondly, focusing on upgrading the business structure. The Bank will improve its asset portfolio allocation capability and core liability organization capability, balance asset scale and capital consumption, balance benefits and risks, and build a better asset-liability structure. Thirdly, focusing on customer group construction. The Bank will strengthen innovation in products, channels and services, strengthen hierarchical management of customer group, and continuously consolidate the customer base. Fourthly, focusing on scientific and technological innovation. The Bank will accelerate digital transformation, give full play to the basic and leading role of science and technology in business development, and create new dynamic energy for business development. Fifthly, focusing on the banking-insurance cooperation. The Bank will deepen the upgrade of banking-insurance cooperation, strive to enhance banking-insurance cooperation capacity, cultivate distinguishing characteristics superiority of integrated finance, and enhance the comprehensive operating capability. Sixthly, focusing on risk prevention and control. The Bank will coordinate development with safety, enhance its overall risk management capability, strengthen internal control and compliance management, and escort high-quality development.

Outlook on the Future Development of the Bank

Potential Risks and Countermeasures

In 2021, the changes and development of the global epidemic situation are still uncertain, the world economic situation is still not optimistic, and the banking industry is facing a more complex and changeable external environment. On the one hand, the further complexity of the external environment may impact the domestic and international double circulation; the contradiction between sluggish aggregate demand and insufficient effective demand is still serious, which may restrict the power of further deep recovery; the employment pressure is still relatively large, the impact of the epidemic has caused the deterioration of income distribution, and its economic impact may gradually manifest in 2021; the outbreak of COVID-19 pandemic aggravates the vulnerability of market players. In response to the impact of the epidemic, the Bank took many special measures, which delayed but accelerated the accumulation of financial risks and increased the uncertainty faced by bank development. On the other hand, key areas such as "two new and one heavy", reform, advanced manufacturing, industrial supply chain, inclusive finance, private enterprises, agriculture-related, and green finance contain huge financial service needs, which form a major support for the development of banking business; the acceleration of digital transformation of banks is conducive to the improvement of market competitiveness of banks.

Facing opportunities and challenges, the Bank will maintain its strategic focus, actively serve the national development strategies, accelerate digital transformation and improve the level of refined management. The Bank will focus on the following tasks: Firstly, the Bank will optimize the asset structure, ensure credit demand in key areas, and consolidate efforts to serve the real economy. Secondly, the Bank will consolidate the capital base, strengthen capital expansion, actively broaden the channels of capital replenishment, and effectively improve the ability to resist risks. Thirdly, the Bank will strengthen forward-looking judgement and early warning effectiveness management, eliminate blind spots, improve the system, pay close attention to risks in key areas, consolidate and improve comprehensive risk management capabilities, and consolidate the foundation of asset quality. Fourthly, the Bank will take customers as the core, make full use of financial technology instruments such as big data and cloud computing, optimize business processes, strengthens customer acquisition capabilities, perfect risk management tools, and improve risk management and control efficiency.

Corporate Social Responsibility

Corporate Social Responsibility

Adhering to the social responsibility philosophy of "caring about human development and achieving harmony and mutual benefit", the Bank insists on the "customer-centered" concept, practices the service concept of "know each other for you", implements the decisions and deployments of the CPC Central Committee, actively serves the national strategies and overall development situation, and provides customers with better, more intimate and more convenient financial services by enriching product supply and optimizing service flow.

Serving the national strategy and boosting the real economy

The Bank actively serves the major strategic development layouts of the country, gives full play to its advantages in region, layout and banking administration, deepens the banking-insurance cooperation, seizes the development opportunities of strategic regions, promotes the implementation of key projects, and better supports the development of the real economy with high-quality financial services. As at the end of the reporting period, the corporate loan balance in key strategic regions increased by 31.87% compared with the beginning of the year.

The Bank closely focuses on the overall economic construction of the country and increases service support for the real economy; promotes the transformation of net value of asset business products by providing financial services such as epidemic prevention and control bonds, issuance of anti-epidemic certificates of deposit, distribution of local government bonds, investment in credit bonds, interbank financing, etc.; build financial subsidiaries, expand interbank customers and other business measures, the Bank vigorously supports the national key strategic regional economy and boosts the development of the real economy.

Developing Inclusive Finance and supporting people's livelihood projects

The Bank steadily implements measures to support inclusive finance business, enriched the system of small and micro loan products and consumer credit products, increases business support to inclusive finance, provides "good products and favorable pricing" to meet people's livelihood financial needs, and boosted consumption growth.

As of the end of the reporting period, the loan balance of inclusive small and micro enterprises was RMB128.469 billion, an increase of 33.10% over the beginning of the year, and there were 249,900 customers with loan balances, an increase of 8,300 over the beginning of the year; the balance of inclusive agriculture-related loans was RMB13.164 billion, an increase of 86.30% over the beginning of the year, and there were 152,200 customers with loan balances, an increase of 19,800 over the beginning of the year; the balance of financial targeted poverty alleviation loans was RMB14.107 billion, an increase of 19.01% over the beginning of the year, with a continuous increase in balance; the balance of loans in inclusive finance was RMB118.406 billion, an increase of RMB30.474 billion over the beginning of the year.

Winning the campaign of epidemic prevention and control and helping resume work and production

The Bank fulfilled its social responsibilities by providing financial services to support pandemic prevention and control and helped win the campaign against COVID-19. The Bank paid special attention to the requirements of epidemic prevention and control, promoted "contactless" services, opened up green channels for financial services by setting up special credit lines, giving priority for credit examination and interest rate discount, increased credit support for medical institutions and medical device manufacturers related to prevention and control of COVID-19 pandemic, and fully guaranteed the demand for financial services related to epidemic prevention. In view of the possible shortage of liquidity and difficulties in repayment of enterprises returning to work, the Bank reduced enterprises' costs by reducing fees and interests, implemented "one customer, one policy", graced loan repayment to relieve pressure, provided efficient emergency support, tided over difficulties together with enterprises, and supported enterprises to resume work and production.

The Bank continued to carry out public welfare activities in terms of social responsibility. During the epidemic period, the Bank quickly and timely donated RMB35 million, and organized all party members and employees to make voluntary donations of RMB3,637,100 for the frontline of epidemic prevention, which was fully acknowledged by Hubei Provincial Government and achieved good social effects.

Adhering to precise strategies and engaging in poverty alleviation

The Bank conscientiously implemented the decisions and deployments of the CPC Central Committee for poverty alleviation, resolutely eliminated the adverse effects of the epidemic on poverty alleviation, and took multiple measures such as Party Building-based poverty alleviation, industry-based poverty alleviation, finance-based poverty alleviation, education-based poverty alleviation and consumption-based poverty alleviation to successfully complete the assistance tasks assigned by the government in combination with various aspects and industries to form a strong joint force for poverty alleviation. Under the leadership of China Life Insurance (Group) Company, the Bank actively contacted the Sichuan Provincial Party Committee and Government, and took the initiative to claim the assistance task of Kuijiu Village, Jiudu Town, Butuo County, Liangshan Prefecture, which was announced by the State Council among 1,113 poverty-stricken villages listed at the national level. As of the end of the reporting period, 25 branches of the Bank had taken the initiative and matched to help 74 assistance areas. 5,360 poor households and 14,682 poor people,and they all passed the acceptance check of poverty alleviation by the local government, which was fully acknowledged by local governments.

The industrial development model of "company + village collective + farmer" formulated by the Bank for Yuxi Village the targeted assistant village, was selected as one of 15 national excellent cases of the Third Industrial-based Poverty Alleviation, which is also the only case selected in Guangdong Province.

Party Building-based poverty alleviation enhanced endogenous power. The Bank put great emphasis on Party Building to promote poverty alleviation, gave full play to the role of 58 first secretaries and working team members stationed in villages, strengthened the construction of "two village committees", took the village party organizations building as a strong leadership core to lead villagers to get rid of poverty and become well off, and continuously consolidated the achievements of poverty alleviation. In the poverty-stricken villages targeted for assistance, the Bank was granted 17 honorary titles such as "Excellent Grass-roots Party Organizations" awarded by Party organizations at all levels and 6 village Party secretaries and cadres won honorary titles such as "Excellent Party Workers/Communists Party Members".

Industry-based poverty alleviation improved production capacity. The Bank adapted to local conditions and paid attention to long-term benefits, selected and cultivated proper industrial projects for the local area, assisted in the development of industrial projects from "small" to "big" and then to "strong", created a number of local self-brands, helped local people get rid of poverty and increase their income steadily, and successfully cultivated the dried fish brand of "Jianghong Fishing Port" in Zhanjiang, created a cooperative development model of "company + village collective + farmer", and improved the quality of industrial development.

Finance-based poverty alleviation enhanced development vitality. The Bank arranged special credit line, fully guaranteed the credit line of financial targeted poverty alleviation loans, and ensured sufficient credit line allotment. The Bank gave preferential internal fund transfer pricing (FTP), and increased financial targeted poverty alleviation loans, especially making FTP preferential efforts for the "three districts and three prefectures" financial poverty alleviation loans. Researching the exclusive product of "Poverty Alleviation Loan". The Bank launched the special financial poverty alleviation credit product "Poverty Alleviation Loan" with the model of "government + insurance + bank + guarantee" in combination with China Life Insurance's "Poverty Alleviation Insurance" project, and implemented "one scheme, two types, five categories of products and five special supporting facilities".

Education-based poverty alleviation enhanced sustainable capacity. The Bank carried out education poverty alleviation activities by setting up education funds and kindergartens at targeted areas, and insisted on education and training, integrated poverty alleviation with intelligence cultivation. In 2020, the projects of CGB Hope Charity Foundation focused on three districts and three states, as well as four poverty-stricken counties assisted by China Life Group, carried out projects such as CGB Hope Scholarship, Student Aid Program for Orphaned Children Due to Disasters, Hope Project, which cares for young people suffering from epidemic diseases and solves the actual needs of schools in poverty-stricken areas, practiced education to help the poor accurately, and improved the educational conditions for young people in poverty-stricken areas.

In 2020, the Bank won the awards of "Outstanding Contribution Institution for Poverty Alleviation", "Responsible Brand Communication Award" and "Sustainable Competitiveness-Prominent Enterprise for Outstanding Contributions to Poverty Alleviation", and targeted assistance to Yuxi Village was selected as an excellent case of "Industrial Poverty Alleviation" in China.

Developing green finance and boosting green economy

The Bank attached great importance to the implementation of the requirements for the rural revitalization strategy, practiced the concept of green development, supported the construction of ecological civilization, guided funds to invest in green finance through policy support, and continued to fight a tough battle against pollution. Green credit increased significantly. At the end of the reporting period, the Bank's balance of green credit was RMB30.032 billion, an increase of 46.39% over the beginning of the year. The Bank promoted the coordinated development of economic effects and social environmental effects, and continuously enhanced the awareness of green development. Innovation in green financial products continued to make breakthroughs. The Bank encouraged other types of green financial products except for green credit, supported the business development of green bonds and green asset securitization, and encouraged the exploration of various forms of green integrated financial service schemes.

The Bank accelerated the development of online finance, encouraged customers to make more use of online banking and mobile banking to improve their green development awareness. The Bank continued to enhance employees' awareness of green environmental protection, promoted green operations, implemented energy conservation and emission reduction measures such as paperless office, electronic bills, telephone and video conferences, and water and electricity conservation, consciously reduced energy consumption and carbon emissions, and improved environmental management capability and overall operational efficiency. At the same time, the Bank actively participated in environmental protection public welfare actions, vigorously propagate the environmental protection concept of energy conservation and emission reduction, and joined in the efforts of building a green home.

Carrying out CGB charateristic charitable activites and devoting to public welfare undertakings

CGB Hope Charity Foundation invested RMB7,418,500 in 2020, including project fees and management fees, up by 42.76% year on year. The Bank carried out "Charity Tour to China", released "CGB Chinese Valentine's Day Credit Card", participated in activities such as CGB Hope Award (Assistance) Scholarship, congenital heart disease relief, and contributed to public welfare charity.

Joining hands with users to devote love. CGB Hope Charity Foundation and China Youth Development Foundation jointly launched the public welfare project of "Caring for Teenagers Trapped by the Epidemic", jointly carried out the brand public welfare activity of "Going with love in company with CGB", initiated diversified fund-raising mode, and joined hands with users to offer love and fight against the epidemic disease. The activity raised a total of RMB700,000 and helped 140 teenagers trapped by the epidemic continue their studies and reduce their family burden. "Charity Tour to China" is a branded volunteer activity of CGB Hope Charity Foundation, mainly to inspect the implementation of donation projects and timely understand the practical needs of schools and children. Volunteers from the 13th Charity Tour to China visited the funded students trapped by the epidemic, delivered care and greetings to the children, and encouraged them to study hard and change their destiny.

Corporate Social Responsibility

Making continuous innovations in public welfare. CGB Hope Charity Foundation actively innovated the participation forms of public welfare, and allied with partners, cardholders, the public and other loving forces to participate in public welfare. In the anti-epidemic campaign, combined with the main business of the credit card center, the Bank launched public welfare participations such as “Donation by Abandoning Prize” and “Consumption Donation”, and encouraged users to donate consumption bonus points and activity rewards, to devote love to teenagers trapped by the epidemic. The Bank launched the “Public Welfare Donation of Bonus Points” platform on “Wonderful Discovery” APP of Guangfa Credit Card, which normalized the points donation function, provided cardholders with more convenient and transparent ways of public welfare participation, and optimized users’ experience of participation in public welfare. Joined with the e-commerce platform of Guangfa Mall, the Bank created a “Special Sessions of Charity Sales”, to donate the sales of the special session proportionally, and gathered the strength of cardholders and caring merchants to help teenagers in poverty-stricken areas.

In 2020, CGB Hope Charity Foundation carried out more than 30 public welfare projects in 11 provinces across the country, including: CGB Hope Scholarship Project, Caring for Young People Trapped by Epidemic Disease, Student Aid Program for Orphaned Children Due to Disasters, Hope Project, which cares for young people suffering from epidemic diseases and solves the actual needs of schools in poverty-stricken areas. It offered financial aids to 251 university students, 50 senior high school students, 338 junior high and primary school students, 140 students trapped by epidemic disease, 67 students orphaned by disasters, and 11 children with congenital heart disease. It built 17 hope kitchens, 7 hope bathrooms, 5 hope clinics, 5 youth homes, 3 hope book bars and hope reading libraries, and 2 multimedia classrooms. It donated 439 sets of school uniforms, 70 sets of student beds, 78 sets of bedding, and 53 sets of teacher office facilities. At the same time, it also donated to build hope toilet, family-like houses, sports fields, audio-visual reading room, computer classroom, recording and broadcasting classroom, music classroom, happy football, healthy campus, warm plan, healthy drinking plan, children’s park, collection of hope project works, campus renovation and other project activities.

List of Honors

01 The Asian Banker

China's Best Productivity, Efficiency and Automation Award
China's Annual Operational Risk Technology Implementation Award

02 The Asset

Best Liquidity and Investment Solution Award
Best Mobile Banking Program Award
No. 1 of "Best Investment Institution" in the banking sector in China

03 People's Bank of China

Second Prize of Annual Bank Science and Technology Development Award
Second Prize of "Working with Poverty Alleviation" Financial Story Short Video Competition

04 China Banking Association

Best Targeted Poverty Alleviation Contribution Award
Advanced Units for Overall Evaluation of Green Banks
Excellent Cases of Micro, Small and Medium-sized Enterprises in Financial Services
Good News of China's Banking Industry

05 Shanghai Commercial Paper Exchange Corporation Ltd

Excellent Bank Dealers
Excellent Discount Institutions
Excellent Member Units

06 National Audit Office, China Institute of Internal Audit

National Advanced Collective of Internal Audit

07 World Brand Lab

China's 500 Most Valuable Brands

08 Banker

Innovation Awards for Top Ten Small and Micro Enterprises of Financial Service

09 Shanghai Securities News

Excellence Award for Annual Asset Management
Excellence Award for Annual Fixed Income Wealth Management Products

10 National Business Daily

Annual Inclusive Finance Outstanding Contribution Award
Annual Outstanding Credit Card Award

11 21st Century Business Herald

2020 Brand Construction Bank
2020 Most Popular Wealth Management Products
2020 Excellent Mobile Banking APP

12 Financial Times

Best Six Stability and Six Security Service Bank of the Year

13 China Banking and Insurance News

Annual Innovative Brand Communication Case
Annual Excellent Communication Case against COVID-19

14 China Electronic Bank Joint Publicity Year, www.cebnet.com.cn

Gold Award for Integrated Intelligent Platform

15 People. cn

Excellent Cases of National Industrial Poverty Alleviation

16 China.org.cn

Targeted Poverty Alleviation Pioneer Organization
Special Financial Poverty Alleviation Product of "Poverty Alleviation Loan"

17 Hexun.com

Annual Financial Institution Poverty Alleviation Pioneer Award
Annual Word of Mouth Credit Card
Annual Outstanding Mobile Banking

18 JRJ.com

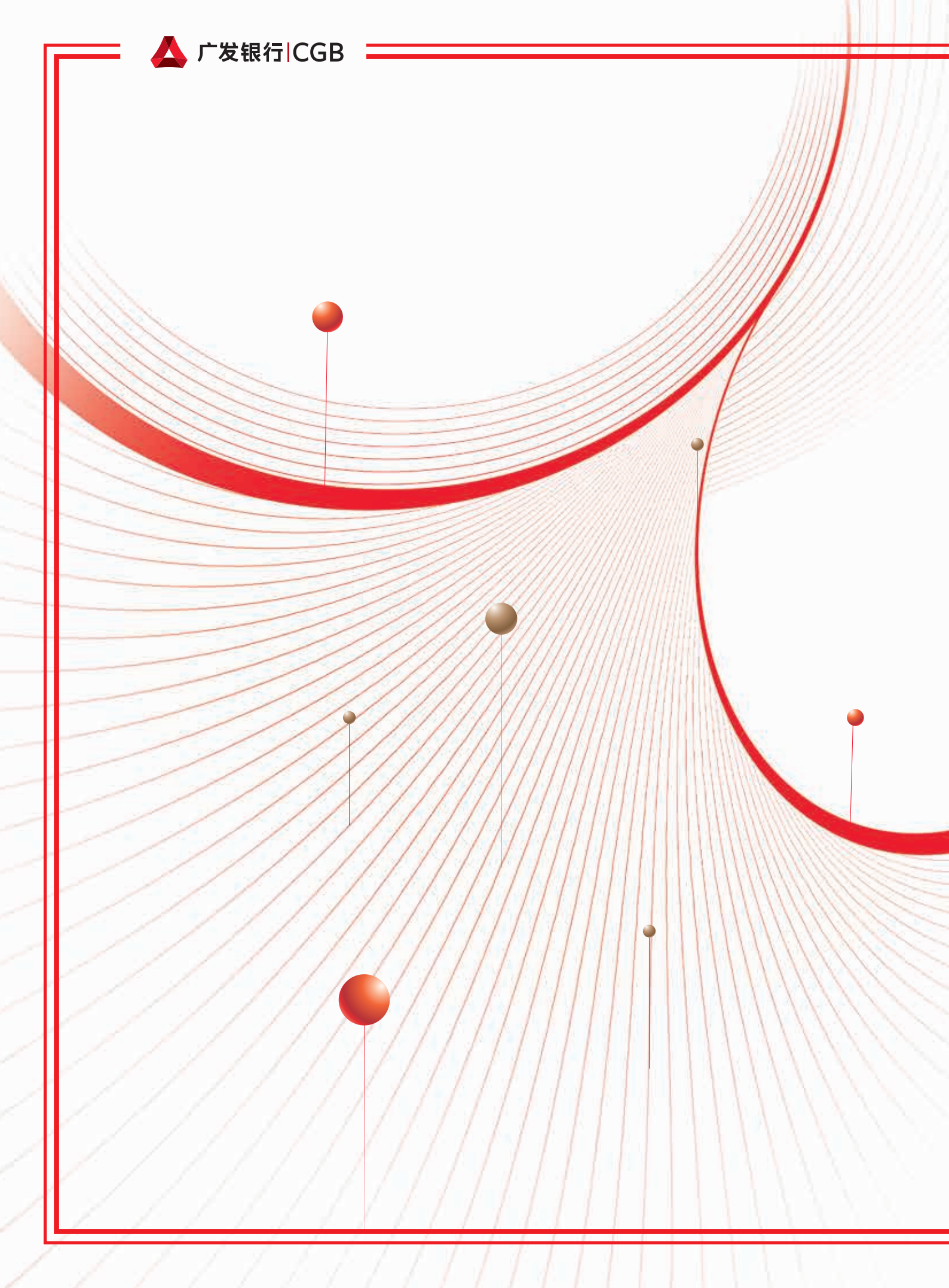
Outstanding National Commercial Bank Award
Outstanding Asset Custody Bank Award
Outstanding Inclusive Finance Award
Outstanding Mobile Banking APP Award

19 Zhaopin.com

China's Top 30 Best Employers in 2020
The Most Concerned Employers by Women

20 International ARC Awards

Gold Award for Illustration in Financial Asset Management



LEADING TECHNOLOGY TO FACILITATE THE INNOVATION

开新

INNOVATE

The Bank proactively embraced the development trend of fin-tech revolution, accelerated the technology upgrading from supporting to guiding, exerted the fundamental and leading role of fin-tech in the business development, continuously improved the driving force of fin-tech to business development, risk control and customer service.

Material Events

Preliminary Profit Distribution Proposal

Among the profit after tax of RMB13.812 billion as stated in the audited financial statements of the Bank for 2020, 10% or RMB1.381 billion will be appropriated to the statutory surplus reserve; RMB4.955 billion equivalent to 1.5% of the balance of risk assets will be appropriated to the general reserve. A cash dividend of RMB0.77 (tax inclusive) per every 10 shares will be paid to all shareholders, amounting to RMB1.516 billion.

The above profit distribution plan is subject to approval at the 2020 annual general meeting of the Bank.

Changes in Shareholding of Top 10 Shareholders during the reporting period

During the reporting period, the top ten shareholders of the Bank didn't have any changes in shareholding.

Increase or Decrease of Registered Capital

During the reporting period, the registered capital of the Bank remained unchanged.

Acquisition or Sale of Assets, Division and Merger of Enterprises

During the reporting period, the Bank made no significant acquisition or sale of assets or division or merger.

Material Lawsuits and Arbitrations

The Bank didn't have any material lawsuits or arbitrations for the year.

As of 31 December 2020, the Bank was involved as a defendant of litigation and a respondent of arbitration in the pending actions involving RMB12.546 billion (including RMB10.841 billion involved in the litigation arising from Huizhou Qiaoxing Risk Incident). The Bank has made the corresponding provision for the estimated progress of the involved lawsuit cases and disputes in accordance with relevant provisions. The aforesaid events may affect the financial position or business results of the Bank to a certain extent.

Material Events Concerning Custody, Guarantees, Commitments and Entrustment of Asset Management during the reporting period

Material Custody, Contracting and Lease

During the reporting period, there were no material events concerning custody, contracting and leasing of other companies' assets or custody, contracting and leasing of the Bank's assets by other companies apart from the asset custody business conducted by the Bank within the business scope as approved by China Banking and Insurance Regulatory Commission.

Material Guarantees

During the reporting period, there were no material guarantee events apart from the financial guarantee business conducted by the Bank within the business scope as approved by China Banking and Insurance Regulatory Commission.

Entrustment of Cash Asset Management

During the reporting period, there were no events concerning the entrustment of cash asset management.

Connected Transactions

Overview of Connected Transactions

Pursuant to the Administrative Measures for Connected Transactions between Commercial Banks and Their Insiders or Shareholders issued by China Banking and Insurance Regulatory Commission and the Governing Rules for Connected Transactions of China Guangfa Bank Co., Ltd., the Bank adheres to the following principles when conducting connected transactions: Abide by relevant laws, regulations, provisions, national unified accounting policies and relevant banking regulatory rules; comply with the principles of honesty, credibility and fairness; keep to commercial principles and carry out the connected transactions under terms not favourable to those for non-connected parties. The Bank's Board of Directors is responsible for approving special substantial connected transactions; the Connected Transaction Control Committee under the Board of Directors performs the duties of connected transaction management and supervision, and the senior management is responsible for guiding and coordinating connected transaction management of the Bank.

During the reporting period, the Bank kept to commercial principles and carry out the connected transactions with connected parties under terms not favourable to those for non-connected parties. The balance of credit for a single connected party didn't exceed 10% of the Bank's net capital, and the total balance of credit for a single shareholder, and its controlling shareholder, actual control, connected parties, persons acting in concert and final beneficiary didn't exceed 15% of the Bank's net capital. The connected transactions made by the Bank with connected parties didn't have any adverse impacts on the financial position and business results of the Bank. See the specific data of connected transactions in Note XI "Related Parties and Transactions" in the to Financial Statements of the Report.

As at 31 December 2020, the Bank had 12,192 connected natural persons under the criteria of the CBIRC. The balance of credit granting transaction between the Bank and connected natural persons under the criteria of the CBIRC was RMB1.057 billion, mainly including credit card business (3,488 persons) and retail loans (377 persons); the balance of non-credit granting transaction was RMB2.2393 million, mainly including wealth management and rental fees (2,043 persons). The aforesaid connected natural persons include the connected natural persons of major shareholders of the Bank, key management of the Bank and their immediate relatives, other personnel entitled to decide upon or participate in the credit granting business and asset transfer of the Bank and their immediate relatives.

Substantial Connected Transactions

Approved by the 12th meeting of the 8th Board of Directors on 6 November 2019, the 2019 6th extraordinary general meeting of the Bank on 21 December 2019 and the 2020 1st extraordinary shareholders' general meeting on 14 January 2020 through deliberation, the Bank verified the connected transaction amount in 2020-2022 for China Life Insurance (Group) Company and its controlling company ("China Life Insurance Group"), State Grid Corporation of China and its controlling company ("State Grid Group"), CITIC Corporation Limited and its controlling company ("CITIC Corporation") and Jiangxi Provincial Communication Investment Group Co., Ltd. ("Jiangxi Communications Group"); the Bank entered into the Framework Agreement on Daily Connected Transactions (2020-2022) with China Life Insurance Company Limited, effective for three years from 1 January 2020 to 31 December 2022. Approved by the 2020 3rd extraordinary general meeting of the 8th Board of Directors of the Bank on 8 April 2020, the Bank entered into the Framework Agreement on Connected Transactions (2020-2022) with China Life Pension Company Limited, effective to 31 December 2022.

The transactions under the criteria of the CBIRC in 2020 under the aforesaid approval amount are as follows:

(1) Connected transactions of credit granting business

The connected transaction amounts of credit business between the Bank and China Life Insurance Group, State Grid Group, CITIC Corporation and Jiangxi Communications Group in 2020 were respectively RMB52.5 billion, RMB 22 billion, RMB36 billion and RMB18 billion.

The credit balance between the Bank and China Life Insurance Group was RMB828 million at the end of 2020, among which, the balance of corporate loans was RMB728 million, and the balance of bond investment was RMB100 million.

The credit balance between the Bank and State Grid Group was RMB1.668 billion at the end of 2020, among which, the balance of bond investment was RMB1.011 billion, the balance of bill acceptance was RMB198 million, the balance of non-financing letter of guarantee was RMB15 million, and the balance of bank acceptances was RMB444 million.

The balance of credit granted between the Bank and CITIC Corporation was RMB5.49 billion at the end of 2020, among which, the balance of bond investment was RMB2.231 billion, the balance of inter-bank borrowings was RMB1.3 billion, the balance of special purpose vehicle investment was RMB1.28 billion, the balance of bill business was RMB663 million and the balance of derivatives and others was RMB16 million.

The credit balance granted between the Bank and Jiangxi Communications Group was RMB700 million at the end of 2020, among which, the balance of corporate loans was RMB350 million, the balance of special purpose vehicle investment was RMB300 million and the balance of bond investment was RMB50 million.

(2) Connected transaction of non-credit business

The connected transaction amount of non-credit business between the Bank and China Life Insurance Group at the end of 2020 was RMB1.88 billion, and the balance of fund investment was RMB25.697 billion. It included investment gains of RMB760 million, dividends of RMB550 million, custody services income of RMB67 million, commission-based product sales income of RMB249 million, leasing and property fee of RMB153 million, insurance purchase of RMB65 million, goods purchase RMB24 million, and other service expenses of RMB12 million; the balance of fund investment (including previous years) was RMB25.697 billion.

The connected transaction amount of non-credit granting business between the Bank and State Grid Group at the end of 2020 was RMB229 million, and the balance of fund investment was RMB3.480 billion. It included income from a commission-based product sale of RMB23 million, dividends of RMB197 million, income from electricity fee and custody services income of RMB9 million; the balance of fund investment (including previous years) was RMB3.480 billion.

The connected transaction amount of non-credit business between the Bank and CITIC Corporation at the end of 2020 was RMB271 million, and the balance was RMB2.328 billion. It included investment gains of RMB12 million, dividends of RMB197 million, derivatives trading of RMB35 million, custody services income of RMB13 million, and commission-based product sales and others business income of RMB14 million. The balance of fund investment and interbank certificates of deposit (including previous years) was RMB2.328 billion.

The aforesaid transactions didn't exceed the connected transaction amount cap between the Bank and China Life Insurance Group, State Grid Group, CITIC Corporation and Jiangxi Communications Group in 2020, or the transaction amount cap specified in the Framework Agreement on Daily Connected Transactions (2020-2022) entered into between the Bank and China Life Insurance Co., Ltd.

Approved by the 2nd meeting of the 9th Board of Directors on 29 September 2020 through deliberation, the Bank intended to jointly initiate the establishment of a financial leasing company with China Life Property & Casualty Insurance Company Limited with the Bank's contribution not exceeding RMB3.750 billion. Approved by the 3rd meeting of the 9th Board of Directors on 16 November 2020 through deliberation, the Bank verified the connected transaction amount in 2021-2022 for Guangdong Finance Investment Holdings Co., Ltd. and its controlling company.

On the premise of the fulfilment of regulatory requirements, the Bank will continue to uphold commercial principles, and carry out the connected transactions under terms not favourable to those for non-connected parties.

NPL Balance of Connected Transactions

As at the end of the reporting period, the Bank had the NPL balance in connected transactions of RMB68,600, all of which were credit card overdraft business.

Penalties on the Bank, its Directors and Senior Executives by Relevant Regulatory and Judiciary Authorities

During the reporting period, there were no material penalties imposed by regulators and judicial authorities on the Bank, the Bank's Directors or Senior Executives.

Engagement and Disengagement of Accounting Firms

Subject to the resolutions made in the 3rd meeting of the 9th Board of Directors, the Bank agreed on the continued engagement of Ernst & Young Hua Ming (Special General Partnership) as the Bank's external auditors for 2020.

Other Material Events

The 3rd meeting of the 9th Board of Directors of the Bank on 16 November 2020 deliberated and approved the Proposal on Starting the Work Related to Share Issuance of the Bank in 2020. The 4th meeting of the 9th Board of Directors of the Bank on 23 December 2020 deliberated and approved the Proposal on the Share Issuance Plan of CGB in 2020, which planned to issue shares with a total amount not exceeding RMB 40 billion. At present, relevant work is being promoted.

Changes in Shareholding and Shareholders' Profile

Changes in Shareholding

Unit: share

Nature of shares	Before changes during the year	Shareholding (%)	Changes during the year Increase (decrease)	After changes during the year	Shareholding (%)
Shares held by the State	53,350,941	0.271	97,965	**53,448,906**	**0.271**
Shares held by State-owned legal entities	18,789,746,671	95.441	84,498	**18,789,831,169**	**95.442**
Shares held by individuals	1,515,765	0.008	0	**1,515,765**	**0.008**
Shares held by other domestic investors	842,582,895	4.280	(182,463)	**842,400,432**	**4.279**
Total	19,687,196,272	100.000		**19,687,196,272**	**100.000**

Number of Shareholders and Shareholdings

As at the end of the reporting period, there were a total of 454 institutional shareholders and 1,286 natural-person shareholders in the Bank, holding 19,687,196,272 shares.

Pledged or Frozen Shares

At the end of the reporting period, eight shareholders (whose shares accounted for 2.95% of the total share capital) of the Bank were involved in judicial freezing of pledged equity. One of the eight shareholders had the pledged equity involved in judicial sale, and the shares held by him accounted for 0.001% of the total equity.

At the end of the reporting period, there were no pledged or frozen shares for a single shareholder holding 5% or more of the Bank's shares. Jiangsu Suzhou Steel Group Co., Ltd. with nominated/appointed supervisors in the Bank, pledged their shares in the Bank with a pledge proportion of 99.997%. The pledged equity of Jiangsu Suzhou Steel Group Co., Ltd. (whose shares accounted for 1.13% of the total share capital) was involved in judicial freezing.

Profile of Top 10 Shareholders at the end of the reporting period

Unit: share

Name of shareholders	Increase/ decrease during the reporting period	Shares held	Shareholding (%)
China Life Insurance Company Limited	—	**8,600,631,426**	43.686
State Grid Yingda International Holdings Co., Ltd.	—	**3,080,479,452**	15.647
CITIC Trust Co., Ltd.	—	**3,080,479,452**	15.647
Jiangxi Provincial Communication Investment Group Co., Ltd.	—	**1,611,255,772**	8.184
AVIC Capital Co., Ltd.	—	**762,469,249**	3.873
Guangdong Utrust Investment Holdings Co., Ltd.	—	**317,757,229**	1.614
Brilliance Auto Group Holding Co., Ltd.	—	**223,596,793**	1.136
Jiangsu Suzhou Steel Group Co., Ltd.	—	**222,777,231**	1.132
HeungKong Group Co., Ltd.	—	**148,544,461**	0.755
Beijing Energy Holding Co., Ltd.	—	**133,349,884**	0.677
Total		**18,181,340,949**	92.351

Note: As at the end of the reporting period, the connected party "State Grid Shanghai Power Company" of "State Grid Yingda International Holdings Co., Ltd" held 0.110% shares in the Bank.

Introduction of Shareholders Holding 5% or More of the Bank's Shares

China Life Insurance Company Limited

China Life Insurance Company Limited is a life insurance company established in Beijing, China on 30 June 2003 according to the Company Law of the People's Republic of China and the Insurance Law of the People's Republic of China and was successfully listed on the New York Stock Exchange, the Hong Kong Stock Exchange and the Shanghai Stock Exchange on 17 and 18 December 2003, and 9 January 2007, respectively. The company's registered capital is RMB28.265 billion and its legal representative is Wang Bin.

China Life Insurance Company Limited is the leading life insurance company in China. The distribution network, comprising exclusive agents, direct sales representatives, and dedicated and non-dedicated agencies of the Company is the most extensive one in China. The company is one of the largest institutional investors in China, and operates as the largest insurance asset manager in China through its controlling shareholding in China Life Insurance Asset Management Co., Ltd., and also has controlling shareholding in China Life Pension Company Limited.

Its products and services include individual life insurance, group life insurance, accident and health insurance. It is a leading provider of individual and group life insurance, annuity products and accident and health insurance in China. As at 31 December 2019, China Life Insurance Company Limited had about 303 million valid long-term individual and group life insurance policies, annuity contracts and long-term health insurance policies, providing insurance service for more than 500 million customers.

State Grid Yingda International Holdings Co., Ltd.

Established on 18 October 2007, State Grid Yingda International Holdings Co., Ltd. (formerly known as State Grid Asset Management Co., Ltd.) is one of the wholly-owned subsidiaries of State Grid Corporation of China with a registered capital of RMB19.9 billion and its legal representative is Yang Dongwei. As the core enterprise of State Grid Yingda Group, it performs duties of operation and management upon the Group's affiliated companies in accordance with relevant laws.

CITIC Trust Co., Ltd.

Established on 1 March 1988, CITIC Trust Co., Ltd. is a national non-banking financial institution focusing on trust business, under the regulation of the CBIRC. As the chairman unit of the China Trustee Association, it has the largest scale of assets under management and is one of the leading players in China's trust industry in terms of comprehensive operation strength. Its registered capital is RMB11.276 billion and its legal representative is Chen Yisong, and its institutional shareholders are CITIC Corporation Limited and CITIC Industrial Investment Group Corp., Ltd. respectively.

Jiangxi Provincial Communication Investment Group Co., Ltd.

Jiangxi Provincial Communication Investment Group Co., Ltd. was incorporated on 28 November 2009, with a registered capital of RMB9.505 billion and the legal representative of Wang Jiangjun. The Group has 11 wholly-owned and controlled subsidiaries (including one listed company), eight directly subordinate road-section management centers, 13 shareholding subsidiaries, with subordinate entities and employees reaching 732 and over 18,000 respectively. Its corporate credit is rated as AAA, and it has ranked among Top 500 in China's service industry for several consecutive years. It operates and manages 5,265km expressway, accounting for 86% of the traffic mileage of the province. In addition to expressway investment, construction, operation and management, it also engages in engineering construction, financial investment, roadside resources development etc.

Major Shareholders, Controlling Shareholders, Actual Controllers, Connected Parties, Persons Acting in Concert, and Final Beneficiary

In accordance with the Interim Measures for Equity Management of Commercial Banks, during the reporting period, the major shareholders of the Bank included China Life Insurance Company Limited, State Grid Yingda International Holdings Co., Ltd., CITIC Trust Co., Ltd., Jiangxi Provincial Communication Investment Group Co., Ltd., Guangdong Utrust Investment Holdings Co., Ltd., and Jiangsu Suzhou Steel Group Co., Ltd. According to the information provided by shareholders above, they did not have persons acting in concert in the Bank.

The controlling shareholder of China Life Insurance Company Limited is China Life Insurance (Group) Company, the actual controller is the Ministry of Finance of the People's Republic of China, major connected parties include China Life Insurance Asset Management Co., Ltd., China Life Pension Company Limited, China Life AMP Asset Management Co., Ltd., China Life Property & Casualty Insurance Company Limited, China Life Investment Holding Company Limited and China Life (Suzhou) Elderly Care and Health Preservation Investment Co., Ltd., and the final beneficiary is China Life Insurance (Group) Company.

The controlling shareholder of the State Grid Yingda International Holdings Co., Ltd. is State Grid Co., Ltd., the actual controller is the State-owned Assets Supervision and Administration Commission under the State Council of the People's Republic of China, and major connected parties include China Power Financial Co., Ltd., Yingda Taihe Property Insurance Co., Ltd., Yingda Taihe Life Insurance Co., Ltd., Yingda International Trust Co., Ltd., Yingda Securities Co., Ltd., Yingda Chang'an Insurance Brokerage Co., Ltd., and State Grid International Leasing Co., Ltd., and the final beneficiary is the State-owned Assets Supervision and Administration Commission of the State Council of the people's Republic of China.

The controlling shareholder of CITIC Trust Co., Ltd. is CITIC Limited, the actual controller is CITIC Group Corporation, the major connected parties included, CITIC Limited, CITIC Juxin (Beijing) Capital Management Co., Ltd., CITIC Xinhui International Capital Co., Ltd., and the final beneficiary is CITIC Group Corporation.

The controlling shareholder and actual controller of Jiangxi Provincial Communication Investment Group Co., Ltd. is the Department of Transportation of Jiangxi Province, the major connected parties include Jiangxi Highway Development Co., Ltd., Jiangxi Ganyue Expressway Co., Ltd., Jiangxi Transportation Engineering Group Co., Ltd., Jiangxi Changxing Expressway Service Area Development and Management Co., Ltd., Jiangxi Transportation Consultancy Co., Ltd., Jiangxi Expressway Group Finance Co., Ltd., Jiangxi Expressway Asset Management Co., Ltd and Jiangxi Ganchong Expressway Co., Ltd, and the final beneficiary is the Department of Transportation of Jiangxi Province.

The controlling shareholder and actual controller of Guangdong Utrust Trust and Investment Co., Ltd. is Guangdong Provincial People's Government, the major connected parties include Guangdong Utrust Trust and Investment Co., Ltd., Guangdong Utrust Asset Management Co., Ltd., Guangdong Financing Reguarantee Co., Ltd., Guangdong Utrust Trust Venture Capital Investment Co., Ltd. and Utrust Holding Hong Kong International Co., Ltd., and the final beneficiary is Guangdong Provincial People's Government.

The controlling shareholder of Jiangsu Suzhou Steel Group Co., Ltd. is Founder Industry Holdings Co., Ltd., the actual controller is the Ministry of Education of the People's Republic of China, the major connected parties are Peking University Asset Management Co., Ltd., Peking University Founder Group Co., Ltd., and the final beneficiary is Ministry of Education of the People's Republic of China.

Directors, Supervisors, Senior Executives and Staff

Directors, Supervisors, Senior Executives and Business Directors

Incumbent Directors, Supervisors, Senior Executives and Business Directors

Name	Title	Gender	Age	Appointment Date	Total pre-tax remuneration paid by the Bank during the reporting period (RMB0'000)
Wang Bin	Director and Chairman of the Board of Directors	Male	62	15 March 2019	–
Wang Kai	Director, Vice Chairman and President (Candidate)	Male	48	To be approved by regulatory authorities	–
Su Hengxuan	Director	Male	57	29 September 2020	–
Yin Yi	Director and Executive Vice President	Male	58	15 December 2016	209.00
Zhang Di	Director	Female	52	5 April 2017	12.25
Yang Dongwei	Director	Male	50	2 April 2021	–
Liu Lixiao	Director	Male	46	11 June 2020	–
Cai Chengwei	Director	Male	51	15 December 2016	16.75
Dai Jiakai	Director (candidate)	Male	48	To be approved by regulatory authorities	–
Liu Xiangyang	Director	Male	42	11 June 2020	–
Tang Xiaoqing	Independent Director	Male	66	15 December 2016	36.50
Chen Yachu	Independent Director	Male	65	5 April 2017	33.95
Guo Yunzhao	Independent Director	Male	54	29 September 2020	10.17
Chen Shimin	Independent Director	Male	62	8 January 2021	10.22
Zhao Xudong	Independent Director	Male	61	29 September 2020	9.26
Luo Yubing	Employee Supervisor and Chairman of the Board of Supervisors	Male	51	16 October 2020 (Employee Supervisor) 16 November 2020 (Chairman of the Board of Supervisors)	176.00
Yang Fuming	Shareholder supervisor	Male	47	14 January 2020	–
Chen Jiyou	Shareholder supervisor	Male	35	27 December 2016	9.90
Li Wenjing	External supervisor	Male	41	26 June 2017	25.13
Yang Kejing	External supervisor	Male	51	23 June 2020	6.59
Li Weiyi	External supervisor	Male	39	23 June 2020	8.92
Fan Junxiong	Employee supervisor	Male	58	13 October 2011	123.66
Wu Dahao	Employee supervisor	Male	55	17 November 2017	130.40
Wang Bing	Vice President	Male	54	24 April 2014	154.00
Zheng Xiaolong	Vice President	Male	57	4 March 2021	154.00
Xu Hongxia	Vice President and President of Beijing Branch	Female	58	22 August 2018	154.00
Chen Xiangrong	Secretary of Discipline Inspection Committee	Male	56	11 July 2018	154.00
Li Guangxin	Secretary to the Board of Directors	Male	49	6 September 2019	154.00
Lin Deming	Vice President (candidate)	Male	53	To be approved by regulatory authorities	132.00
Fang Qi	Vice President (candidate)	Male	50	To be approved by regulatory authorities	132.00
Li Xiaoshui	President Assistant (candidate), and Director of the CPC Committee Office of Head Office, Head of the Publicity Department of the CPC Committee, and General Manager of the Office	Male	45	To be approved by regulatory authorities	–
Zhang Wei	CSO, Head of Organization Department of CPC Committee of Head Office, and General Manager of HR Department	Male	46	23 December 2020	–
Zhu Yingyu	Business Director	Male	45	21 May 2019	100.00

Note: 1. During the reporting period, Chairman Wang Bin, Vice Chairman Wang Kai and Director Su Hengxuan didn't receive remuneration from the Bank; President Assistant Li Xiaoshui and CSO Zhang Wei didn't receive senior executive remuneration from the Bank.

2. The Bank will only issue allowances to Independent Directors rather than equity directors since the second quarter of 2020 as per the previous standard upon consent by major shareholders and approval by the third meeting of the ninth Board of Directors of the Bank.

3. Among the incumbent directors, Mr. Wang Bin, Mr. Wang Kai, Mr. Su Hengxuan, Mr. Yin Yi and Ms Zhang Di were nominated by China Life Insurance Company Limited, Mr. Yang Dongwei and Mr. Liu Lixiao were nominated by the State Grid Yingda International Holdings Corporation, Ltd., Mr. Cai Chengwei, and Mr. Dai Jiakai were nominated by CITIC Trust Co., Ltd., and Mr. Liu Xiangyang was nominated by Jiangxi Provincial Expressway Investment Group Co., Ltd.

4. Among the incumbent supervisors, Mr. Yang Fuming was nominated by the seventh Board of Supervisors, and dispatched by Guangdong Finance Investment Holdings Co., Ltd. Mr. Chen Jiyou was nominated by the seventh Board of Supervisors, and dispatched by Jiangsu Suzhou Steel Group Co., Ltd. Total pre-tax remuneration payable by the Bank to Supervisor Yang Fuming for the year 2020 was RMB240,200, which, according to relevant requirements, was paid by the Bank at one time at the beginning of 2021, and therefore, the pre-tax remuneration actually received by Supervisor Yang Fuming from the Bank during the reporting period was 0. Since the second quarter of 2020, the remuneration of Supervisor Chen Jiyou would be paid at one time by the Bank in the next year. In 2020, the pre-tax remuneration payable by the Bank to the Supervisor Chen Jiyou was RMB243,000, and the pre-tax remuneration actually received from the Bank during the reporting period was RMB99,000.

5. On 20 July 2020, CBIRC approved the eligibility of Lin Deming and Fang Qi as the President Assistant of China Guangfa Bank Co., Ltd.

6. The final remuneration for the year 2020 is being confirmed and the information of the remaining part will be disclosed upon confirmation.

Retired Directors, Supervisors and Senior Executives during the Reporting Period and as at the Date Hereof

Name	Title	Gender	Age	Appointment Date	Total pre-tax remuneration paid by the Bank during the reporting period (RMB0'000)
Yin Zhaojun	Former Director and Vice Chairman Former President	Male	55	29 November 2019–5 January 2021 16 September 2019–5 January 2021	–
Li Ronghua	Former Director	Male	54	11 June 2020–16 November 2020	–
Lin Jiaorong	Former Independent Director	Female	68	25 February 2014–23 June 2020	22.75
Wang Zhenzhong	Former Independent Director	Male	71	24 February 2014–23 June 2020	23.88
Alvin Chua	Former Independent Director	Male	62	21 April 2014–23 June 2020	25.00
Zhu Ning	Former Independent Director	Male	47	11 March 2014–23 June 2020	24.38
Wang Guizhi	Former Employee Supervisor and Chairman of the Board of Supervisors	Female	60	29 December 2017–17 September 2020	132.00
Liu Donghui	Former shareholder supervisor	Male	52	26 June 2017–14 January 2020	26.80
Zhao Qingpei	Former external supervisor	Male	58	23 May 2014–23 June 2020	18.50
Hong Jiaxi	Former external supervisor	Male	65	26 June 2017–23 June 2020	17.00
Zheng Lianming	Former Vice President	Male	60	30 January 2007–4 June 2020	77.00
Zong Lexin	Former Vice President	Male	55	18 June 2010–5 January 2021	154.00

Note:
1. On 23 June 2020, the Bank held the 2019 Annual Shareholders' Meeting, elected the Directors and Independent Directors of the ninth Board of Directors, and smoothly completed re-election of the Board of Directors. Four Independent Directors of the eighth Board of Directors retired upon expiry of the term.
2. The retired Director Mr. Yin Zhaojun didn't receive remuneration from the Bank in 2020, and the retired Director Ms. Lin Jiaorong, Mr. Wang Zhenzhong, Mr. Cai Qingfu and Mr. Zhu Ning received the allowances for Directors according to their actual performance of duty in the Bank in 2020.
3. According to the letter from the shareholder State Grid Yingda International Holdings Co., Ltd. dated 15 October 2020, Mr. Li Ronghua resigned from the current position of Director due to position adjustment, and Mr. Yang Dongwei was nominated as the candidate for the Director of the Bank; on 16 November 2020, the proposal on replacement of Director raised by State Grid Yingda International Holdings Co., Ltd. was approved through deliberation at the third meeting of the ninth Board of Directors of the Bank; on 24 December 2020, Mr. Yang Dongwei was elected as the Director of the Bank at the second Extraordinary Shareholders' General Meeting.
4. On 3 July 2020, Mr. Zheng Lianming resigned from the position of Vice President of the Bank due to retirement.
5. On 17 September 2020, Ms. Wang Guizhi resigned from the position of Employee Supervisor and Chairman of the Board of Supervisors due to retirement.
6. On 14 January 2020, Mr. Yang Fuming was elected as the Shareholder Supervisor of the seventh Board of Supervisors in the 2020 first Extraordinary Shareholders' Meeting of the Bank, and Mr. Liu Donghui was no longer the Shareholder Supervisor. According to relevant requirements, the remuneration of the former Supervisor Liu Donghui for 2019 was paid at one time in the beginning of 2020. The pre-tax remuneration actually received from the Bank during the reporting period was RMB268,000.
7. The Board of Supervisors of the Bank was re-elected on 23 June 2020, and Mr. Zhao Qingpei and Mr. Hong Jiaxi no longer assumed the position of External Supervisor of the Bank.
8. Mr. Zong Lexin resigned from the position of Vice President of the Bank due to job transfer. On 5 January 2021, the Board approved his resignation.

Main Working Experience and Positions of Directors, Supervisors, Senior Executives, and Business Directors

Mr. Wang Bin

Mr. Wang holds a PhD in Economics and is a Research Fellow.

Mr. Wang now serves as a Director and Chairman of the Bank, Chairman and Secretary of the CPC Committee of China Life Insurance (Group) Company, Chairman of China Life Insurance Company Limited, Chairman of China Life Asset Management Company Limited.

Mr. Wang has served in government and financial agencies successively, and has nearly 30 years of experience in financial management. He served in People's Bank of China, as a key member to participate in the preparation and establishment of Agricultural Development Bank of China, and served successively as the President of Jiangxi Branch of Agricultural Development Bank of China, Tianjin Branch of Bank of Communications, and Beijing Branch of Bank of Communications. He served in Bank of Communications as Vice President from 2005 to 2012, and as the Executive Director from 2010 to 2012. He served as Chairman and Secretary of the CPC Committee of China Taiping Insurance Group Ltd. from March 2012 to August 2018. He is also a representative of the 19th National Congress of the Communist Party of China. He was a member of the 12th and 13th National Committee of the Chinese People's Political Consultative Conference.

Mr. Wang Kai

Mr. Wang holds a PhD in Economics and is a Senior Economist.

Mr. Wang currently serves as the Secretary of the CPC Committee, Director (candidate), Vice Chairman (candidate) and President (candidate) of the Bank, Member of the CPC Committee and Vice President of China Life Insurance (Group) Company, and Chairman of China Life Insurance (Overseas) Co., Ltd.

He once assumed General Manager of the Capital Operations Department of Export-Import Bank of China, Director of the Financial Market Center, and Secretary of CPC Committee and President of Shanghai Branch. Since May 2020, he has assumed a Member of CPC Committee and Vice President of China Life Insurance (Group) Company, Chairman of China Life Insurance (Overseas) Company Limited since September 2020, and Secretary of CPC Committee of China Guangfa Bank Co., Ltd. since January 2021.

Mr. Su Hengxuan

Mr. Su holds a PhD in Management and is a Senior Economist.

Mr. Su currently serves as a Director of the Bank, Member of the CPC Committee and Vice President of China Life Insurance (Group) Company; and concurrently serves as Secretary of the CPC Committee, Executive Director and President of China Life Insurance Company Limited.

He has over 35 years' experience in the management of life insurance operation. From 2000 to 2015, he successively served as the Deputy General Manager of China Life Insurance Company Limited Henan Branch, General Manager of Individual Insurance Department of Head Office, General Manager of Individual Insurance Sales Department, President Assistant and Vice President of Head Office; from March 2015 to February 2018, he served as President of China Life Pension Company Limited; he has assumed a Member of the CPC Committee and Vice President of China Life Insurance (Group) Company since December 2017, and concurrently assumed Secretary of the CPC Committee, Executive Director and President of China Life Insurance Company Limited since December 2018.

He successively graduated from Wuhan University and the University of Science and Technology of China and obtained PhD in Management of Management Science and Engineering Major of University of Science and Technology of China in 2011.

Mr. Yin Yi

Mr. Yin holds a PhD in Economics and is a Senior Economist.

Mr.Yin is Deputy Secretary of the CPC Committee, Director and Executive Vice President of the Bank.

From 2000, he served in the Agricultural Bank of China, successively as: Deputy General Office Director and General Office Director (CPC Committee Office) at Head Office; Deputy Secretary and Secretary of the CPS Committee, Vice President and President of Guangdong Branch; General Manager of Asset Disposal Department and General Manager of Special Asset Operation Department at the Head Office; Vice President and a Member of the CPC Committee of China Life Asset Management Company Limited. Previously, he worked in the Agricultural Bank of China as Assistant Director, Deputy Director and Director of Township Enterprises Division of Industrial Credit Department, Director of General Division of Agricultural Credit Department, and Director of Policy Inspection Division of Credit Management Department II.

Ms. Zhang Di

Ms. Zhang holds a Bachelor's Degree.

Ms. Zhang is a Director of the Bank and General Manager of Investment Management Center of China Life Insurance Company Limited.

From 2014 to 2019, she severed as Deputy General Manager & General Manager of the Investment Management Department of China Life Insurance Company Limited. From 2008 to 2014, she worked in the Investment Management Department of China Life Insurance Company Limited, where she served successively as Senior Investment Manager (team leader) of Business Support Team, a Senior Manager of Business Support Division, Assistant to General Manager and a Senior Manager of Asset Allocation Management Division, and Assistant to General Manager. From 2001 to 2008, she served in China Life Insurance Company Limited successively as Deputy Manager of Cooperation Division of Strategic Planning Department, a Senior Manager of New Business Division of Market Development Department, and a Senior Manager of Urban Business Division of Marketing Development Department. Previously, she served successively as Manager of Beijing Zhongbaoxin Real Estate Development Co., Ltd. and Assistant General Manager of Investment Department of PICC Trust and Investment Company.

Mr. Yang Dongwei

Mr. Yang holds a PhD in Engineering and is a Senior Accountant.

Mr. Yang currently serves as a Director of the Bank, Secretary of the CPC Committee and Chairman of State Grid Yingda International Holdings Group Ltd., and Secretary of the CPC Committee and Chairman of State Grid Yingda Co., Ltd.

He worked for Sanmenxia Electric Power Bureau in July 1992, successively assuming positions such as the Chief Accountant, Deputy Director, Member of the CPC Committee and Chief Accountant of Xuchang Electric Power Bureau, Director of Multi-operation Department of State Grid Henan Electric Power, Chairman and General Manager of Henan Electric Power Industry Group Limited, General Manager and Member of the CPC Committee of Sanmenxia Power Supply Corporation, Deputy Chief Economist of State Grid Henan Electric Power; Chief Accountant and Member of the CPC Committee of Luneng Group, Chief Accountant and Member of the CPC Committee of State Grid Shanghai Electric Power, Deputy Leader of Preparation Team of Yingda Commerce Service Co., Ltd.; Executive Director, General Manager and Deputy Secretary of the CPC Committee of State Grid E-commerce Corporation, Chairman and Secretary of the CPC Committee of State Grid E-commerce Corporation (State Grid Xiongan Financial Technology Group).

Mr. Liu Lixiao

Mr.Liu holds an MBA Degree and is a Senior Economist.

Mr. Liu now serves as a Director of the Bank, and Manager of Corporate Banking Department of State Grid Yingda International Holdings Group Ltd..

From December 2011 on, he served successively as Senior Manager of Business Coordination Department, Senior Manager, Assistant to Director and Deputy Director of Investment Management Department, Deputy Director and Director of Banking Department, Director of Banking Department and Insurance Business Department of State Grid Yingda International Holdings Co., Ltd.

Mr. Cai Chengwei

Mr.Cai holds a Master's Degree in Law.

Mr.Cai is a Director of the Bank. He is also Deputy General Manager of CITIC Trust Co., Ltd., Chairman of Allianz China Life Insurance Co., Ltd., an Executive Director and Legal Representative of CITIC Juxin (Beijing) Capital Management Co., Ltd. and Director of CTI Capital Management Limited.

Since 2006, he has served successively as a Senior Manager, Deputy General Manager of Risk Compliance Department, General Manager of Compliance and Deputy General Manager of CITIC Trust Co., Ltd. He once served as Chairman of CITIC Splendid Capital Management Co., Ltd., Supervisor of China International Economic Consultants Co., Ltd., and Employee Supervisor of CITIC Trust Co., Ltd.

Mr. Dai Jiakai

Mr.Dai holds an MBA Degree and is a Senior Economist.

Mr.Dai is a candidate Director of the Bank. He is also Deputy General Manager, Secretary to the Board of Directors and General Manager of BOD & BOS office of CITIC Trust Co., Ltd.; Secretary of the CPC Committee, General Manager and Director of China International Economic Consultants Co., Ltd.; Supervisor and Chairman of Board of Supervisors of CITIC Tourism Group Co., Ltd.; Supervisor of CITIC Splendid Capital Management Co., Ltd.

Since 2002, he has served successively as Deputy General Manager of Finance Department, Deputy General Manager and General Manager of R&D Department of CITIC Trust Investment Co., Ltd.; General Manager of the Trust Business Department IV, General Manager of Risk Management Department, General Manager of Investment and Credit Management Department of CITIC Trust Co., Ltd.; CRO and CFO of CITIC Trust Co., Ltd.

Mr. **Liu Xiangyang**

Mr. Liu holds a Master's Degree of Engineering, and is a Senior Auditor.

Mr.Liu now serves as the Director of the Bank, Director of Financial Management Department of Jiangxi Provincial Expressway Investment Group Co.Ltd.

Mr. Liu served successively as Principal Staff Member and Vice Consultant of Audit Department of Jiangxi Provincial Department of Transportation, as Director of Audit Department, Deputy Director (taking charge of work) and Director of Risk Control and Audit Department of Jiangxi Provincial Expressway Investment Group Co., Ltd..

Mr. **Tang Xiaoqing**

Mr. Tang holds a PhD in Economics and is a Senior Economist.

Mr. Tang is an Independent Director of the Bank and also an External Supervisor of the Board of Supervisors of the Bank of Jiangsu.

From 2009 to 2014, he served as Vice President, a member of the CPC Committee and the Secretary of Discipline Inspection Committee of Head Office of China Merchants Bank. From 2003 to 2008, he worked in CBRC where he served successively as Head of CBRC Inner Mongolia Bureau, Head of CBRC Shanxi Bureau, Director of Supervision Department I, and Director of Finance and Accounting Department. From 1997 to 2003, he worked in the People's Bank of China where he served successively as Head of Fund Planning Department and Credit Management Department, Deputy Director of Nonbank Financial Institutions Supervision Department, Deputy Director of Cooperative Finance Supervision Department and Vice President of Henan Branch. From 1996 to 1997, he worked in the Agricultural Bank of China where he served as Deputy General Manager of the Market Development Department. From 1988 to 1996, he worked in the State Planning Commission where he served successively as Deputy Division Director and Division Director of Fiscal and Financial Department. From 1982 to 1988, he served successively as Deputy Division Director of Planning Bureau and Infrastructure Bureau of Chinese Academy of Sciences.

Mr. **Chen Yachu**

Mr. Chen holds an MBA degree and is a Senior Economist.

Mr. Chen is an Independent Director of the Bank.

From 1995 to 2015, he served in the Agricultural Bank of China successively as: Director of Development and Planning Division, Director of Credit Management Division and Director of Correspondent Business Management Division, Director of Asset Risk Supervision Management Division, and Director of Credit Management Division of Shanghai Branch; Deputy General Manager of the Head Office Business Dept.; and Vice President, a Member of the CPC Committee, Deputy Secretary of the CPC Committee and an Inspector (bureau level) of the Agricultural Bank of China Shanghai branch. Previously, he was a worker of Sanxing Agricultural Machinery Factory at Chongming County, Shanghai; and Deputy Chief of Enterprise Credit Subsection, Head and Deputy Chief of Credit Cooperation Section, President Assistant, Deputy President, Deputy Secretary of the CPC Committee and President of the Agricultural Bank of China, Chongming County Branch, Shanghai.

Mr. Guo Yunzhao

Mr. Guo holds a PhD in Management and is a Senior Engineer and an expert entitled to the special allowance from the State Council.

Mr. Guo is currently an Independent Director of the Bank, President of GT & I Fund Management Co., Ltd., Director of Woori Bank (China) Co., Ltd., Director of Hainan Natural Rubber Industry Group Co., Ltd., and Director of Yunkang Health Industry Investment Co., Ltd.

He successively served as the Deputy Chief Engineer and General Manager Assistant of China National BlueStar (Group) Co., Ltd., President of BlueStar Sci-tech Academy, Senior Executive of several listed companies such as BlueStar Cleaning Co., Ltd., Xingchen Chemical New Materials Co., Ltd. and Southwest Chemical Machinery Co., Ltd., Director of Finance Department and Asset Management Department of China National Chemical Corporation, Chairman of China Jingu International Trust Co., Ltd., Deputy General Manager of China Gaoxin Investment Group Corporation, Director of CITICPE, Chairman of China Investment Trust Co., Ltd., Vice President of China Jianyin Investment Limited, and Independent Director of Bank of Luoyang.

Mr. Chen Shimin

Mr. Chen is a Professor and a Certified Management Accountant of the United States.

Mr. Chen is currently an Independent Director of the Bank, Professor in Accounting and Director of Case Center of China Europe International Business School, Independent Director of Oriental Pearl New Media Co., Ltd., Advanced Micro-Fabrication Equipment Inc. China, Zhuhai Huafa Group Co., Ltd. and Anxin Trust Co., Ltd., and external Supervisor of Postal Savings Bank of China.

He once assumed a Teacher of Shanghai University of Finance and Economics; Associate Professor and Professor in Accounting of the Clarion University of Pennsylvania; Associate Professor in Accounting of Hong Kong Lingnan University; Associate Professor in Accounting of the University of Louisiana at Lafayette; Associate Professor in Accounting and Deputy Director of School of Accounting and Finance of Hong Kong Polytechnic University.

He once served as an Independent Director of Hangzhou Shunwang Science & Technology Co., Ltd. and Zhejiang Wolwo Biotech Co., Ltd. and external Supervisor of SPD Bank Co., Ltd..

Mr. Zhao Xudong

Mr. Zhao is a Professor and Doctoral Tutor.

Mr. Zhao is currently an Independent Director of the Bank, Professor, Doctoral Supervisor and Director of Commercial Law Research Center of China University of Political Science and Law, President of China Commercial Law Society, Member of Academic Committee of China Law Society, Vice President of Corporate Governance Research Society, China Behaviour Law Association and Director of iFLYTEK Co., Ltd.

He once served as the Deputy Director-general of the Department of Civil Administrative Inspection of Supreme People's Procuratorate, and Vice President of Civil, Commercial and Economic Law School, CUPL. Since 1999, he was successively honoured as the Outstanding Young and Middle-aged Jurist of Beijing City; Nationwide 3rd Outstanding Young and Middle-aged Jurist; Excellent Teacher of Beijing City; New Century Outstanding Talent of the Ministry of Education; he was selected into Famous Chinese Contemporary Jurist in 2005; he was included into "Rule of Law in China – Top 100 Famous Jurists with Outstanding Contributions" in 2016; he was selected as the specially appointed professor of Chang Jiang Scholars Program of the Ministry of Education in 2008; he was honoured as the National Ten Thousand Talent Program-Famous Teacher in 2018.

Mr. Luo Yubing

Mr. Luo holds a PhD in Economics and is an Economist.

Mr. Luo now serves as Deputy Secretary of the CPC Committee of the Bank, Employee Supervisor and Chairman of the Board of Supervisors.

Mr. Luo joined the People's Bank of China in August 1991, and consecutively served as the vice director of General Office, the deputy secretary of the CPC Committee and the vice president of Wuhan Branch, the secretary of the CPC Committee and the president of Lanzhou Central Sub-branch and the director of Gansu Branch of State Administration of Foreign Exchange concurrently, the secretary of the CPC Committee and director of Anti-money Laundering Monitoring Center, the secretary of the CPC Committee and the director of Credit Reference Center of the People's Bank of China, Deputy Secretary of the CPC Committee and Vice President of the CGB.

Mr. Yang Fuming

Mr. Yang holds a Master's Degree in Accounting and professional qualifications of CPA, ACCA, FRM, ACAMS, CFA.

Mr. Yang is Shareholder Supervisor of the Bank, and CFO of Guangdong Utrust Investment Holdings Co., Ltd., Director of Guangdong Utrust Trust Co. Ltd., Guangdong Utrust Financial Leasing Co. Ltd., and Guangdong Utrust Financial Cloud Technology Co. Ltd.

He has served successively as Deputy Director of Audit Division of Shenzhen Branch of Bank of China, Manager of European Audit Center of Bank of China, Supervisor of Audit Department of London Branch of Bank of China, General Manager of Legal and Compliance Department of Shenzhen Branch of Bank of China, General Manager of Audit Department of Shenzhen Branch of Bank of China, General Manager of Finance Management Department of Shenzhen Branch of Bank of China, General Auditor of Tianjin Branch of Bank of China.

Mr. Chen Jiyou

Mr. Chen Jiyou holds a master's degree in public administration

Mr. Chen is a Shareholder Supervisor of the Bank, Chairman of Jiangsu Suzhou Steel Group Co., Ltd., Chairman of Jiangsu Suxin Special Steel Co., Ltd., member of Execution Committee, President Assistant, Secretary to the Board of Directors and member of Supervisor Committee of Peking University Founder Group Co., Ltd., Director of Founder Industrial Holdings Co., Ltd. and Founder Electronics Co., Ltd..

He served successively as the Director of Strategy & Investment Department of Peking University Resources Group Co., Ltd., General Manager of Strategic Development Department of Founder Information Technology Co., L t d., Director of Strategy and Chairman Assistant of Peking University Founder Group Co., Ltd., etc., Director of Jiangsu Suzhou Steel Group Co., Ltd., Supervisor of PKU Healthcare Cancer Hospital Management Co., Ltd..

Mr. **Li Wenjing**

Mr. Li holds a PhD in management and is a professor of accountancy, doctoral tutor.

Mr. Li is an External Supervisor of the Bank. He is also Dean of Management School of Jinan University, Director of the Financial Cost Branch of China Accounting Society, Member of Professional Committee of Foreign Exchange of China Accounting Society, Correspondence Review Expert of National Natural Science Foundation of China, independent director of GF Securities Co.,Ltd. and Zhuhai Huajin Capital Co., Ltd.,

He served successively as Independent Director of Midea Group, Independent Director of Guangzhou Devotion Thermal Technology Co., Ltd., Byhealth Co., Ltd. Guangzhou Longse Technology Co., Ltd., Shenzhen Xunfang Technology Co., Ltd., Lecturer, Associate Professor and Dean of Accounting Department of Management School of Jinan University, during which, he ever worked as Postdoctoral Researcher at CEIBS.

Mr. **Yang Kejing**

Mr. Yang holds a Master's degree in Accounting, Senior Executive MBA, senior CPA, and CTA.

Mr. Yang is currently an external Supervisor of the Bank, General Manager, Secretary of the CPC Committee, Deputy Chief Accountant and Senior Partner of Pan-China Certified Public Accountants (Special general partnership) Guangdong Branch.

He successively served as the Deputy Department Manager of GP Certified Public Accountants, Senior Manager of Guangdong Kangyuan Certified Public Accountants, Deputy Chief Accountant of Shenzhen Pengcheng Certified Public Accountants, and Independent Director of Wens Group Co., Ltd., Foshan Dowstone Technology Co., Ltd. and Dongguan Huali Industry Co., Ltd. He once participated in the compilation of the Chinese CPA Series entitled the Auditing of Securities Companies.

Mr. **Li Weiyi**

Mr. Li holds a PhD in Civil and Commercial Law.

Mr. Li is currently an external Supervisor of the Bank and the Deputy General Manager of the Legal Affairs Department and Person in Charge of Risk Control of R&F Group. Mr. Li Weiyi has engaged in the judgement of civil and commercial cases and litigation supervision in intermediate people's courts, high people's courts and the Supreme People's Procuratorate, with comprehensive and rich experience in the political and legal work and enterprise risk control and management.

He once served as the Clerk and Judge of Beijing No.1 Intermediate People's Court, Judge of Beijing High People's Court, Senior Prosecutor, Leader Secretary and Deputy Director-general of the General Office of the Supreme People's Procuratorate.

Mr. **Fan Junxiong**

Mr. Fan Junxiong holds a bachelor's degree and a title of Political Affairs Specialist.

Mr. Fan is an Employee Supervisor of the Bank, the Supervisor of Party-Mass Relationship Department (Party Committee of the Bank) & Poverty Alleviation Office/Work Department of Trade Union of the Bank, a member of Discipline Inspection Committee of the Bank, a member of the Trade Union of the Bank, a member of the Standing Committee and Vice Chairman of the Trade Union of the Bank, Deputy Secretary of the CPC Committee of the Head Office of the Bank.

He served successively as the Third Engineer in Cruise Company and a teacher at the Training Center of Guangzhou Sea-Transport Administration Bureau; teacher, instructor and Deputy Chief of Training Section of Guangzhou Maritime Technical School; Deputy Section Level Discipline Supervisor, Section Level Discipline Supervisor, and Head of Case Handling Division of the Disciplinary Inspection and Supervision Office of Guangzhou Maritime Transport (Group) Co., Ltd.; a cadre at section level of the Publicity Department of the CPC Committee of Guangzhou Maritime Transport (Group) Co., Ltd.; Manager, Deputy Director, Director, and Interim Head of Supervision Department (Discipline Supervision Office) of China Guangfa Bank, General Manager of Supervision Department (Discipline Supervision Office) of China Guangfa Bank.

Mr. **Wu Dahao**

Mr. Wu holds an MBA Degree and is an Economist.

Mr. Wu is an Employee Supervisor of the Bank, the General Manager of Discipline Inspection Committee Office of the Bank, a Member of the Head Office's CPC Committee of the Bank and the Secretary of Head Office's Discipline Inspection Committee of the Bank.

He served successively as a member of the Organization Department of Former Sub-district Party Committee in Shantou City, assistant manager of Personnel Department of Shantou Branch of China Guangfa Bank, vice president of Chenghai Sub-branch of China Guangfa Bank, vice president of Chaozhou Branch of China Guangfa Bank (in charge of daily operations), vice president and the member of the CPC Committee, President and Secretary of the CPC Committee of Shantou Branch of China Guangfa Bank, President and Secretary of the CPC Committee of Jiangmen Branch of China Guangfa Bank.

Mr. **Wang Bing**

Mr. Wang holds a Master's Degree in Engineering and is a Senior Engineer.

Mr. Wang is Vice President and a Member of the CPC Committee of the Bank.

He served successively as a Staff Member, Principal Staff Member, and Deputy Director of the Operation Division; Deputy Director, Deputy Director (in charge of daily operations) and Director of the System Division of Technology Department in the Head Office of Industrial and Commercial Bank of China (ICBC); Deputy General Manager and a Member of the CPC Committee of Data Center (Beijing) of ICBC; and Chief Information Officer, Vice President and a Member of the CPC Committee of China Guangfa Bank.

Mr. **Zheng Xiaolong**

Mr. Zheng holds a Master's Degree in Economics.

Mr. Zheng is Vice President and a Member of the CPC Committee of the Bank.

He worked as a teacher in Electronic Industry Management Cadre College and served in Everbright International Leasing Co., Ltd. In 1996, he participated in China Guangfa Bank's acquisition of Zhong Yin Trust & Investment Co., Ltd. He served successively as Vice President of Huizhou Branch of China Guangfa Bank (in charge of daily operations); General Manager of the Planning and Management Department and the Head of Restructuring and Development Office of China Guangfa Bank; the Secretary to the Board of Directors of China Guangfa Bank; Chief Audit Executive and a Member of the CPC Committee of China Guangfa Bank.

Ms. **Xu Hongxia**

Ms. Xu holds a Master's Degree in Economics.

Ms. Xu is Vice President and a Member of the CPC Committee of the Bank, Secretary of the CPC Committee and President of the Beijing Branch of the Bank. She is also a delegate of the Eleventh Congress of the CPC Committee of Tianjin.

She served successively as cadre of Western Suburbs Office, Industrial and Commercial Credit Division and the Department of Foreign Affairs of Tianjin Branch of the Agriculture Bank of China; Clerk, Deputy Chief, Chief, Assistant General Manager, Deputy General Manager and General Manager of International Business Department; President of the Bonded Area Sub-Branch; Member of the CPC Committee, Vice President and Deputy Secretary of the CPC Committee of Tianjin Branch of the Agriculture Bank of China; General Manager of the Business Department of the Agriculture Bank of China; Deputy Secretary of the CPC Committee and Vice President (Executive) of Tianjin Branch of the Agriculture Bank of China; Secretary of the CPC Committee and President of Tianjin Branch of the Agriculture Bank of China. She was also a member of the Thirteenth Tianjin Committee of CPPCC (Economic Affairs).

Mr. **Chen Xiangrong**

Mr. Chen holds an MBA Degree and is a Senior Economist.

Mr. Chen is Secretary of Discipline Inspection Committee and Member of the CPC Committee of the Bank.

He served successively as Deputy Manager and Manager of Guangdong Xinhui County sub-branch of China Life Insurance Company Limited; Secretary of Discipline Inspection Committee, Deputy General Manager (in charge of daily operations) and General Manager of Guangdong Jiangmen branch of China Life Insurance Company Limited; Member of the CPC Committee of Guangdong branch and General Manager of Guangzhou branch of China Life Insurance Company Limited; Member of the CPC Committee and Deputy General Manager of Guangdong branch of China Life Insurance Company Limited; Secretary of the CPC Committee and General Manager of Hunan branch of China Life Insurance Company Limited; Secretary of the CPC Committee and General Manager of Guangdong branch of China Life Insurance Company Limited; Business Director of China Life Insurance Company Limited, Secretary of the CPC Committee and General Manager of Guangdong branch of China Life Insurance Company Limited.

Mr. **Li Guangxin**

Mr. Li holds a PhD in Economics and is an Economist.

Mr. Li is the Secretary to the Board of Directors and a member of the CPC Committee of the Bank.

From July 1994 to May 2016, Mr. Li served in Bank of Communications successively as: Deputy Director of Planning Division of Lianyungang Branch (in charge of daily operations), President of Haizhou Central Subbranch, Deputy Director of Planning and Finance Division of Jiangsu Province Branch (in charge of daily operations), Deputy General Manager of International Business Department (in charge of daily operations), Member of the CPC Committee and Vice President of Guangxi Zhuang Autonomous Region Branch, Secretary of the CPC Committee and President of Xiamen Branch, General Manager of Ho Chi Minh City Branch. From June 2016 to May 2019, he served in Huaxia Bank successively as: Secretary of the CPC Committee and President of Shanghai Branch, General Manager of Strategic Development Department of Head Office.

Mr. **Lin Deming**

Mr. Lin holds a Master's Degree in Finance.

Mr. Lin is a member of CPC Committee and the Vice President (candidate) of the Bank, and Secretary of the CPC Committee of Credit Card Center of the Bank.

He served successively as Deputy Director and Director of China Guangfa Bank Office in Guangzhou Economic & Technological Development District, Deputy Manager of Domestic Business Department of China Guangfa Bank, Secretary of the CPC Committee and President of Shaoguan Branch, General Manager of Business Department of the Head Office, General Manager of Credit Card Center, Secretary of the CPC Committee and General Manager of Credit Card Center of China Guangfa Bank, Assistant to President of the Head Office, Secretary of the CPC Committee and General Manager of Credit Card Center of China Guangfa Bank.

Mr. **Fang Qi**

Mr. Fang holds a Master's Degree in Finance.

He is now a member of the CPC Committee and the Vice President(candidate) of the Bank.

He served successively as Officer of Technology Department, Finance and Accounting Department of Xi'an Branch of ICBC, Deputy Director of Technology Support Division of Business Department and Deputy Director of Electronic Computing Center, Deputy General Manager of E-Banking Center and Deputy General Manager(in charge of daily operations) of Accounting Management Center of Business Department of Shaanxi Branch of ICBC; Head of IT Department of Xi'an Branch of Huaxia Bank; Manager of Technology Department, Preparation Team Leader of E-Banking Department, General Manager of E-Banking Department, Preparation Team Leader of Xi'an Branch, Secretary of the CPC Committee and President of Xi'an Branch of China Guangfa Bank, Assistant to the President of the Head Office, Secretary of the CPC Committee and President of Shenzhen Branch of China Guangfa Bank.

Mr. **Li Xiaoshui**

Mr. Li holds a Master's Degree of Finance and is an Economist.

Mr. is currently the President Assistant (candidate) of the Bank, General Manager of General Office Dept., Director of CPC Committee Office and Head of the Publicity Department of the CPC Committee of the Head Office.

He successively served as a Teacher of Guangdong University of Finance, Deputy Manager of China Guangfa Bank Guangzhou Branch Tianhe Sub-branch, Deputy Manager of General Office, Guangzhou Branch Office, employee of the Personnel Department of Head Office, Deputy Manager of Head Office General Office dept., Manager of the Credit Review Department of Head Office, Member of the Party Committee and Vice President of Changsha Branch, Secretary of the CPC Committee and Xiao Shui President of Foshan Branch.

Mr. **Zhang Wei**

Mr. Zhang holds a Master's Degree in Economics.

Mr.Zhang is currently the Chief Strategy Officer of the Bank, Head of the Organization Department of the CPC Committee of Head Office, and General Manager of the HR Department.

He successively served as the Secretary of the Youth League Committee of Haicheng Economic Development District of Liaoning Province, Deputy-chief Organizer of the Organization Department of Haicheng Municipal Party Committee of Liaoning Province, Senior Staff Member, Principal Staff Member and Associate Investigator of the Organization Department of Liaoning Provincial Party Committee, Associate Investigator, Deputy Director-General and Investigator of No.1 Cadres Bureau of the Organization Department of the CPC Central Committee, Executive Deputy Secretary of the Organization Department of Ganzhou Municipal Party Committee of Jiangxi Province, Member of the Standing Committee of Municipal People's Congress, Member of the Party Group and Deputy Director-general of the Human Resources and Social Security Department of Jiangxi Province.

Mr. **Zhu Yingyu**

Mr. Zhu holds a Master's Degree in Economics.

Mr. Zhu is the Business Director of the Bank.

He has served successively as Deputy Director of Planning Division of Asset Protection Department of Head Office of the Bank of China; Senior Manager of Credit Enforcement Department of Head Office of the Bank of China; Senior Manager of General Office of Head Office of the Bank of China; Deputy Director of General Office of Beijing Branch of the Bank of China; General Manager of Strategy Management Department of Head Office, Supervisor, the Chief Representative of Hong Kong Representative Office, and the Secretary to the Board of Directors of China Guangfa Bank.

He is currently a Member of the Standing Committee of the Third Session of the National Youth Federation of Financial Systems, Director and Deputy Secretary-General of the Guangdong Finance Society, and Master Tutor (Industry) of Lingnan (University) College of Sun Yat-sen University.

Shareholdings of Directors, Supervisors and Senior Executives

As of the end of the reporting period, the Directors, Supervisors and Senior Executives of the Bank didn't hold any shares in the Bank.

Annual Remuneration and Incentives of Directors, Supervisors and Senior Executives

The remuneration of Non-executive Directors and Non-employee Supervisors of the Bank was verified and paid respectively in accordance with the Allowance System for Non-executive Directors of China Guangfa Bank Co., Ltd. and the Allowance System for Non-employee Supervisors of China Guangfa Bank Co., Ltd. The specific standards are as follows:

The allowance of the Bank's Non-executive Directors and Nonemployee Supervisors comprises four parts, i.e. basic allowance, committee allowance, meeting fee and research subsidy: (1) basic allowance means the basic remuneration paid to Non-executive Directors and Non-employee Supervisors for their participation in the Board of Directors and the Board of Supervisors. The basic allowance of a Director is RMB200,000/person/year and that of a Supervisor is RMB160,000/person/year; (2) committee allowance means the duty allowance paid to Non-executive Directors and Non-employee Supervisors for their participation in specialized committees. The committee allowance of an ordinary member of the Board of Directors is RMB35,000/person/year and that of a principal member is RMB50,000/person/year; the committee allowance of an ordinary member of the Board of Supervisors is RMB28,000/person/year and that of a principal member is RMB40,000/person/year. Committee allowances payable to Non-executive Directors and Non-employee Supervisors who participate in various committees are paid based on the cumulative number of committees that they are working in; (3) meeting fee is a subsidy for any Non-executive Director or Non-employee Supervisor to participate in or attend any general meetings, and on-site meetings of the Board of Directors, the Board of Supervisors, and their specialized committees (including teleconferences and video conferences) and the standard rate is RMB5,000/person/time; (4) research subsidy is a subsidy for Non-executive Directors and Non-employee Supervisors to participate in work inspections, research, training sessions and activities related to the performance of duties as organized by the Bank and relevant organizations, and the standard rate is RMB5,000/person/time.

Since the second quarter of 2020, the Bank will only issue allowances to Independent Directors rather than Equity Directors as per the previous standard upon consent by major shareholders of the nominated directors. The Bank formulated the Allowance System for Independent Directors of China Guangfa Bank Co., Ltd., which was adopted upon deliberation at the second Extraordinary Shareholders' Meeting in 2020.

The Executive Directors and Employee Supervisors of the Bank shall receive remuneration based on their positions in the Bank and will not be entitled to any extra allowance, meeting fee or subsidy.

Pursuant to the Administrative Measures for Senior Executives' Performance Appraisal of China Guangfa Bank Co., Ltd., the senior executives' performance appraisal will take into consideration the operation objective of the Bank, operation management and risk internal control of the business in their charge, individual duty performance and so on. Appraisal results serve as a key basis for the allocation of remuneration for Senior Executives. Currently, the performance appraisal results and final remuneration are under confirmation. After approval upon consideration by the Nomination & Remuneration Committee of the Board of Directors, the performance appraisal results and final remuneration shall be submitted to the Board of Directors for approval. The payment of part of performance-related remuneration to Senior Executives will be deferred according to relevant regulatory requirements.

The remuneration obtained by members of the Bank's Nomination and Remuneration Committee under the Board of Directors during the reporting period can be seen in "Directors, Supervisors and Senior Executives". Mr. Guo Yunzhao was the principal member of the Nomination & Remuneration Committee under the Board of Directors, and other members are Ms. Zhang Di, Mr. Yang Dongwei, Mr. Dai Jiakai, Mr. Tang Xiaoqing, Mr. Chen Shimin and Mr. Zhao Xudong.

The Bank has taken out liability insurance for Directors, Supervisors and Senior Executives.

No incentive options have been granted to Directors, Supervisors and Senior Executives by the Bank.

Changes of Directors, Supervisors and Senior Executives

Directors

According to the letter from the main shareholder State Grid Yingda International Holdings Corporation, Ltd. dated 21 November 2019, Mr. Xin Xuwu and Ms. Li Yanfang resigned from the current position of director, and Mr. Li Ronghua and Mr. Liu Lixiao were nominated as the candidates for the Director of the Bank. On 27 December 2019, the proposal to nominate Mr. Li Ronghua and Mr. Liu Lixiao as the candidates for the Director of the eighth Board of Directors was deliberated and adopted at the sixth Extraordinary Meeting of the eighth Board of Directors in 2019. On 14 January 2020, Mr. Li Ronghua and Mr. Liu Lixiao were elected as Directors of the eighth Board of Directors of the Bank at the first Extraordinary Shareholders' Meeting in 2020. The eligibility of Mr. Li Ronghua and Mr. Liu Lixiao as Directors was approved by China Banking and Insurance Regulatory Commission on 11 June 2020.

The proposal to nominate the candidates for Directors and Independent Directors of the ninth Board of Directors was deliberated and adopted at the 2020 fourth Extraordinary Meeting of the eighth Board of Directors on 31 May 2020. On 23 June 2020, Mr. Wang Bin, Mr. Yin Zhaojun, Mr. Su Hengxuan, Mr. Yin Yi, Ms. Zhang Di, Mr. Li Ronghua, Mr. Liu Lixiao, Mr. Cai Chengwei, Mr. Dai Jiakai and Mr. Liu Xiangyang were elected as Directors of the ninth Board of Directors at the Annual General Meeting in 2019. Mr. Tang Xiaoqing, Mr. Chen Yachu, Mr. Guo Yunzhao, Mr. Chen Shimin and Mr. Zhao Xudong were elected as Independent Directors of the ninth Board of Directors of the Bank. The eligibility of Mr. Su Hengxuan as the Director and the eligibility of Mr. Guo Yunzhao and Mr. Zhao Xudong as Independent Directors were approved by China Banking and Insurance Regulatory Commission on 29 September 2020. The eligibility of Mr. Chen Shimin as an Independent Director was approved by China Banking and Insurance Regulatory Commission on 8 January 2021. As of the end of the reporting period, the eligibility of Mr. Dai Jiakai as a Director remained to be approved by China Banking and Insurance Regulatory Commission.

According to the letter from the main shareholder State Grid Yingda International Holdings Corporation, Ltd. dated 15 October 2020, Mr. Li Ronghua resigned from the current position of the director due to job change, and Mr. Yang Dongwei was nominated as the candidate for the Director of the Bank. On 16 November 2020, the above proposal on replacement of directors was deliberated and adopted at the third Board Meeting of the ninth Board of Directors of the Bank. On 24 December 2020, Mr. Yang Dongwei was elected as a Director of the ninth Board of Directors of the Bank at the second Extraordinary Shareholders' Meeting of the Bank in 2020. China Banking and Insurance Regulatory Commission approved the appointment of Mr. Yang Dongwei as a Director of the Bank on 2 April 2021.

On 5 January 2021, Mr. Yin Zhaojun resigned from the position of the Director and Vice Chairman of the Bank; the major shareholder of the Bank China Life Insurance Company Limited nominated Mr. Wang Kai as the candidate for a Director of the Bank. On 2 February 2021, the proposal on the nomination of Mr. Wang Kai as a Director of the Bank was deliberated and adopted at the sixth Board Meeting of the ninth Board of Directors of the Bank. On 2 March 2021, Mr. Wang Kai was elected as the Director of the ninth Board of Directors at the second Extraordinary Shareholders' Meeting of the Bank in 2021, and the Vice Chairman at the seventh Board Meeting of the ninth Board of Directors. His eligibility as the Director and Vice Chairman of the Bank remained to be approved by regulatory authorities.

Supervisors

On 14 January 2020, Mr. Yang Fuming was elected as the Shareholder Supervisor of the seventh Board of Supervisors in the 2020 first Extraordinary Shareholders' Meeting of the Bank, and Mr. Liu Donghui was no longer the Shareholder Supervisor.

Wang Guizhi, Fan Junxiong and Wu Dahao were elected as the Employee Supervisor of the eighth Board of Supervisors at the seventh plenary meeting of the third Employees' Congress on 16 June 2020.

On 23 June 2020, Yang Fuming and Chen Jiyou were elected as the Shareholder Supervisors of the eighth Board of Supervisors at the 2019 Annual Shareholder's Meeting, and Li Wenjing, Yang Kejing and Li Weiyi were selected as external Supervisors of the eighth Board of Supervisors. Mr. Zhao Qingpei and Mr. Hong Jiaxi no longer served as external Supervisors.

On 17 September 2020, Ms. Wang Guizhi resigned from the positions of Chairman of the eighth Board of Supervisors and Employee Supervisor of the Bank upon retirement.

On 16 October 2020, Luo Yubing was elected as the Employee Supervisor of the eighth Board of Supervisors at the eighth plenary meeting of the third Employees' Congress.

On 16 November 2020, Mr. Luo Yubing was elected as the Chairman of the eighth Board of Supervisors at the third meeting of the eighth Board of Supervisors of the Bank.

Senior Executives

On 23 June 2020, the eligibility of Mr. Luo Yubing as the Vice President of the Bank was approved by China Banking and Insurance Regulatory Commission.

On 16 November 2020, the resignation of Mr. Luo Yubing from the Vice President of the Bank was deliberated and approved at the third meeting of the ninth Board of Directors of the Bank.

At the fourth meeting of the ninth Board of Directors on 23 December 2020, Mr. Lin Deming and Mr. Fang Qi were appointed as the Vice President of the Bank, Mr. Li Xiaoshui was appointed as the President Assistant of the Bank, and Mr. Zhang Wei was appointed as the CSO of the Bank. Their terms of office are consistent with that of the ninth Board of Directors. The eligibility of Mr. Lin Deming and Mr. Fang Qi as the Vice President of the Bank and the eligibility of Mr. Li Xiaoshui as the President Assistant remained to be approved by the regulatory authorities.

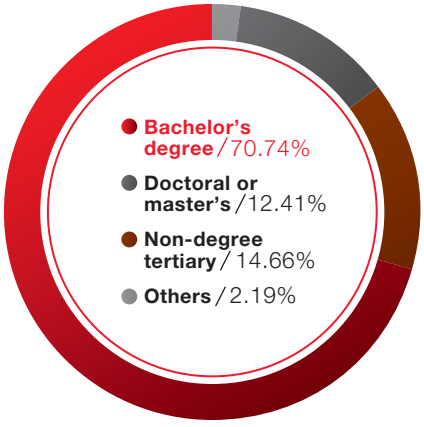
On 5 January 2021, the resignation of Mr. Yin Zhaojun from the President of the Bank and the resignation of Mr. Zong Lexin from the Vice President of the Bank were deliberated and approved at the fifth meeting of the ninth Board of Directors of the Bank.

On 2 February 2021, Mr. Wang Kai was appointed as the President of the Bank at the sixth meeting of the ninth Board of Directors of the Bank. The eligibility of Mr. Wang Kai as the President remained to be approved by the regulatory authorities.

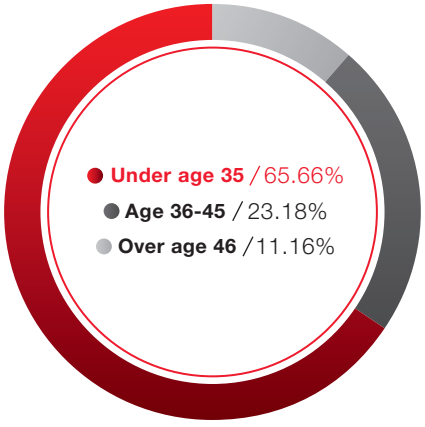
Employees

As of the end of the reporting period, the number of contract employees of the Bank (including Credit Card Center) was 37,297, representing an increase of 2,316 employees over the beginning of the year. Employees with doctoral or master's degree accounted for 12.41%, those with bachelor's degree 70.74%, junior college degree 14.66% and employees with other educational qualifications 2.19%; employees aged 35 or below 65.66%, those aged between 36 and 45 accounted for 23.18% and those aged 46 or above 11.16%.

Employee Composition by Educational Attainment



Employee Composition by Age



Corporate Governance

Illustration on Corporate Governance

Sound corporate governance is the basis for the stable development of commercial banks. During the reporting period, the Bank thoroughly implemented decisions and deployments of the central government and financial regulatory policies in strict compliance with laws and regulations, deeply comprehended the spirits of the Three-year Action Plans for Improving Corporate Governance in the Banking and Insurance Industries (2020-2022), strengthened the corporate governance and compliance in duty performance, and solidly carried out evaluation and enhancement of corporate governance in line with the listing standards and governance objectives of first-class companies. Taking advantage of the re-election of the Board of Directors and Board of Supervisors, the Bank focused on improvement in the corporate governance mechanism structure featuring the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and Senior Executives, continuously consolidated foundation for the corporate governance, improved the corporate governance mechanism with scientific decision-making, powerful enforcement and effective supervision, perfected the corporate governance system, promoted the development of corporate governance capability, and guaranteed the coordinated operation and effective constraint of the entities of the governance mechanism, in order to protect the legitimate rights and interests of all shareholders and other stakeholders. During the reporting period, the Board of Directors carefully implemented resolutions made by the Shareholders' General Meeting, maintained strategic composure, proactively followed the strategy of "revitalizing China Life", accelerated the implementation of "three-step" objective, guided the management staff to deepen reforms and innovations, and stably propelled the operation transformation, which achieved new progress in the operation management and high-quality development of the Bank. The Board of Directors strengthened scientific guidance for the budget implementation and internal risk control, proactively conducted capital management, optimized the investor relations and information disclosure work, and promoted the continuous enhancement in standardized and effective corporate governance.

The governance structure of the Board of Directors was optimized, and the core decision-making capability was enhanced.

During the reporting period, the Bank proactively fulfilled the re-election of the Board of Directors and Senior Executives in strict accordance with the laws, rules, regulatory requirements and corporate governance election procedures. The new Board of Directors was composed of 15 Directors, including five Independent Directors, accounting for one-third proportion. The member structure and specialized organizations of the Board of Directors were further optimized. There were not only senior executives and persons in charge of famous large-scale financial enterprises with rich experience in economy, finance and management, but also professionals, experts and scholars in the economy, finance, audit, investment and law, which maintained the stability and continuity of the Board of Directors, highlighted the speciality, independence and diversity, and further strengthened the scientific decision-making and professional duty performance capability.

On the basis of the new Board of Directors, the Bank optimized the composition and responsibilities of all the specialized committees of the Board of Directors in accordance with regulatory requirements, trade practice and listing standards, gave full play to the specialities of Directors, and ensured that Independent Directors acted as chairing members in the Risk Management Committee, Nomination & Remuneration Committee, Audit Committee and Connected Transaction Control Committee/Inclusive Finance Development Committee, and represented the majority in the Nomination & Remuneration Committee, Audit Committee and Connected Transaction Control Committee/Inclusive Finance Development Committee, which further improved the speciality and independence of specialized committees, and greatly enhanced the support and assurance for the decision-making of the Board of Directors.

Meetings of shareholders, the Board of Directors and the Board of Supervisors were held to enhance scientific and efficient decision-making.

During the reporting period, the Bank continuously optimized the corporate governance structure and operation system by taking advantage of the re-election of the Board of Directors. Giving full play to the core role in the decision-making, the Board of Directors totally held 9 Board meetings and 27 meetings convened by Specialized committees under the Board of Directors for the year, deliberating and reviewing more than 229 proposals and reports with a focus on the corporate governance, capital management, profit distribution, financial budget, risk management, performance assessment, personnel and remuneration, connected transactions, information disclosure and consumer right protection. The Board of Supervisors successfully completed the re-election and carefully fulfilled the function of supervision. The Bank totally held seven meetings of the Board of Supervisors, eight meetings convened by Specialized committees under the Board of Supervisors, deliberating 40 proposals and reviewing 30 reports related to significant topics such as the strategy, finance, profit distribution, risk management, collection and disposal of non-performing assets, internal control and compliance, case prevention, behaviour evaluation of the staff, connected transactions, anti-money laundering, protection of consumer rights, internal audit, supervision, rectification, performance appraisal and self-development of the Board of Supervisors. The Bank continuously improved the corporate governance transmission mechanism, optimized the decision transmission procedures of the governance level, and supervised the management to implement the resolutions of the Board of Directors by means of resolution notification and letter of reminder.

The development of the corporate governance system was strengthened and the foundation for the standard operation was consolidated.

During the reporting period, the Bank strengthened the development of the corporate governance system and consolidated the foundation for standard operation in line with the governance objectives and listing standards of first-class companies. Firstly, the Articles of Association were revised and perfected. The existing Articles of Association of the Bank were systematically and comprehensively revised following the principle of comprehensiveness, foresight and applicability in accordance with the Guidelines on Articles of Association of Listed Companies, articles of association of listed companies in the same industry, and actual situations of the Bank. The revised Articles of Association further improved the responsibility boundaries of the "Shareholders' General Meetings, the Board of Directors, the Board of Supervisors and senior executives", and effectively promoted their standardized duty performance. Secondly, it formulated the rules of procedures for Shareholders' General Meetings in combination with the revision requirements of the Articles of Association, systematically revised rules of procedures for the meetings of the Board of Directors, Board of Supervisors and various specialized committees, and standardized and improved the operation mechanism of the governance entities in response to new requirements raised by regulatory authorities on the work of Board of Directors and Board of Supervisors under new situations, in order to enhance the operational efficiency of corporate governance. Thirdly, it formulated new implementation measures for appointment and election of Directors and Senior Executives, the working system of Independent Directors, the working system of the Board Secretary and allowance system of Independent Directors in line with listing requirements and actual situations, revised the administrative measures for information disclosure and administrative measures for connected transactions, effectively overcame system weaknesses, and improved the corporate governance system. Fourthly, the compliance management in the corporate governance was proactively strengthened. The Corporate Governance Compliance Manual (Breakdown Table) was formulated in response to the modernized requirements on corporate governance system and governance capability of state-owned enterprises, and specific requirements on functional departments to provide assistance in the duty performance of the "Shareholders' General Meetings, the Board of Directors, the Board of Supervisors and senior executives", which enhanced the organic integration of the professional management responsibilities of functional departments and corporate governance compliance requirements.

Duty performance supporting service was optimized and duty performance capability was enhanced.

In order to adapt to the adjustments in the governance structure of the Board of Directors and Board of Supervisors upon re-election, the Bank optimized and improved the duty performance service system of Directors and Supervisors to enhance their capabilities of duty performance. Firstly, it optimized the topic planning and agenda arrangement of the meetings of "Shareholders' General Meetings, the Board of Directors and the Board of Supervisors", improved overall management of meetings, gave full play to the pre-review functions of specialized committees through the pre-review procedures of the CPC Committee prior to Board meetings, and a preliminary communication mechanism between Directors and major shareholders prior to meetings, and enhanced the deliberation and decision-making efficiency of Board meetings. Secondly, it constantly improved the evaluation system by the Board of Supervisors for duty performance of Directors and Supervisors, revised the duty performance scoring table, proactively arranged Supervisors to attend the Shareholders' General Meetings and regulatory meetings and be present at the Board meetings, standardized the annual evaluation of duty performance of Directors and Supervisors, and strengthened the supervisory function of the Board of Supervisors. Thirdly, it organized Directors to participate in the training on the enhancement of corporate governance of financial institutions, and organized Directors and Supervisors to participate in the special training on anti-money laundering in order to increase their insight into the regulatory requirements and policies related to corporate governance, and enhance their duty performance capability. Fourthly, focusing on the central work of the Bank, the Board of Supervisors conducted on-site investigations in branches, and put forward opinions and suggestions on the enhancement of operation management level; strengthened supervision on key fields such as risk management, internal control and compliance, operation decision-making, etc. intensified supervision and guidance on internal audit, and further improved the supervision efficiency.

Strategy implementation was promoted solidly, and strategic development direction was guided scientifically.

The year 2020 was the key year for the Bank to implement the strategy of "revitalizing China Life", accelerate high-quality development, and realize "stable and powerful progress". The Board of Directors and its Strategy/Consumer Right Protection Committee continuously strengthened the analysis and judgement on the external economic environment and industrial development tendency, reinforced strategic thinking, optimized countermeasures according to actual situations, and gave full play to the strategic guidance. Firstly, the Bank took the initiative to serve major national strategies, strengthened the resource sharing and business coordination among member units of China Life Group and major shareholders and jointly promoted the national development strategy by proactively taking advantage of major strategic development opportunities in Guangdong--Hong Kong-Macao Greater Bay Area, Yangtze River Delta, Yangtze River Economic Belt, Beijing-Tianjin-Hebei and ecological protection in the Yellow River Basin. Secondly, it proactively integrated into the requirements of the strategy of "revitalizing China Life", followed "343" strategic deployments and "12333" working concept, strengthened strategic linkage, guided and supported the management to optimize the strategic action plans, deepened the system and mechanism reform and business operation transformation according to high-quality development requirements, promoted the implementation of strategic measures, and strove to realize the operation management objectives determined by the Board of Directors. Thirdly, the "14th Five-year" Development Strategy of the Bank was planned in advance. In order to realize a new development pattern of dual circulation with domestic and overseas markets, the Bank conducted in-depth research into the focus and major direction of the "14th Five-year" strategic development, built the unique and differentiated core competitive advantages, made scientific planning of strategic layout and strategy implementation path in future, and guided the strategic development direction in future combined with changes of domestic and foreign economic situations, industrial competition trends and actual situations of the Bank.

The risk prevention system was improved, and comprehensive risk management was reinforced.

Against the backdrop of economic downturn, accelerated risk exposure and strict regulatory environment, the Board of Directors and its specialized committees put risk prevention and assets quality improvement in a more prominent position, continuously strengthened risk management in traditional fields such as credit assets and funds, closely focused on the risk prevention in the innovative business field such as asset management and internet finance, and assumed the final liability for risk management. Firstly, the Board prudently determined the risk appetite and risk bottom lines, assessed the risk-taking level and optimized the risk appetite transmission mechanism. Through deliberating the annual risk appetite policy and reviewing risk stress test reports and risk management reports of major categories, the Board constantly enhanced the guidance for the decision-making related to risk management. Secondly, the risk management system development was strengthened. Anti-money laundering management policies and money laundering risk management strategies were formulated and deliberated, and administrative measures for country risks and pressure tests were revised, which further consolidated the system foundation for risk prevention and control. Thirdly, the asset quality management was further strengthened. The management was guided to intensify the disposal of non-performing assets, conduct asset classification and asset quality, proactively dissolve risks of stock assets, focus on the reduction of new non-preforming loans, optimize risk disposal strategies, and take several measures to enhance the efficiency and benefits of non-performing assets disposal. Fourthly, the connected transaction risk management was improved. The Board of Directors and its Connected Transaction Control Committee implemented the regulatory regulations on connected transactions, provided guidance in the continuous optimization of connected transaction management mechanism, revised and improved the administrative measures for connected transactions, perfected the management system of connected transactions, and strengthened delicacy management and monitoring on daily connected transactions; prudently approved the limits of connected transactions of major shareholders and connected parties, regularly reported the management of connected transactions to the Shareholders' General Meeting, proactively prevented risks of connected transactions, and maintained the overall benefits of the Bank and its shareholders.

Capital replenishment was proactively made and capital management was strengthened

During the reporting period, the Board of Directors and its specialized committees fulfilled their capital management responsibilities according to capital regulation rules and the Bank's strategic development demands, insisted on the integration of internal accumulation and external supplement, made active use of various capital instruments to improve capital structure, focused on the improvement in the capital management system, enhanced capital strength and improved the capability of stable operation and risk resistance by various means. Firstly, the Board and committees successfully issued RMB33.5 billion Tier 2 Capital Notes, which further consolidated the capital base, provided great support for strategy implementation and rapid development, and guaranteed the capital adequacy continuously met regulatory requirements. Secondly, the Board and its committees intensified the capital intensive concept, strengthened the balance management of on and off asset and liability, optimized risk assets size distribution and management mechanism, greatly expanded "Double Light" business, worked hard to reduce capital consumption, continuously enhanced the refined capital management in response to the Bank's requirements on strategic development, risk coverage and value creation, and promoted the optimal asset allocation among various businesses, products and institutions. Thirdly, the Board and its committees initiated a new round of private placements, and proactively promoted the search and communication of potential investors; continuously made basic preparations for listing, enhanced the gap analysis for listing, optimized and improved investment stories, and strove to establish the long-term capital replenishment mechanism.

Information disclosure management was continuously carried out, and the quality of annual reports was enhanced

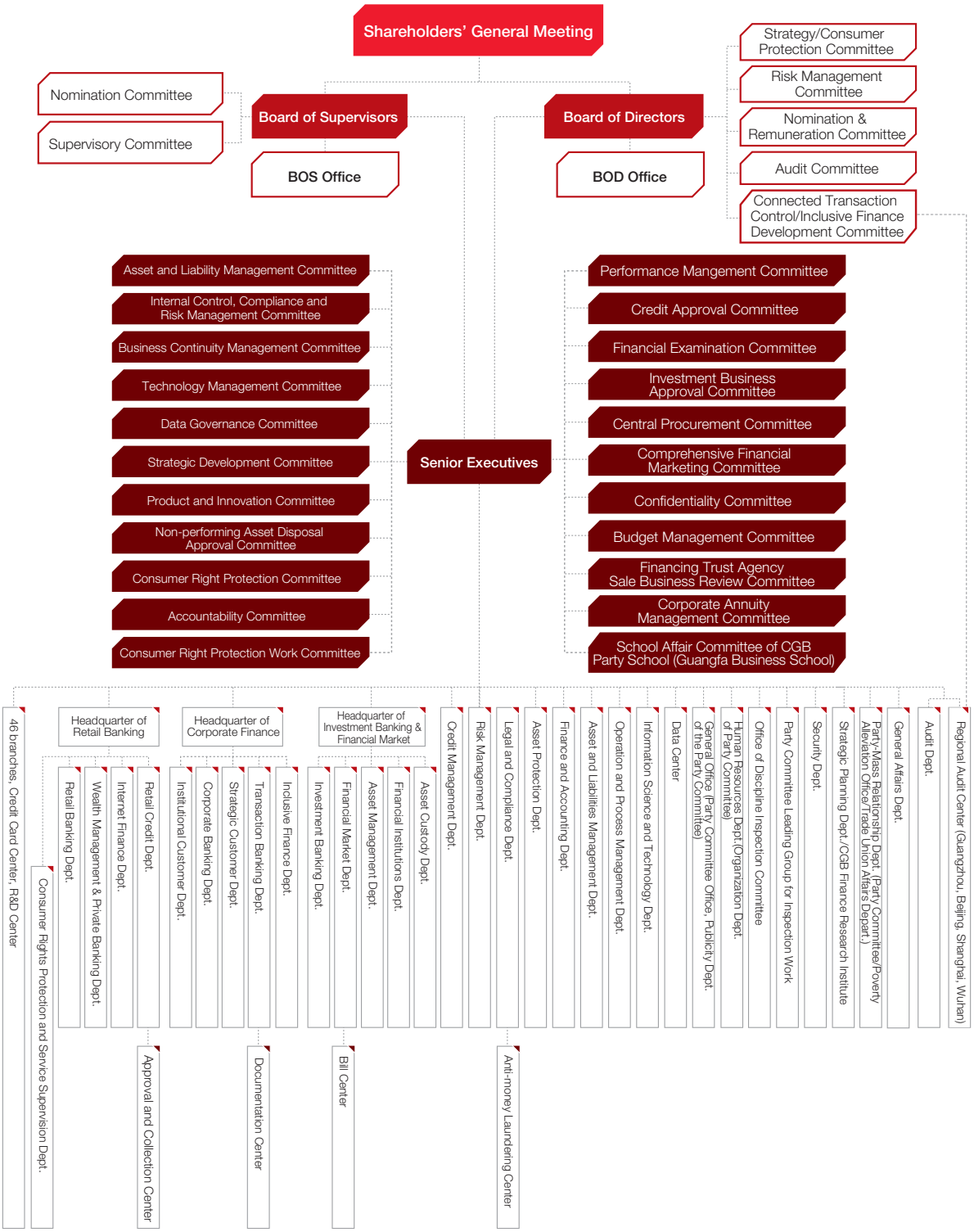
During the reporting period, the Board of Directors fulfilled the information disclosure responsibilities and strengthened the information disclosure management in line with the information disclosure standards of listed companies of the industry. The Board disclosed the information of the Bank in an authentic, accurate, complete and prompt manner to investors and the social public in response to investors' demands, and continuously improved the market image and investment value of the Bank. Firstly, the Board disclosed regular issues such as annual reports, regulatory capital, leverage ratio in compliance with relevant regulatory requirements and took the initiative to disclose information such as shareholders' general meeting, the re-election of the Board of Directors and the Board of Supervisors, significant change of Directors, Supervisors or Senior Executives, dividends payout to increase the information disclosure transparency of the Bank. Secondly, the Board worked elaborately on the preparation and publication of the Annual Report 2019. The Annual Report 2019 of the Bank won the golden prizes of LACP in terms of commercial banks and banks of saving and loaning, Top 100 Global Annual Report (60th), Top 40 Asian Pacific Annual Report (28th), Top 50 Chinese Annual Report, Asian Pacific Best Annual Report Cover. The level and quantity of awards were ahead among the industry, and the level of disclosure received professional recognition all over the world. One golden award, two bronze awards and one honorary award of ARC Awards were obtained, which displayed good professional market image and brand-new atmosphere of the steady progress of the Bank.

Investor relations management was continuously optimized to constantly enhance shareholder value

The Board always valued the investor relations management with an aim to better serve investors, continuously enhanced exchange with investors, and assumed the final liability for equity management. Firstly, the Board consolidated the foundation for investor relations and equity management, promoted the equity classification and share ownership determination, improved shareholders' archives, optimized working procedures for investors and equity management, and enhanced the standardized, streamlined and systematic management of investor relations. Secondly, the Board intensified the active service consciousness, proactively expanded channels for communication with investors, effectively transmitted the strategic transformation, operation highlights and core competitive advantages, enhanced investors' understanding and recognition of the Bank, attentively listened to investors' opinions, improved mutual communication between the Bank and its investors, and effectively conveyed the long-term investment value of the Bank. Thirdly, the Board continuously improved the management of shareholders, equity and connected parties strictly in line with regulatory requirements in high standards, provided guidance for optimization of working mechanism, and efficiently handled affairs such as dividend payout to shareholders, share ownership transfer and equity pledge in compliance with regulatory requirements, in order to protect investors' rights and interests. Fourthly, the Board proactively strengthened cooperation with major shareholders, strengthened communication and coordination in fields such as corporate governance and operation management by making use of equity connection, expanded the space for business coordination, improved momentum for coordinated development, and strove to build good cooperative relationship.

Organizational Structure

CGB ORGANIZATION STRUCTURE CHART



Information on Shareholders' General Meeting

In 2020, the bank held 3 Shareholders' general meetings. Haiwen & Partners witnessed the convening procedures of the Shareholders' general meetings, qualifications of the shareholders present, legitimacy and validity of the voting procedures and other related issues on site, and raised their legal advice.

Information of the Annual Shareholders' General Meeting

On 23 June 2020, the 2019 Annual Shareholders' General Meeting of the Bank was held in Guangzhou.

38 Shareholders and their proxies were present, representing 17.694 billion shares with voting rights, accounting for 89.88% of the total share capital of the Bank.

The meeting deliberated each proposal and approved the following by separate polling: Proposal on the 2019 Work Report of the Board of Directors of the Bank, Proposal on the 2019 Work Report of the Board of Supervisors of the Bank, Proposal on the 2019 Final Account Report of the Bank, Proposal on the 2019 Preliminary Profit Distribution Plan of the Bank, Proposal on the 2020 Financial Budget of the Bank, Proposal on the 2019 Director Remuneration of the Bank, Proposal on the 2019 Supervisor Remuneration of the Bank, Proposal on the Issuance of RMB50 billion Written-down Tier 2 Capital Notes, Proposal on Electing Directors and Independent Directors for the Ninth Board of Directors, Proposal on Electing Shareholder Supervisors and External Supervisors for the Eighth Board of Supervisors, and related resolutions were duly passed.

At the meeting, the Report on the Board of Directors' Implementation of the Authorization of 2019 Annual Shareholders' General Meeting and the Report on 2019 Connected Transaction of China Guangfa Bank Co., Ltd. were reviewed, and the Circular of the Results of the 2019 Performance Assessment of Directors and Supervisors of China Guangfa Bank Co., Ltd. by the Board of Supervisors was also reported.

Information of the Extraordinary Shareholders' General Meetings

The first Extraordinary Shareholders' General Meeting in 2020

On 14 January 2020, the first Extraordinary Shareholders' General Meeting of the Bank in 2020 was held in Guangzhou.

29 shareholders and proxies were present at the meeting, representing 16.019 billion shares with voting rights, accounting for 81.37% of the total share capital of the Bank.

The meeting deliberated each proposal and approved the following by separate polling: Proposal on Postponed Re-election of the Eighth Board of Directors of the Bank, Proposal on Electing Mr. Li Ronghua as Director of the Eighth Board of Directors of China Guangfa Bank Co., Ltd., Proposal on Electing Mr. Liu Lixiao as Director of the Eighth Board of Directors of China Guangfa Bank Co., Ltd., Proposal on Electing Mr. Yang Fuming as Supervisor of the Seventh Board of Supervisors of China Guangfa Bank Co., Ltd., Proposal on Renewal of Daily Connected Transaction Framework Agreement between the Bank and China Life Insurance Company Limited, Proposal on Upper Limit of Daily Connected Transactions between the Bank and China Life Group in 2020-2022, Proposal on Upper Limit of Daily Connected Transactions between the Bank and State Grid Group in 2020-2022, Proposal on Upper Limit of Daily Connected Transactions between the Bank and CITIC Group in 2020-2022 and Proposal on Upper Limit of Daily Connected Transactions between the Bank and Jiangxi Expressway in 2020-2022, and related resolutions were duly passed.

At the meeting, the Circular of the Results of the 2018 Performance Evaluation of Senior Executives of China Guangfa Bank Co., Ltd. by the Board of Supervisors was also reported.

The second Extraordinary Shareholders' General Meeting in 2020

On 24 December 2020, the second Extraordinary Shareholders' General Meeting in 2020 was held in Foshan (Guangfa Financial Center).

21 shareholders and proxies were present at the meeting, representing 17.721 billion shares with voting rights, accounting for 90.01% of the total share capital of the Company.

The meeting deliberated and approved the following proposals by separate polling, including Proposal on Electing Mr. Yang Dongwei as Director of the Ninth Board of Directors of the Bank, Proposal on Revising the Articles of Association of China Guangfa Bank Co., Ltd., Proposal on Formulating the Rules of Procedures of Shareholders' General Meeting of China Guangfa Bank Co., Ltd., Proposal on Formulating the Implementation Measures for the Eligibility and Election Procedures of Directors and Senior Executives of China Guangfa Bank Co., Ltd., Proposal on Formulating the Working System of Independent Directors of China Guangfa Bank Co., Ltd. and Proposal on Formulating the Allowance System of Independent Directors of China Guangfa Bank Co., Ltd., and related resolutions were duly passed.

Information of the Board of Directors

Composition of the Board of Directors

The Bank's Board of Directors has 15 Directors in total, including five (33.3%) independent directors. The Board members include not only heads and senior executives from renowned large financial institutions with extensive experience in the financial industry but also professionals in finance, audit and investment as well as senior experts and scholars in economic and law fields. Such diversified and internationalized members can bring broad visions, independent legal views and proven expertise, allowing the Board of Directors to ensure more scientific and effective decision-making.

Responsibilities of the Board of Directors

The Board of Directors is the decision-making body of the Bank. As specified in the Articles of Association of the Bank, its responsibilities include the following:

- Responsible for convening shareholders' general meetings and reporting its work to shareholders' general meetings;
- Executing resolutions of shareholders' general meetings;
- Determining the setup of internal management organizations of the Bank;
- Determining the Bank's risk management and internal control policies;
- Determining the Bank's annual business plans and investment proposals;
- Determining the bonus of Senior Executives of the Bank and the withdrawal percentage from gross profit;
- Determining resolutions such as the establishment of legal-person institutions by the Bank, significant equity investment, significant asset purchase, significant asset disposal, significant asset write-off, and significant asset mortgage, and other guarantee businesses of non-commercial bank business, significant external donation, etc, within the scope authorized by the Shareholders' General Meeting;
- Deliberating and approving the Bank's proposed material connected transactions with the connected parties;
- Formulating the Bank's annual financial budget plans and financial statements;
- Formulating the Bank's profit distribution and loss recovery plans;
- Formulating plans for increasing or decreasing the Bank's registered capital, issuing bonds or other securities and the IPO plans;
- Formulating plans for the Bank to repurchase the Bank's shares or merger, division and dissolution;
- Formulating the Bank's basic management system;
- Formulating the plans for any amendment to the Articles of Association of the Bank;
- Formulating rules of procedure for meetings of the Board of Directors;
- Nominating member candidates for next session of the Board of Directors;
- Nominating Independent Director candidates, subject to their consent;

- Appointing and dismissing the Bank's President;
- Appointing and dismissing the Secretary to the Board of Directors of the Bank according to Chairman's nomination; appointing and dismissing other Senior Executives other than the Bank's President according to the President's nomination; and deciding on their remunerations, incentives and penalty matters;
- Receiving the work report of the Bank's President and examining the performance of the President;
- Supervising duty performance of Senior Executives and ensuring that Senior Executives have effectively performed their management duties;
- Appointing and dismissing the accounting firm that audits the Bank;
- Responsible for the Bank's information disclosure and bearing the ultimate responsibility for the authenticity and accuracy, integrity and timeliness of the Bank's accounting and financial reports;
- Regularly evaluating and improving the Bank's corporate governance;
- Formulating overall strategy and basic system of the Bank's management on consolidated financial statements; supervising and ensuring Senior Executives to effectively perform the duties for management on consolidated financial statements;
- Determining the Bank's green credit development strategy and the strategy, policies and objectives for consumer rights protection; reviewing and approving the green credit objectives set by Senior Executives and their report on green credit; and receiving regularly special reports of Senior Executives on the progress of protecting consumer rights;
- Responsible for the Bank's internal audit and bearing the ultimate responsibility for the independence and validity of internal audit;
- Establishing the bank's risk culture, formulating risk management strategies;
- Cultivating the behaviour management culture featuring compliance and integrity for employees, approving the code of conduct and detailed rules of employees, supervising the senior management to conduct employees' behaviour management;
- Exercising other functions and powers stipulated by laws and regulations or the Articles of Association of the Bank, or authorized by the Shareholders' General Meeting;
- The Board of Directors should listen to the opinions of the CPC Committee of the Bank before making significant decisions of the bank.

Special committees under the Board of Directors

Five special committees were set up under the Board of Directors of the Bank: Strategy/Consumer Right Protection Committee, Risk Management Committee, Nomination & Remuneration Committee, Audit Committee and Connected Transaction Control/Inclusive Finance Development Committee. All the committees except the Strategy/Consumer Right Protection Committee are chaired by Independent Directors; half or more of the members in the Risk Management Committee, Nomination & Remuneration Committee, Audit Committee and Connected Transaction Control Committee are Independent Directors. All special committees, in accordance with the Articles of Association of the Bank and Rules of Procedure, earnestly perform their duties with their professionalism and play their role of giving advice on decision-making by actively helping the Board of Directors in its work.

Strategy/Consumer Right Protection Committee

The Strategy/Consumer Right Protection Committee consists of seven directors, of whom, Mr. Wang Bin is the chairing member. The other members are Mr. Su Hengxuan, Mr. Wang Kai, Mr. Yang Dongwei, Mr. Cai Chengwei, Mr. Liu Xiangyang and Mr. Guo Yunzhao. The primary responsibilities of the Committee are: formulating the Bank's business plan and middle-to-long-term development strategies for the Bank; supervising and evaluating the implementation process of the Bank's strategies; supervising, examining and evaluating the implementation of annual business plans and investment proposals; studying and deliberating material investment and financing proposals and M&A proposals; studying and drafting the Bank's consumer right protection strategies, policies and objectives, etc..

Risk Management Committee

The Risk Management Committee consists of six directors, of whom Mr. Tang Xiaoqing is the chairing member. The other members are Mr. Yin Yi, Mr. Liu Lixiao, Mr. Dai Jiakai, Mr. Chen Yachu and Mr. Zhao Xudong. The primary responsibilities of the committee are: reviewing risk management strategies, risk management policies, significant risk management issues, money laundering management risk, case prevention management and significant asset disposal programs, controlling, managing, evaluating and supervising the risks of the Bank, etc..

Nomination & Remuneration Committee

The Nomination & Remuneration Committee consists of seven Directors, of whom Mr. Guo Yunzhao is the chairing member. The other members are Ms. Zhang Di, Mr. Yang Dongwei, Mr. Dai Jiakai, Mr. Tang Xiaoqing, Mr. Chen Shimin and Mr. Zhao Xudong. The primary responsibilities of the committee are: formulating procedures and standards of selection and appointment of Directors, President, and Senior Executives, conducting preliminary review of the eligibilities of Director, President and Senior Executive candidates, formulating evaluation system, remuneration policy and incentives scheme for Directors, President and Senior Executives, supervising the implementation of the policy and scheme, etc..

Audit Committee

The Audit Committee consists of five Directors, of whom Mr. Chen Shimin is the chairing member. The other members are Mr. Li Liuxiao, Mr. Liu Xiangyang, Mr. Chen Yachu and Mr. Guo Yunzhao. The primary responsibilities of the committee are: supervising, inspecting and evaluating internal audit work of the Bank and the external audit institutions, auditing the Bank's financial information, and disclosing significant financial policies and their implementation, supervising annual auditing of the Bank, etc..

Connected Transaction Control/Inclusive Finance Development Committee

The Connected Transaction Control/Inclusive Finance Development Committee consists of five directors, of whom Mr. Chen Yachu is the chairing member. The other members are Ms. Zhang Di, Mr. Cai Chengwei, Mr. Tang Xiaoqing and Mr. Zhao Xudong. The primary responsibilities of the Connected Transaction Control/Inclusive Finance Development Committee are: reviewing and urging the formulation and implementation of connected transaction management policies, supervising the establishment and improvement of the connected transaction management system, examining and appraising the connected transactions, controlling risks associated with connected transactions; researching and deliberating the development strategy planning and basic management system of inclusive finance business, deliberating annual business plans and appraisal measures of inclusive finance, etc..

Meetings Convened by the Board of Directors and its Special Committees

Meetings Convened by the Board of Directors

In 2020, the Bank convened a total of 9 Board meetings. The table below shows Directors' attendance rate at Board meetings during the reporting period:

Incumbent Directors' attendance rate at Board meetings during the reporting period

Members of the Board of Directors	Attendances (attendances by proxy)/ required attendances	Including: Attendances by proxy	Attendance rate
Wang Bin	9/9	1	100%
Wang Kai	—	—	—
Su Hengxuan	2/2	1	100%
Yin Yi	9/9	0	100%
Zhang Di	9/9	0	100%
Yang Dongwei	—	—	—
Liu Lixiao	4/4	0	100%
Cai Chengwei	9/9	0	100%
Dai Jiakai	—	—	—
Liu Xiangyang	9/9	0	100%
Tang Xiaoqing	9/9	0	100%
Chen Yachu	9/9	0	100%
Guo Yunzhao	2/2	0	100%
Chen Shimin	—	—	—
Zhao Xudong	2/2	0	100%

Retired Directors' attendance rate at Board meetings during the reporting period

Members of the Board of Directors	Attendances (attendances by proxy)/ required attendances	Including: Attendances by proxy	Attendance rate
Yin Zhaojun	9/9	1	100%
Li Ronghua	2/2	1	100%
Lin Jiaorong	5/5	0	100%
Wang Zhenzhong	5/5	0	100%
Alvin Chua	5/5	0	100%
Zhu Ning	5/5	0	100%

On 7 February 2020, at the 2020 first Extraordinary Meeting of the eighth Board of Directors of the Bank, Proposal on Implementation Plans for Re-election of the Board of Directors of China Guangfa Bank Co., Ltd. in 2020 was deliberated and adopted by means of voting via correspondence, and the related resolution was duly passed.

On 4 February 2020, at the 2020 second Extraordinary Meeting of the eighth Board of Directors of the Bank, Proposal on Special Donations for Fighting against COVID-19 was deliberated and adopted by means of voting via correspondence, and related resolution was duly passed.

On 14 April 2020, at the 2020 third Extraordinary Meeting of the eighth Board of Directors of the Bank deliberated and adopted following proposals by means of voting via correspondence: Proposal on 2019 Annual Work Report and 2020 Annual Work Plan of the Board of Directors of the Bank, Proposal on 2019 Performance Evaluation of Directors by the Board of Directors of the Bank, Proposal on the 2019 Director Remuneration of the Bank, Proposal on 2019 Annual Report of the Bank, Proposal on the Execution of Authorization of 2019 Shareholders' General Meeting to the Board of Directors, Proposal on Formulating Green Credit Strategies of China Guangfa Bank Co., Ltd., Proposal on Revising IT Outsourcing Strategy of China Guangfa Bank Co., Ltd., Proposal on With drawing Beijing Representative Office of the Bank, Proposal on 2019 Comprehensive Risk Management Report of the Bank, Proposal on Establishing Levels and Limits of Country Risks of the Bank in 2020, Proposal on Revising the Administrative Measures for Country Risks of China Guangfa Bank Co., Ltd., Proposal on 2019 Internal Control Evaluation Report of the Bank, Proposal on 2019 Compliance Risk Management Report of the Bank, Proposal on Revising the Administrative Measures for Connected Transactions of China Guangfa Bank Co., Ltd., Proposal on Signing Connected Transaction Framework Agreements between the Bank and China Life Pension Company Limited, Proposal on 2020 Auditing Plans of the Bank and Proposal on Formulation of Articles of Association (Draft) of CGB Wealth Management Co., Ltd., reviewed Proposal on the Report on Execution of Authorization of the Board of Directors by 2019 Shareholders' General Meeting, Report on 2019 Consumer Rights Protection Work and 2020 Work Plans of the Bank, Report on 2019 Operational Risk Management of the Bank, Report on Validation of Internal Risk Rating Models of All Lines of the Bank in 2019, Report on Operation of Internal Rating System of Credit Risks of the Bank in 2019, Report on Comprehensive Risk Stress Tests of the Bank in 2019, Report on Market Risk Management of the Bank in 2019, Report on Risks of the Bank in 2019, Report on List of Connected Parties of the Bank (prior to 31 January 2020), Report on Annual Connected Transactions of the Bank in 2019, Report on IT Risk Management of the Bank in 2019, Report on Evaluation of Business Continuity Management of the Bank in 2019, Report on Self-evaluation of Case Prevention of the Bank in 2019, Report on Behavior Evaluation of Relevant Staff of the Bank in 2019, Report on Collection, Disposal and Management of Non-performing Assets of the Bank in 2019, Report on Summary of 2019 IT Planning and 2020 Key Projects of the Bank and Report on Auditing of the Bank in 2019, and related resolutions were duly passed.

On 28 April 2020, the Bank held the 13th meeting of the eighth Board of Directors, during which following proposals were deliberated and adopted: Proposal on 2019 Audit Report of the Bank as per Chinese Standards, Proposal on 2019 Audit Report of the Bank as per International Standards, Proposal on the 2019 Financial Statement of the Bank, Proposal on 2019 Preliminary Profit Distribution Plan of the Bank, Proposal on 2019 Implementation Measures for Profit Distribution of the Bank, Proposal on the 2020 Internal Capital Adequacy Assessment Report of the Bank, Proposal on Establishing Financial Leasing Company, Proposal on Anti-money Laundering Management Policies of the Bank, Proposal on Money Laundering Risk Management Strategies of the Bank, Proposal on 2019 Money Laundering Risk Evaluation Report of the Bank, and Proposal on Issuing RMB50 Billion Write-down Tier 2 Capital Notes of the Bank, and reviewed the Report on the Operation and Budget Implementation of the Bank in the First Quarter of 2020, Report on 2019 Liquidity Risk Management of the Bank and Report on 2019 Management of Interest Rate Risk in the Banking Book, and related resolutions were duly passed.

On 31 May 2020, the 2020 fourth Extraordinary Meeting of the eighth Board of Directors of the Bank deliberated and adopted following proposals by means of voting via correspondence: Proposal on Adjusting Approval Authority of Senior Executives for External Donations, Proposal on Changing External Equity Trustee Agencies of the Bank, Proposal on Nominating the Candidates for the Directors and Independent Directors of the Ninth Board of Directors of the Bank, and Proposal on Convening 2019 Shareholders' General Meeting of the Bank, and related resolutions were duly passed.

On 23 June 2020, the Bank convened the first meeting of the ninth Board of Directors, during which following proposals were deliberated and adopted: Proposal on Electing Mr. Wang Bin as the Chairman of the Ninth Board of Directors of the Bank, Proposal on Electing Mr. Yin Zhaojun as the Vice Chairman of the Ninth Board of Directors of the Bank, Proposal on the Setting, Responsibilities and Composition of the Specialized Committees under the Ninth Board of Directors of the Bank, Proposal on Appointing Mr. Yin Zhaojun as the President of the Bank, Proposal on Appointing Mr. Li Guangxin as the Board Secretary of the Bank, Proposal on Appointing Mr. Yin Yi as the Vice President of the Bank, Proposal on Appointing Mr. Luo Yubing as the Vice President of the Bank, Proposal on Appointing Mr. Zong Yuexin as the Vice President of the Bank, Proposal on Appointing Mr. Wang Bing as the Vice President of the Bank, Proposal on Appointing Mr. Zheng Xiaolong as the Vice President of the Bank, Proposal on Appointing Ms. Xu Hongxia as the Vice President of the Bank, Proposal on Appointing Mr. Lin Deming as the Assistant President of the Bank, Proposal on Appointing Mr. Fang Qi as the Assistant President of the Bank, Proposal on 2020 Performance Assessment Indexes of Leaders and Senior Executives of the Bank and Proposal on Establishing Institutional Customer Department as a First-level Department of the Bank, and related resolutions were duly passed.

On 29 September 2020, the Bank convened the second meeting of the ninth Board of Directors, during which following proposals were deliberated and adopted: Proposal on Formulating Green Finance Development Strategy of China Guangfa Bank, Proposal on Revising the Administrative Measures for Stress Tests of China Guangfa Bank, Proposal on Connected Transactions of the Joint Establishment of the Financial Leasing Company by the Bank and China Life Property & Casualty Insurance Company Limited, Proposal on Qualification of Major Shareholders of the Bank, Proposal on Revising the Rules of Procedures of the Strategy/Consumer Right Protection Committee under the Board of Directors of China Guangfa Bank Co., Ltd., Proposal on Revising the Rules of Procedures of the Risk Management Committee under the Board of Directors of China Guangfa Bank Co., Ltd., Proposal on Revising the Rules of Procedures of the Connected Transaction Control Committee/Inclusive Finance Development Committee under the Board of Directors of China Guangfa Bank Co., Ltd., Proposal on Revising the Rules of Procedures of the Nomination and Remuneration Committee under the Board of Directors of China Guangfa Bank Co., Ltd., Proposal on Revising the Rules of Procedures of the Audit Committee under the Board of Directors of China Guangfa Bank Co., Ltd., Proposal on Formulating the Rules of Procedures of Shareholders' General Meeting of China Guangfa Bank Co., Ltd., Proposal on Formulating the Implementation Measures for the Eligibility and Election Procedures of Directors and Senior Executives of China Guangfa Bank Co., Ltd., Proposal on Formulating the Working System of Independent Directors of China Guangfa Bank Co., Ltd., Proposal on Formulating the Working System of Board Secretary of China Guangfa Bank Co., Ltd., Proposal on Formulating the Allowance System of Independent Directors of China Guangfa Bank, Proposal on Revising the Administrative Measures for Information Disclosure of China Guangfa Bank, Proposal on Convening the 2020 Second Extraordinary Shareholders' Meeting of the Bank, and Proposal on the Rectification Plan and Report on Wealth Management Business of the Bank, reviewed the Report on the Operation and Budget Implementation of the Bank in the First Quarter of 2020, Report on Working Deployment of Statistics of Fundamental Financial Data of the People's Bank of China and Relevant Working Arrangements, Report on the Bank's Risks in the First Half of 2020, Report on the Market Risk Management of the Bank in the First Half of 2020, Report on the Consumer Rights Protection Work in the First Half of 2020 and Working Plans of the Bank in the Second Half of 2020, Report on 2019 Green Credit Self-appraisal of the Bank, Report on Adjusting the Licensed Name of the Financial Market Department and Report on 2019 Regulator Circular and Rectification Plan of the Bank, and related resolutions were duly passed.

On 16 November 2020, the Bank convened the third meeting of the ninth Board of Directors, during which following proposals were deliberated and adopted: Proposal on Replacing the Candidate for the Director of the Bank by State Grid Yingda International Holdings Co., Ltd., Proposal on Resignation of Mr. Luo Yubing from the Vice President of the Bank, Proposal on Revising the Articles of Association of China Guangfa Bank Co., Ltd., Proposal on Revising the Rules of Procedures of the Board Meetings of China Guangfa Bank Co., Ltd., Proposal on Initiating Relevant Work for Private Placement of the Bank in 2020, Proposal on Report on the Operation and Budget Implementation of the Bank in the Third Quarter of 2020, Proposal on Relevant Matters concerning Adjusting Authorization of Asset Write-off Approval to the Management by the Board of Directors of the Bank, Proposal on Setting of Relevant Departments of the Head Office, Proposal on the Upper Limit of Connected Transactions between the Bank and Guangdong Finance Group in 2021-2022, and Proposal on Appointment of Accounting Firms for 2020 for the Bank, and related resolutions were duly passed.

On 23 December 2020, the Bank convened the fourth meeting of the ninth Board of Directors, during which following proposals were deliberated and adopted: Proposal on the 2021 Risk Appetite Policy of the Bank, Proposal on Report on Impairment Management of the Bank, Proposal on Report of 2020 Internet Loan Business of the Bank, Proposal on Revising Money Laundering Risk Management Strategy of the Bank, Proposal on 2020 Report on Significant Anti-money Laundering Matters and Money Laundering Risk Management of the Bank, Proposal on Report on Special Rectification of Market Disorder of the Bank in 2020, Proposal on Appointing Mr. Lin Deming as the Vice President of the Bank, Proposal on Appointing Mr. Fang Qi as the Vice President of the Bank, Proposal on Appointing Mr. Li Xiaoshui as the Assistant President of the Bank, Proposal on Appointing Mr. Zhang Wei as CSO of the Bank, Proposal on Revising the Internal Audit Regulations of China Guangfa Bank Co., Ltd., Proposal on Report on 2020 Data Management of the Bank, Proposal on Formulating Data Strategy Planning of the Bank, Proposal on Pledged Equity of the Bank, Proposal on Scheme of Private Placement of the Bank in 2020, Proposal on Decision of the Application to Shareholders' General Meeting for Authorization to the Board of Directors and Specific Matters of Additional Issuance of Shares in 2020, Proposal on Increasing in Registered Capital of China Guangfa Bank Co., Ltd., Proposal on Revising the Articles of Association of China Guangfa Bank Co., Ltd., Proposal on Convening the 2021 First Extraordinary Shareholders' Meeting of China Guangfa Bank Co., Ltd., Proposal on 2021 Branch Development Planning of the Bank, and Proposal on the Evaluation Report of the "13th Five-year Plan" of the Bank, and related resolutions were duly passed.

Meetings Convened by Special committees under the Board of Directors

During the reporting period, the special committees under the Board of Directors convened 27 meetings in total, and accumulatively deliberated on 103 proposals. 2019 Final Account Report of the Bank, 2019 Preliminary Profit Distribution Plan, 2019 Performance Evaluation of Directors by the Board of Directors, 2019 Enterprise Risk Management Report, 2019 Money Laundering Risk Evaluation Report, 2020 Audit Plan, Appointment of the Accounting Firm for 2020, 2020 Re-election Scheme of the Board of Directors and Establishment of Financial Leasing Company were deliberated and adopted; reviewed the operation and budget implementation, risk management, connected transactions, consumer right protection, case prevention, collection, disposal and management of non-performing assets. In particular, the Nomination & Remuneration Committee convened six meetings in 2020.

Execution of Resolutions Made at Shareholders' General Meetings by the Board of Directors

During the reporting period, the Board of Directors, in strict compliance with relevant laws, regulations and financial regulatory requirements, faithfully implemented resolutions made at the shareholders' general meetings, stood up to the impact of COVID-19 and complex economic situation, continued to maintain strategic focus, deepened reform and transmission, intensified overall risk prevention and control, actively served the real economy, and promoted the sustainable and steady growth of all business segments.

Independence and Performance of Duties of Independent Directors

At the end of the reporting period, there are five Independent Directors in the Board of Directors of the Bank, which meets regulatory requirements on the qualification, number and proportion of Independent Directors. None of the Independent Directors has any business or financial interests in the Bank or assumed any managerial post in the Bank, which meets relevant regulatory requirements on independence. Independent Directors represent the majority and act as chairing members in the Nomination & Remuneration Committee, Audit Committee, and Connected Transaction Control Committee, and act as chairing members in the Risk Management Committee.

During the reporting period, Independent Directors of the Bank, as required by laws and regulations and the Articles of Association of the Bank, acted with due diligence and attended Board meetings and its special committees in person to exercise their supervision rights and express their opinions on an adequate, objective and independent basis, in order to assist the Board of Directors and special committees to improve efficiency and scientific decision-making ability. Moreover, Independent Directors fully leveraged their expertise and professionalism to actively participate in the consideration and decision-making of proposals on the Board meetings, put forward independent and professional opinions on important matters such as appointment and dismissal of senior executives, profit distribution, directors' remuneration, connected transactions, appointment of accounting firms, system of allowance for Independent Directors, etc., protected overall interest of the Bank and legitimate rights and interests of minority shareholders, and gave full play to their role as Independent Directors.

Board of Supervisors

Composition of the Board of Supervisors

The Board of Supervisors of the Bank consists of eight Supervisors, including two Shareholder Supervisors, three External Supervisors and three Employee Supervisors; the number of members and composition of the Board of Supervisors comply with the regulatory requirements and provisions of the Articles of Association of the Bank. The Shareholder Supervisors have plentiful corporate management experience and finance, audit and accounting expertise; the External Supervisors are professionals in accounting and legal affairs, with abundant expertise and experience; and the Employee Supervisors have been engaged in bank operations and management for a long time and have extensive professional experience in finance.

Responsibilities and Operation of the Board of Supervisors

The Board of Supervisors is the supervisory organization of the Bank and responsible to the Shareholders' General Meeting. The responsibilities of the Board of Supervisors are as follows:

- Supervising the duty performance of the Board of Directors, Senior Management, and proposing dismissal of Directors and Senior Executives in violation of laws, administrative regulations, the Articles of Association of the Bank or resolutions of the shareholders' general meeting;
- Conducting comprehensive appraisal of the performance of the Directors, Supervisors and Senior Executives, and reporting to the shareholders' general meeting and regulatory authorities;
- Requiring Directors and Senior Executives to rectify any of their behaviors in damage of the Bank's interests;
- Inquiring Directors and Senior Executives when necessary;
- Supervising the electing and engaging procedures of directors;
- Examining and supervising financial activities of the Bank;
- Deliberating the Bank's profit distribution proposal, and issuing opinions on the compliance and rationality;

- Deliberating the Bank's regular reports, and issuing written opinions on the authenticity, accuracy and integrity of reports;
- Supervising business decisions, risk management and internal control of the Bank and guiding the internal audit department about their work.
- Attending meetings held by the Board of Directors;
- Proposing to convene an extraordinary general meeting, and convening and presiding over the general meeting when the Board of Directors fails to do so in accordance with the Articles of Association of the Bank;
- Making proposals to shareholders' general meeting;
- Filing lawsuits to the Directors and Senior Executives in accordance with laws and provisions of the Articles of Association of the Bank;
- Formulating and amending rules of procedure for meetings of the Board of Supervisors;
- Supervising the Board of Directors to determine a sound business philosophy, value criterion and development strategy according to the actual situation of the Bank;
- Regularly assessing the scientificity, rationality and effectiveness of the development strategies developed by the Board of Directors and formulated assessment reports.
- Supervising the scientificity and rationality of the bank-wide remuneration management system and remuneration schemes for senior management;
- Exercising other responsibilities stipulated by laws, regulations and the Articles of Association of the Bank, or authorized by the Shareholders' General Meeting.

Special Committees under the Board of Supervisors

The Nomination Committee and Supervisory Committee are set up under the Board of Supervisors of the Bank, both of which are chaired by External Supervisors.

Nomination Committee

The Nomination Committee is composed of three Supervisors, of whom Mr. Li Weiyi is the chairing member and the other members are Mr. Chen Jiyou and Mr. Fan Junxiong.

The primary responsibilities of Nomination Committee are:

- Making proposals to the Board of Supervisors in terms of the size and composition of the Board of Supervisors, according to the Bank's operation and management situations, asset size and equity structure;
- Formulating the selection procedures and standards for supervisors, conducting preliminary review on the eligibilities and qualifications of Supervisor candidates, and making proposals to the Board of Supervisors;
- Nominating and recommending candidates of special committees to the Board of Supervisors;
- Formulating the supervision proposal for the performance of Directors, Senior Management and members, and organizing the implementation after the proposal is approved by the Board of Supervisors;
- Conducting comprehensive appraisal of the performance of Directors, Supervisors and Senior Management and reporting to the Board of Supervisors;
- Supervising the electing and engaging procedures of Directors;
- Supervising the scientificness and rationality of the bank-wide remuneration management system and remuneration schemes for senior management;
- Exercising other responsibilities stipulated by laws, regulations and the Articles of Association of the Bank, or authorized by the Board of Supervisors.

Supervisory Committee

The Supervisory Committee is composed of four Supervisors, of whom Mr. Li Wenjing is the chairing member and the other members are Mr.Yang Fuming, Mr. Yang Kejing and Mr. Wu Dahao.

The primary responsibilities of the Supervisory Committee are:

- Formulating proposals(as needed) of supervision and inspection on the operational decision making, risk management and internal control, etc. as needed and organizing the implementation after the proposals are approved by the Board of Supervisors;

- Formulating plans(as needed) to supervise the financial activities of the Bank and implement related inspections.

- Formulating the supervision proposals(as needed) on whether the Board of Directors has determined a sound business philosophy, value criterion and development strategy according to the actual situation of the Bank, and organizing the implementation after the proposals are approved by the Board of Supervisors;
- Putting forward opinions on the profit distribution proposal to be submitted by the Board of Directors to the general meeting, and reporting to the Board of Supervisors;
- Reviewing the Bank's regular reports made by the Board of Directors, raising written opinions, and reporting to the Board of Supervisors;
- Regularly assessing the scientific nature, rationality and effectiveness of the development strategies developed by the Board of Directors.
- Exercising other responsibilities stipulated by laws, regulations and the Articles of Association of the Bank, or authorized by the Board of Supervisors.

Meetings Convened by the Board of Supervisors and its Special committees during the reporting period

During the reporting period, the Board of Supervisors of the Bank convened 7 meetings in total as follows:

On 25 March 2020, the bank convened the 15th meeting of the seventh Board of Supervisors, the following proposals were deliberated and adopted the following proposals by means of voting via correspondence: Proposal on Re-election Scheme of the Board of Supervisors of the Bank in 2020, Proposal on 2019 Working Report of the Board of Supervisors of the Bank and Proposal on 2020 Working Plan of the Board of Supervisors of the Bank, and related resolutions were duly passed.

On 28 April 2020, the Bank convened the 16th meeting of the seventh Board of Supervisors, the following proposals were deliberated and adopted: Proposal on 2019 Audit Report of the Bank as per Chinese Standards, Proposal on 2019 Audit Report of the Bank as per International Standards, Proposal on 2019 Preliminary Profit Distribution of the Bank, Proposal on 2019 Annual Report of the Bank, Proposal on Report of 2019 Duty Performance of Directors by the Board of Supervisors of Guangfa Bank, Proposal on Report of 2019 Duty Performance of Supervisors by the Board of Supervisors of Guangfa Bank, and Proposal on the 2019 Supervisor Remuneration of the Bank, reviewed reports on the operation and budget implementation, risk asset portfolio and risk management, market risk management, liquidity risk management, internal capital adequacy, collection, disposal and management of non-performing assets, list of connected parties, connected transactions, internal control appraisal, compliance risk management, case prevention self-evaluation, employee behavior evaluation, annual audit and working plans, and related resolutions were duly passed.

On 3 June 2020, the bank convened the 17th meeting of the seventh Board of Supervisors, the following proposals were deliberated and adopted: Proposal on Nominating Candidates for Shareholder Supervisors and External Supervisors of the Eighth Board of Supervisors of the Bank, and related resolutions were duly passed.

On 23 June 2020, the bank convened the first meeting of the eighth Board of Supervisors, the following proposals were deliberated and adopted: Proposal on Electing Ms. Wang Guizhi as the Chairman of the Eighth Board of Supervisors of the Bank, and Proposal on Determining the Composition of the Special Committees under the Eighth Board of Supervisors of the Bank, and related resolutions were duly passed.

On 29 September2020, the Bank convened the second meeting of the eighth Board of Supervisors, the following proposals were deliberated and adopted: Proposal on Revising the Detailed Working Rules of the Nomination Committee under the Board of Supervisors of China Guangfa Bank Co. Ltd., Proposal on Revising the Detailed Working Rules of the Supervisory Committee under the Board of Supervisors of China Guangfa Bank Co. Ltd., Proposal on Abolishing Off-office Audit Measures for Senior Executives of China Guangfa Bank Co., Ltd., Proposal on Revising the Administrative Measures for Stress Tests of Guangfa Bank, reviewed reports on the operation and budget implementation, revision of detailed rules for performance remuneration and business expenditures of persons in charge of the enterprise, performance remuneration and business expenditure budget of the person in charge of the Head Office, risk portfolio and risk management in the first half of year, market risk management, analysis on anti-money laundering and work performance in the first half year, special audit on anti-money laundering, off-site audit of newly increased corporate loans during pandemic prevention and control period, annual regulator circular and rectification scheme, consumer rights protection in the first half year and working plan for the second half of year, and related resolutions were duly passed.

On 16 November 2020, the Bank convened the third meeting of the eighth Board of Supervisors, the following proposals were deliberated and adopted: Proposal on Electing the Chairman of the Eighth Board of Supervisors of the Bank, Proposal on Revising the Rules of Procedures of the Board of Supervisors of China Guangfa Bank Co., Ltd. and Proposal on Appointing the Accounting Firm for 2020 of China Guangfa Bank Co., Ltd., reviewed the report on the operation and budget implementation, and related resolutions were duly passed.

On 24 December 2020, the Bank convened the fourth meeting of the eighth Board of Supervisors, the following proposals were deliberated and adopted: Proposal on the 2020 Performance Evaluation Scheme for Directors, Supervisors and Senior Executives by the Board of Supervisors of the Bank, Proposal on the Scheme of Private Placement by the Bank in 2020, Proposal on Increase in Registered Capital of the Bank, Proposal on the Evaluation Report on the "13th Five-year Plan" of the Bank, Proposal on Revising the Money Laundering Risk Management Strategy of the Bank, Proposal of Report on Significant Anti-money Laundering Matters and Money Laundering Risk Management of the Bank in 2020, Proposal on Revising the Internal Audit Regulations of China Guangfa Bank Co., Ltd., reviewed reports on risk appetite policies, internet loan business, pledged equity, significant contract implementation, and special rectification of the market disorder, and related resolutions were duly passed.

During the reporting period, the Nomination Committee under the Board of Supervisors convened five meetings, the following proposals were deliberated and adopted: Proposal on Re-election Scheme of the Board of Supervisors of the Bank in 2020, Proposal on the Board of Supervisors' Report on Duty Performance of Directors for 2019 of the Bank, Proposal on the Board of Supervisors' Report on Duty Performance of Supervisors for 2019 of the Bank, Proposal on Nominating Candidates for Shareholder Supervisors and External Supervisors of the Eighth Board of Supervisors of the Bank, Proposal on Revising the Detailed Working Rules for the Nomination Committee under the Board of Supervisors of China Guangfa Bank Co., Ltd. and Proposal on the Performance Evaluation Scheme of Directors, Supervisors and Senior Executives by the Board of Supervisors of the Bank in 2020, and related resolutions were duly passed.

During the reporting period, the Supervisory Committee under the Board of Supervisors convened three meetings, the following proposals were deliberated and adopted: Proposal on 2019 Audit Report of the Bank as per Chinese Standards, Proposal on 2019 Audit Report of the Bank as per International Standards, Proposal on 2019 Preliminary Profit Distribution Plan of the Bank, Proposal on 2019 Annual Report of the Bank, Proposal on Revising the Detailed Working Rules for the Supervisory Committee under the Board of Supervisors of China Guangfa Bank Co., Ltd., Proposal on Abolishing the Off-office Audit Measures for Senior Executives of China Guangfa Bank Co., Ltd. and Proposal on the Evaluation Report on the "13th Five-year Plan" of Guangfa Bank, and related resolutions were duly passed.

Duty Performance of External Supervisors

The Board of Supervisors of the Bank currently has three External Supervisors. Both the Nomination Committee and Supervisory Committee of the Board of Supervisors are chaired by External Supervisors. During the reporting period, the Bank's External Supervisors worked diligently, leveraged their professional skills and fulfilled their supervisory duties in strict compliance with relevant laws and regulations and the Articles of Association of the Bank; actively attended meetings of the Board of Supervisors and specialized committees thereof, deliberated the proposals and gave their independent opinions and suggestions; performed their duties as chairing members of the specialized committees earnestly, and convened meetings of specialized committees promptly; proactively participated in the performance appraisal, inspection and investigation organized by the Board of Supervisors; strengthened learning and training, and further enhanced the duty performance capability.

Work of the Board of Supervisors

Successfully finishing the re-election of the Board of Supervisors, and guaranteeing stable operation of corporate governance

The term of office of the seventh Board of Supervisors of the Bank expired on 26 June 2020. The Board of Supervisors promptly initiated the re-election process, and deliberated and approved the re-election scheme of the Board of Supervisors in accordance with laws, rules and regulations in the Articles of Association, and in combination with the latest regulatory requirements and actual situations of the Bank. The Board of Supervisors made active communication with regulatory authorities, the Group and major shareholders, promoted the election and nomination of candidates for supervisors in an orderly manner, elected members of the eighth Board of Supervisors, optimized the setting of the specialized committees under the new Board of Supervisors, completed the re-election of the Board of Supervisors, guaranteeing the stable transition and orderly operation of the Board of Supervisors.

The former Chairman of the Board of Supervisors Ms. Wang Guizhi resigned upon retirement due to age. On 16 November 2020, Mr. Luo Yubing was elected as the Chairman of the eighth Board of Supervisors at the third meeting of the eighth Board of Supervisors of the Bank.

Consolidating the foundation for standardized operations of the Board of Supervisors, and promoting the enhancement of supervision efficiency of the corporate governance

Improving the system and enhancing the level of standardized operation

The Board of Supervisors of the Bank has established the regulatory system comprising the rules of procedures of the Board of Supervisors, detailed working rules for specialized committees, performance appraisal measures for Directors, Supervisors and Senior Executives, and methods of inspection and investigation. During the reporting period, the Board of Supervisors further examined the system compliance and systematically revised the Rules of Procedures of the Board of Supervisors, Detailed Working Rules for the Nomination Committee under the Board of Supervisors and Detailed Working Rules for the Supervision Committee under the Board of Supervisors according to new changes in policies, rules and regulatory requirements, in response to the new requirements of regulatory authorities on the work of the Board of Supervisors under new circumstances; abolished the administrative measures for off-office audit of Senior Executives of the Bank, and optimized the performance appraisal system of Directors, Supervisors and Senior Executives by the Board of Supervisors; comprehensively classified the supervision functions and key points of duty performance of the Board of Supervisors, and formulated the brochure of duty performance system of Supervisors and practical manual of duty performance of Supervisors, in order to guarantee the duty performance according to the laws and regulations.

Successfully convening meetings of the Board of Supervisors and strengthening the deliberation and supervision duties

During the reporting period, the Board of Supervisors of the Bank convened seven meetings of the Board of Supervisors, five meetings of the Nomination Committee and three meetings of the Supervisory Committee. It deliberated 40 proposals and reviewed 30 reports in total, which continuously enhanced the quality and efficiency of meetings. Firstly, the Board of Supervisors further strengthened the topic submission mechanism, enhanced inter-department communication, supervised the prompt submission of topics according to regulatory requirements, and covered significant fields such as appointment of the accounting firm, performance remuneration and business expenditures of people in charge, consumer right protection, risk appetite policies and special audit report on business for the first time, in order to effectively exert the deliberation and supervision duties, and implement comprehensive regulatory requirements. Secondly, the Board of Supervisors reasonably optimized the conference form. Five on-site meetings and two written meetings were held by the Board of Supervisors for the year. Most of the significant topics were deliberated and reviewed at on-site meetings in accordance to the pandemic prevention an control requirements. It also strengthened supervision and guidance on finance, risk management, internal control, compliance and internal audit. Thirdly, the Board of Supervisors continuously strengthened the implementation of resolutions of the Board of Supervisors, followed up the implementation of resolutions based on prompt delivery of notifications of agreed items, made regular reports to the Board of Supervisors, and improved the closed-loop management of the deliberation and decision-making efficiency.

Strengthening inspection and investigation, and enhancing the value contribution of the Board of Supervisors

The Board of Supervisors carefully implemented the regulatory requirements, formulated the annual inspection and investigation scheme, optimizing investigation topic in close combination to the Bank's core business, carried out on-site investigation of Nanjing Branch (including Wuxi Second-level Branch), Zhengzhou Branch and Hefei Branch, and prioritizing the investigation of "strategy implementation, client group development, market share, asset quality, internal risk control and team building" of branches. Searching and analysing investigation materials before investigation, and scientifically designing differentiated questionnaires. The Board of Supervisors deeply investigated base-level business operation, risk management, strategy implementation and bank-insurance cooperation through listening to reports, on-site symposium, anonymous questionnaires and visits to outlets, and raised valuable supervision opinions and suggestions. The Board of Supervisors analyzed deep reasons for problems found in investigations, prepared special investigation reports, proactively fed back to the Board of Directors and senior management, in order to provide significant reference for the scientific decision-making of the Board of Directors and the effective implementation of the senior management.

Strengthening supervision on key fields, and promoting the comprehensive fulfilment of supervision function

Carrying out strategic evaluation and supervision on consumer right protection

Firstly, it deliberated the evaluation report on the "13th Five-year" Planning of the Bank, deeply understood the planning implementation results and existing problems and difficulties during the implementation process, summarized experience and overcame shortcomings, providing reference and suggestions for the formulation of the "14th Five-year" Planning of the Bank.

Secondly, it put forward the supervision opinion of "strengthening strategic guidance, enhancing policy foresight, and building a specialized management head office" through on-site investigation of strategy implementation, suggested the management to strengthen the policy mastery and forward-looking prediction, promptly optimized and adjusted the bank-wide operation management strategy, provided guidance for branches to the scientificly planning of the development direction, and prevented and dissolved operation risks.

Thirdly, it strengthened supervision on consumer right protection, reviewed the situations and plans of consumer right protection, understood consumer right protection and supervision appraisal, required the management to highly emphasize and implement the consumer right protection, strengthened the development of the consumer right protection system and mechanism, perfected the setting of the assessment system, and continuously enhanced the service quality.

Strengthening supervision on risk management

Firstly, the Board of Supervisors continuously focused on the development of total risk management structure, and formulation of the risk management system and risk appetite policy, deliberated and revised the proposal on the administrative measures for stress tests, reviewed the report on risk appetite policy, urged the management to implement the stress test management, further enhanced early risk warning capability, and continuously optimized the risk appetite management mechanism, transmission mechanism and guiding role.

Secondly, the Board of Supervisors regularly reviewed routine reports on risk asset portfolio and risk management, market risk management, collection, disposal and management of non-performing assets, continuously strengthened supervision on credit risk, asset quality, operational risk, market risk, country risk and reputation risk, and proactively put forward constructive supervision opinions in response to the rising credit risks.

Thirdly, the Board of Supervisors strengthened supervision on liquidity risk and capital management, reviewed reports on liquidity risk management and internal capital adequacy evaluation, listened to on-site reports, and understood changes in various risk indicators, and the performance of the Board of Directors and Senior Executives in the capital management, advanced methods of capital measurement and evaluation on internal capital adequacy.

Fourthly, the Board of Supervisors continuously focused on the impacts of COVID-19 on the business operation and management of the Bank, pertinently reviewed reports on off-site audit of newly increased corporate loans and internet loan business evaluation during the pandemic prevention against the backdrop of the macroeconomic downturn and higher industrial risks, and required the management to prevent risks while serving the national strategy, improving people's livelihood and increasing support for credit granting.

Strengthening supervision on internal control and compliance

Firstly, supervision on the internal control system was strengthened. The Board of Supervisor continuously focused on the operation of the internal control system, system development, institution setting, process optimization and duty performance of "three defense lines", reviewed annual reports on internal control evaluation, supervision circular, rectification scheme, special management of the market disorder, reviewed the progress and result of the rectification, and effectively promoted the implementation of the inspection and rectification opinions.

Secondly, the "machine + system + culture" internal control and compliance system was improved. The Board of Supervisors carried out investigation among branches, put forward supervision opinions, suggested that the Board of Directors and Senior Executives should emphasize the building of compliance culture, strengthened system development and implementation, reinforced the credit risk culture and education on professional ethics, regularly conducted audits or surprise audits, and strengthened off-site monitoring and inspection by technical means, in order to promptly find out and rectify the nonconformity during operation.

Thirdly, supervision on internal control in the anti-money laundering was intensified. The Board of Supervisors deliberated topics including revision of money laundering risk management strategy, and reports on significant anti-money laundering matters and money laundering risk management, supervised the implementation of the bank-wide money laundering risk management strategies, policies and procedures, and urged the management to promote the vertical development of anti-money laundering, in order to greatly enhance the effectiveness of the anti-money laundering work throughout the Bank.

Fourthly, supervision on connected transaction management was strengthened. The Board of Supervisors regularly reviewed reports on connected transactions and list of connected parties, and specified the procedures and document formats for the report of connected transactions to the Board of Supervisors; Supervisors consciously declared the information of connected parties, and promoted the improvement in dynamic management of the list of connected parties, which further controlled risks in connected transactions.

Fifthly, supervision on case prevention and staff behaviour management was strengthened. The Board of Supervisors reviewed reports including self-evaluation on case prevention and staff behaviour evaluation, listened to special reports on the site, strictly implemented the case prevention requirements of financial institutions, and supervised further improvement in the monitoring, evaluation and accountability system of the staff behaviour.

Supervision on financial management was strengthened

Firstly, the Board of Supervisors deliberated proposals such as the annual financial audit report, preliminary profit distribution plan and annual report, issued audit opinions, and guaranteed the legal compliance of the formulation process, reviewing procedures and key contents; further strengthened communication and exchange with external audit institutions, listened to reports on annual audit and displayed the function of supervision with the assistance of external audit institutions; deliberated the proposal on the appointment of the accounting institution, and supervised the compliance of renewed external audit institutions, and fairness of appointment clauses and remuneration.

Secondly, the Board of Supervisors regularly reviewed reports on the operation and budget implementation, monitored and analysed changes in major financial indicators and data of the Bank, and required the management to continuously strengthen the budget implementation, in order to enhance the scientific and refined financial management.

Thirdly, the Board of Supervisors strengthened supervision on the performance remuneration and business expenditures of persons in charge of the enterprise, reviewed the revision of relevant detailed rules for implementation and budget of business expenditures, further displayed the supervision and restraint function, supervised and urged the management to deeply implement the eight-point frugality code of Central Committee of the central government and relevant requirements of the Group, and strengthened the management of performance remuneration and business expenditures.

Supervision and guidance on internal audit were strengthened

Firstly, the Board of Supervisors further strengthened supervision and guidance on internal audit departments according to functions empowered by the newly revised Articles of Association, reviewed the annual audit reports and working plans, required focus on key points in internal audit, strengthened the audit on credit assets of major clients, and prevented significant risks; deliberated the proposal on the revision of internal audit regulations, and promoted the improvement in the internal audit system, in order to enhance the independence and effectiveness of the internal audit.

Secondly, the Board of Supervisors reviewed several special business audit reports, including anti-money laundering business and new corporate loans, put forward supervision opinions and suggestions, guided the internal audit department to strengthen business audit, and fulfilled the responsibilities in the third defense line.

Supervision and appraisal on duty performance was strengthened

Firstly, supervision on daily duty performance was continuously conducted. The Board of Supervisors organized supervisors to attend shareholders' general meetings for three times, and were in attendance at the on-site meetings of the Board of Directors for five times, focused on the collection and classification of daily performance information, and supervised the compliance with laws, rules, regulations and Articles of Association by the Board of Directors, Senior Executives and its members, and implementation of resolutions of the shareholders' general meetings and regulatory opinions. Chairman of the Board of Supervisors attended important operation and management meetings on behalf of the Board of Supervisors such as the conferences of Party Committee of the Head Office, working conferences of the President and working conferences of the Bank, strengthened supervision on the decision-making process of significant matters, and displayed the supervision and restraint functions of the Board of Supervisors.

Secondly, annual appraisal on duty performance of Directors, Supervisors and Senior Executives was conducted in an orderly manner. In accordance with regulatory requirements, the Board of Supervisors conducted comprehensive appraisal on the performance of duty of loyalty and diligence by the Directors, Supervisors and Senior Executives through daily supervision, research and communication, and perusing performance appraisal records in combination with quantitative and qualitative analysis on the basis of results of self-appraisal, mutual appraisal, performance satisfaction appraisal and external appraisal, and arrived at the performance appraisal reports, which reflected the duty performance of Directors, Supervisors and Senior Executives in a comprehensive and objective manner, and promoted the legal compliance during duty performance.

Thirdly, remuneration arrangements for supervisors were proposed and submitted to the Shareholders' General Meeting for deliberation. In accordance with the Allowance System for Non-employee Supervisors adopted at the Shareholders' General Meeting, the Board of Supervisors deliberated the proposal on annual remuneration for supervisors, and put forward suggestions on annual remuneration of Supervisors in combination with annual performance of supervision by Supervisors on finance, internal control and compliance, and risk management, as well as performance appraisal results, which was then submitted to the Shareholders' General Meeting for approval.

The Board of Supervisors strengthened self-development, and continuously enhanced its capability of duty performance

Firstly, it strengthened learning and training in an overall manner. The Board of Supervisors promptly sent reference materials related to appointment and duty performance to newly appointed Supervisors; organized Supervisors to participate in the online training on anti-money laundering, learn professional knowledge on anti-money laundering, important documents of China Banking and Insurance Regulatory Commission and tour inspection opinions of the Group's Party Committee, strengthened internal learning and exchange, enhanced Supervisors' self-quality of duty performance, and expanded the professional capability of duty performance.

Secondly, enthusiasm of duty performance was further enhanced. The Board of Supervisors strengthened deliberation and exchange at on-site meetings, and built an open and democratic atmosphere for free deliberation. Each Supervisor carefully reviewed meeting materials, proactively focused on key matters, actively issued supervision opinions and suggestions, and continuously enhanced enthusiasm and initiative in duty performance.

Thirdly, the information channel of duty performance was broadened. The Board of Supervisors provided guidance for the Office of the Board of Supervisors in the classification of key points that shall be emphasized during actual duty performance of Supervisors, and formulated the Brochure of Duty Performance System of Supervisors and Practical Manual of Duty Performance of Supervisors, and acquainted Supervisors with various rights and obligations during duty performance, in order to enhance the legal compliance during duty performance.

Fourthly, the Board of Supervisors maintained good communication with regulatory authorities, group companies and industrial entities of corporate governance to guarantee its continuous legal compliance during operation.

Independent Opinions of the Board of Supervisors on Relevant Matters

Lawful operation

During the reporting period, the Bank carried out operations in strict compliance with all applicable laws and regulations. The decision-making procedure of the Bank has fulfilled relevant requirements of laws, regulations and the Articles of Association of the Bank. There were no behaviors of directors and senior executives of the Bank found to have violated laws, regulations, the Article of Association of the Bank or have contravened the interests of the Bank or the shareholders.

Financial reporting

During the reporting period, Ernst & Young Hua Ming (LLP) audited the 2020 financial statements prepared by the Bank in accordance with PRC GAAP. The Board of Supervisors thinks that the 2020 financial statements of the Bank are prepared and audited in accordance with legal and regulatory requirements and give a true, fair and comprehensive view on the Bank's actual operation.

Preliminary profit distribution plan

During the reporting period, the Board of Supervisors considered and approved the 2020 Preliminary Profit Distribution Plan of China Guangfa Bank, regarded such plan and its decision-making procedures in compliance with requirements of laws, regulations and the Article of Association of the Bank while giving consideration to the current and long-term interests of shareholders of the Bank and taking full account of, among others, the Bank's capital adequacy level, strategic development requirements and external regulations, thus determined such plan is in line with the actual conditions of the Bank and agreed on its submission to the Shareholder's General Meeting for deliberation.

Connected transactions

During the reporting period, the Board of Supervisors considered and approved the Resolution on 2020 Connected Transactions of China Guangfa Bank, the Report on the List of Connected Parties of China Guangfa Bank (as of 31 December 2020), and required the management to enhance the compliance management of connected transactions, strictly comply with relevant procedures on filing, approval, reporting and disclosure of connected transactions and reporting and updating of connected parties' information, in a view to prevent connected transaction risks. No acts in breach of the principle of fairness or infringed the interests of the Bank or its shareholders were found in the connected transactions of the Bank.

Internal control

During the reporting period, the The Board of Supervisors considered and approved the Resolution on the 2020 Internal Control Evaluation Report of China Guangfa Bank, and believed that as of the base date of the Internal Control Evaluation Report, no major deficiencies of the Bank's financial report exist, nor the non-financial reporting internal control, and had no objection to the report.

Implementation of resolutions of shareholders' general meetings

During the reporting period, the Board of Supervisors had no objections to the proposals and reports submitted by the Board of Directors to Shareholders' General Meeting and concluded that the Board of Directors had conscientiously implemented the relevant resolutions of Shareholders' General Meeting.

Information on Senior Management

The President of the Bank is responsible to the Board of Directors and is subject to the supervision of the Board of Supervisors. Vice Presidents and other senior management shall assist the President's work. The authority of Senior Management and the Board of Directors are separated strictly in accordance with corporate governance policies including the Articles of Association of the Bank.

The specialized committees under Senior Management of the Bank include: Budget Management Committee, Central Procurement Committee, Financial Examination Committee, Strategy Development Committee, Product and Innovation Committee, Comprehensive Financial Marketing Committee, Consumer Right Protection Work Committee, Performance Management Committee, Corporate Annuity Management Committee, School Affair Committee of CGB Party School (Guangfa Business School), Internal Control Committee, Compliance and Risk Management Committee, Business Continuity Management Committee, Accountability Committee, Confidentiality Committee, Technology Management Committee, Data management and Control Committee, Non-performing Asset Disposal Approval Committee, Asset and Liabilities Management Committee, Credit Approval Committee, Financing Trust Consignment Sale Review Committee and Investment Business Approval Committee.

Confirmation of the Bank's Annual Report 2020 by Directors and Senior Executives

Confirmation of the Bank's Annual Report 2020 by Directors and Senior Executives

We as Directors and Senior Executives of China Guangfa Bank Co., Ltd., have thoroughly understood and reviewed the Bank's Annual Report 2020, issue our opinions as follows:

I. Operations of the Bank are in strict compliance with the Accounting Standards for Business Enterprises, the Accounting Regulations for Business Enterprises, the Accounting Regulations for Financial Enterprises and relevant provisions; and the Bank's Annual Report 2020 gives a fair view of financial position and operating results of the Bank for the reporting period.

II. The Bank's financial statements for 2020 have been audited by Ernst & Young Hua Ming LLP (Special General Partnership) in accordance with China Standards on Auditing for Certified Public Accountants, which issued a standard unqualified auditor's report.

III. We confirm that the information disclosed in the Bank's Annual Report 2020 is authentic, accurate and complete, and we guarantee that there is no misrepresentation or misleading statement contained or material omission from it. We undertake individual and several liability for the authenticity, accuracy and completeness of its content.

Signatures of Directors and Senior Executives

Name	Name
Wang Bin	Su Hengxuan
Yin Yi	Zhang Di
Yang Dongwei	Liu Lixiao
Cai Chengwei	Liu Xiangyang
Tang Xiaoqing	Chen Yachu
Guo Yunzhao	Chen Shimin
Zhao Xudong	Wang Bing
Zheng Xiaolong	Xu Hongxia
Chen Xiangrong	Li Guangxin
Lin Deming	Fang Qi

Note: The above table did not include the directors and senior management who have resigned or whose qualification have not been approved; and Mr. Lin Deming and Mr. Fang Qi's qualification for Assistant to President of the Bank has been approved.

Documents Available for Inspection

Documents Available for Inspection

I. Original copy of written confirmation of the Annual Report 2020 by Directors and Senior Executives of the Bank.

II. Original copy of the auditors' report with Certified Public Accountant Firm's chop affixed, signed and sealed by Certified Public Accountants.

III. Articles of Association of China Guangfa Bank Co., Ltd.

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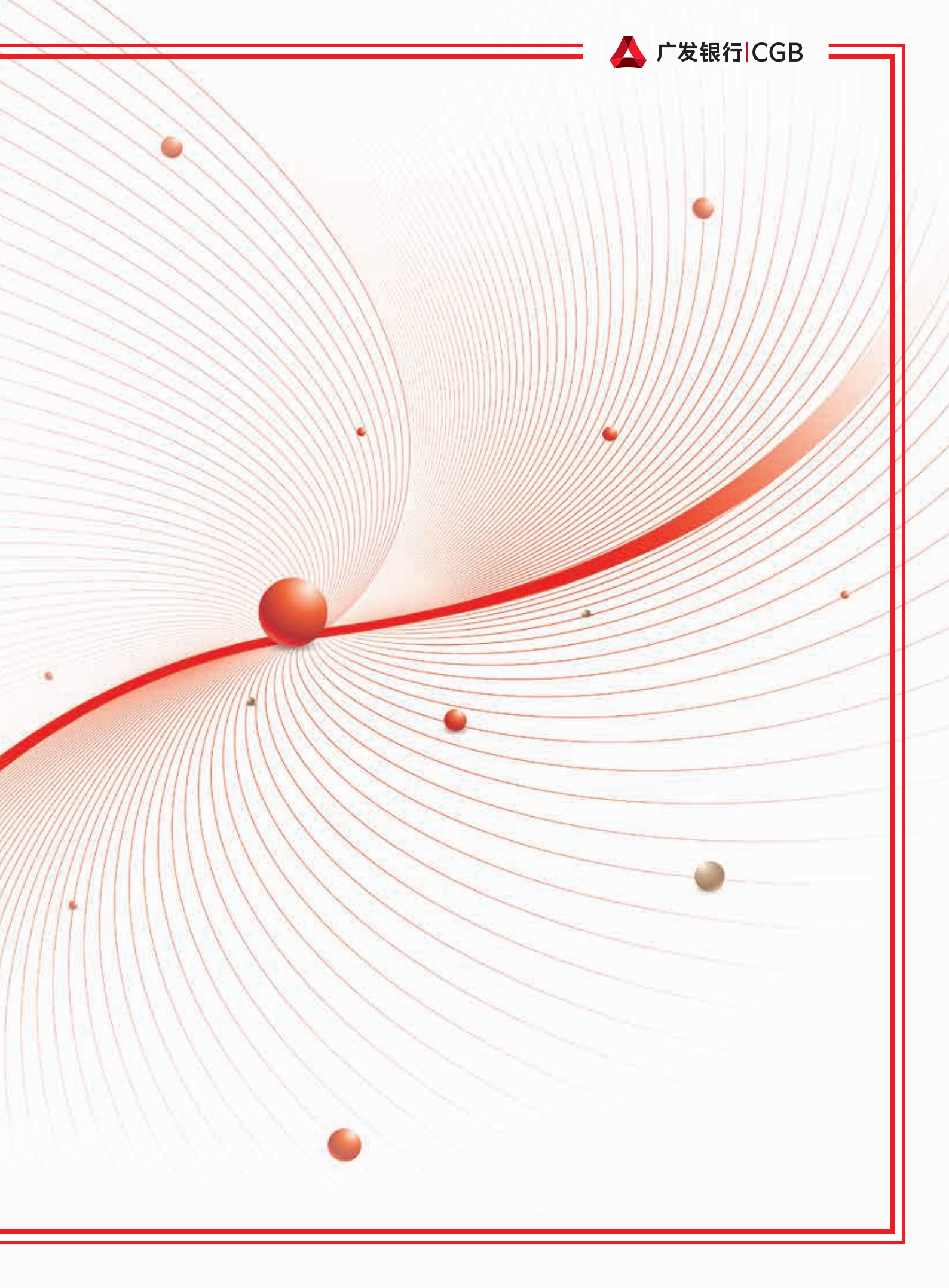
The Bank focused on resonating the insurance-bank cooperation, strengthened resource integration and coordinated development with major shareholders including China Life Group, implemented the principle of “One Customer, One China Life”, proactively realized interaction of clients, multiplied the development, promoted innovation and integration of channels, products and services, making insurance-bank cooperation the core value of the Bank in increasing competitiveness and effectively empowering the business development of the Bank.



Auditors' Report

Ernst & Young Hua Ming LLP
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Oriental Plaza
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Dong Cheng District
Beijing, China 100738

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ey.com

Auditors' Report

Ernst & Young Hua Ming (2021) Shen Zi No. 60651003_G01
China Guangfa Bank Co., Ltd.

To the Board of Directors of China Guangfa Bank Co., Ltd.:

(I) Opinion

We have audited the financial statements of China Guangfa Bank Co., Ltd. (the "Bank"), which comprise balance sheet as at 31 December 2020 and income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Bank's financial position as at 31 December 2020, and the Bank's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

(II) Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of China Guangfa Bank Co., Ltd in accordance with *China Code of Ethics for Certified Public Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III) Responsibilities of the management and those charged with governance for the financial statements

The management of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Bank'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 management either intends to liquidate the Bank or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Report (continued)

(IV) Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally 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 financial statements.

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

(1) Identify and assess the risks of material misstatement of the 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.

(2) 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 internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's 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 Bank'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 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 Bank to cease to continue as a going concern.

(5) Evaluate the overall presentation including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditors' Report (continued)

Ernst & Young Hua Ming (2021) Shen Zi No. 60651003_G01
China Guangfa Bank Co., Ltd.

We communicate with those charged with governance 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.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Zhao Ya

Chinese Certified Public Accountant: He Mingzhi

Beijing, the People's Republic of China

08 March 2021

Balance Sheet

31 December 2020 Expressed in thousands of Renminbi

	VII	Year ended 31 December 2020	2019
Assets			
Cash and due from central banks	1	**249,293,004**	232,377,933
Due from banks and other financial institutions	2	**15,319,508**	16,732,535
Precious metals		**2,133,639**	1,363,121
Placements with banks and other financial institutions	3	**97,984,897**	89,478,634
Derivative financial assets	4	**28,641,143**	25,175,143
Financial assets held under resale agreements	5	**107,044,659**	66,849,357
Loans and advances to customers	6	**1,754,573,404**	1,531,310,559
Financial investments	7		
– Financial assets held for trading		**146,809,871**	129,304,286
– Debt investments		**332,401,222**	307,500,885
– Other debt investments		**243,799,610**	192,147,597
– Other equity investments		**2,743,903**	2,150,319
Long term equity investments	8	**–**	5,056
Fixed assets	9	**10,581,415**	10,231,157
Intangible assets	10	**4,597,562**	4,288,778
Deferred tax assets	11	**15,359,752**	14,036,193
Other assets	12	**16,688,408**	9,846,293
Total assets		**3,027,971,997**	2,632,797,846

The notes on pages 181 to 311 form an integral part of these financial statements

Balance Sheet

31 December 2020 Expressed in thousands of Renminbi

	VII	Year ended 31 December 2020	2019
Liabilities and equity			
Liabilities			
Due to central banks		**93,121,962**	64,774,342
Due to banks and other financial institutions	14	**464,918,582**	416,715,620
Placements from banks and other financial institutions	15	**16,666,558**	27,763,260
Financial liabilities held for trading	16	**15,980,797**	4,495,988
Derivative financial liabilities	4	**28,000,555**	24,282,905
Financial assets sold under repurchase agreements	17	**85,124,335**	104,742,824
Customer deposits	18	**1,852,555,464**	1,600,170,141
Employee benefits obligations	19	**6,892,827**	5,445,997
Taxes payable	20	**7,023,372**	7,957,361
Provisions	21	**2,841,373**	2,129,767
Bonds issued	22	**221,916,699**	147,864,483
Other liabilities	23	**14,779,832**	16,890,933
Total liabilities		**2,809,822,356**	2,423,233,621

The notes on pages 181 to 311 form an integral part of these financial statements

Balance Sheet

31 December 2020 Expressed in thousands of Renminbi

		Year ended 31 December	
	VII	2020	2019
Liabilities and equity (continued)			
Equity			
Share capital	24	**19,687,196**	19,687,196
Other equity instruments	25	**44,991,071**	44,990,816
Capital reserve	26	**37,050,086**	37,050,086
Other comprehensive income	27	**940,329**	2,803,582
Surplus reserve	28	**12,533,173**	11,151,972
General reserve	29	**34,991,137**	30,036,492
Undistributed profits	30	**67,956,649**	63,844,081
Total equity		**218,149,641**	209,564,225
Total liabilities and equity		**3,027,971,997**	2,632,797,846

The financial statements on pages 173 to 311 signed by:

Yin Zhaojun	Yin Yi	Qiu Gang
Legal representative	Managing Vice President in Charge of Finance	General Manager of the Finance Department

China Guangfa Bank Co., Ltd.

The notes on pages 181 to 311 form an integral part of these financial statements

Income Statement

Year ended 31 December 2020 Expressed in thousands of Renminbi

	VII	2020	2019
Interest income		127,842,081	120,181,490
Interest expenses		(64,994,782)	(60,602,041)
Net interest income	31	62,847,299	59,579,449
Fee and commission income		15,817,792	13,938,380
Fee and commission expenses		(4,515,838)	(4,760,807)
Net fee and commission income	32	11,301,954	9,177,573
Investment gains	33	5,086,633	3,652,240
– Income from the derecognition of financial assets measured at amortised cost		915,295	340,430
– Share of results of an associate		459	–
Gains arising from changes in fair value	34	771,545	3,252,091
Foreign exchange gains	35	257,558	417,015
Other operating income		81,906	50,626
Gains from disposal of non-current assets	39	55,165	67,402
Other income	40	123,319	116,085
Operating income		80,525,379	76,312,481
Taxes and surcharges	36	(969,675)	(900,935)
Operating and administrative expenses	37	(23,076,037)	(23,495,484)
Impairment losses on assets	38	(38,920,652)	(36,439,124)
– Credit impairment losses		(38,875,894)	(36,335,849)
– Other asset impairment losses		(44,758)	(103,275)
Other operating expenses		(40,499)	(19,813)
Operating expenses		(63,006,863)	(60,855,356)
Operating profit		17,518,516	15,457,125
Add: Non-operating income	41	110,373	106,875
Less: Non-operating expenses	42	(51,145)	(641,075)
Profit before income tax		17,577,744	14,922,925
Less: Income tax expenses	43	(3,765,733)	(2,342,001)
Profit for the year		13,812,011	12,580,924

The notes on pages 181 to 311 form an integral part of these financial statements

Income Statement

Year ended 31 December 2020 Expressed in thousands of Renminbi

	VII	2020	2019
Earnings per share			
– Basic and diluted earnings per share (in RMB)		**0.60**	0.64
Other comprehensive income, net of tax	44	**(1,943,838)**	643,005
Items that may not be reclassified subsequently to profit and loss		**(143,130)**	(19,413)
1. Change in the fair value of other equity investments		**(143,130)**	(19,413)
Items that may be reclassified subsequently to profit and loss		**(1,800,708)**	662,418
1. Change in the fair value of other debt investments		**(1,744,146)**	713,044
2. Provision for credit impairment of other debt investments		**163**	491
3. Change in the fair value of loans and advances measured at fair value through comprehensive income		**(44,180)**	15,760
4. Provision for credit impairment of loans and advances measured at fair value through comprehensive income		**12,126**	(40,527)
5. Exchange differences on translation of financial statements		**(24,671)**	(26,350)
Total comprehensive income for the year		**11,868,173**	13,223,929

The notes on pages 181 to 311 form an integral part of these financial statements

Statement of Cash Flow

31 December 2020 Expressed in thousands of Renminbi

	VII	2020	2019
Cash flows from operating activities:			
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		–	529,091
Net increase in customer deposits and amounts due to banks and other financial institutions		302,787,126	185,935,827
Net increase in amounts due to central banks		28,200,000	39,600,000
Interest and fees and commission received		130,285,258	123,522,139
Proceeds from other operating activities		118,677	34,270
Sub-total of cash inflows		461,391,061	349,621,327
Net increase in amounts due from the central bank and due from banks and other financial institutions		(6,809,381)	(6,215,280)
Net increase in loans and advances to customers		(262,587,991)	(257,446,879)
Net increase in placements with banks and other financial institutions and financial assets held under resale agreements		(23,919,713)	(28,624,589)
Net decrease in placements from banks and other financial institutions and financial assets sold under repurchase agreements		(30,606,233)	–
Net increase in financial assets held for trading		(1,860,607)	(2,665,024)
Interest and fees and commission paid		(59,332,233)	(59,482,422)
Payment to and on behalf of employees		(12,381,096)	(11,669,003)
Payment of various taxes		(12,679,803)	(9,019,292)
Payment for other operating activities		(10,115,781)	(3,642,880)
Sub-total of cash outflows		(420,292,838)	(378,765,369)
Net cash outflows from operating activities	45	41,098,223	(29,144,042)

The notes on pages 181 to 311 form an integral part of these financial statements

Statement of Cash Flow

31 December 2020 Expressed in thousands of Renminbi

	VII	2020	2019
Cash flows from investing activities:			
Proceeds from disposal and maturity of investments		**539,260,770**	400,418,661
Cash dividends received		**17,992**	15,045
Investment income received		**20,388,303**	17,659,073
Net proceeds received from disposal of fixed assets and other assets		**82,811**	97,193
Sub-total of cash inflows		**559,749,876**	418,189,972
Payments for acquisition of investments		**(629,212,565)**	(428,088,912)
Payments for acquisition of fixed assets, intangible assets and other assets		**(2,269,671)**	(2,058,681)
Sub-total of cash outflows		**(631,482,236)**	(430,147,593)
Net cash inflows from investing activities		**(71,732,360)**	(11,957,621)
Cash flows from financing activities:			
Proceeds from other equity instruments issued		**–**	44,990,816
Proceeds from bonds issued		**430,146,120**	202,025,972
Sub-total of cash inflows		**430,146,120**	247,016,788
Payment for dividends		**(1,211,073)**	(634,461)
Repayments of debts issued		**(359,250,000)**	(217,130,000)
Interest paid on bonds issued		**(2,043,239)**	(2,652,100)
Payment for perpetual bond interest		**(2,025,000)**	–
Sub-total of cash outflows		**(364,529,312)**	(220,416,561)
Net cash inflows from financing activities		**65,616,808**	26,600,227
Effect of foreign exchange rate changes on cash and cash equivalents		**(1,337,578)**	1,020,598
Net increase in cash and cash equivalents	45	**33,645,093**	(13,480,838)
Add: Cash and cash equivalents at the beginning of the year		**184,957,309**	198,438,147
Cash and cash equivalents at the end of the year	45	**218,602,402**	184,957,309

The notes on pages 181 to 311 form an integral part of these financial statements

Statement of Changes in Equity

Year ended 31 December 2020 Expressed in thousands of Renminbi

	VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Total
Balance at 1 January 2020		19,687,196	44,990,816	37,050,086	2,803,582	11,151,972	30,036,492	63,844,081	209,564,225
Changes in equity for the year:									
1. Net profit		-	-	-	-	-	-	13,812,011	13,812,011
2. Other comprehensive income	27	-	-	-	(1,943,838)	-	-	-	(1,943,838)
Total comprehensive income		-	-	-	(1,943,838)	-	-	13,812,011	11,868,173
3. Appropriation of profit:	30								
– Appropriation to surplus reserve	28	-	-	-	-	1,381,201	-	(1,381,201)	-
– Appropriation to general reserve	29	-	-	-	-	-	4,954,645	(4,954,645)	-
– Dividends	30	-	-	-	-	-	-	(1,258,012)	(1,258,012)
– Perpetual bond interest	30	-	-	-	-	-	-	(2,025,000)	(2,025,000)
4. Internal transfer of equity:									
– Other comprehensive income transferred to retained earnings	27	-	-	-	80,585	-	-	(80,585)	-
5. Other:		-	255	-	-	-	-	-	255
Balance at 31 December 2020		19,687,196	44,991,071	37,050,086	940,329	12,533,173	34,991,137	67,956,649	218,149,641

	VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Total
Balance at 31 December 2018		19,687,196	–	37,050,086	2,123,690	9,893,880	25,853,910	63,893,540	158,502,302
Change in accounting policy – Impact of adopting CAS 22		–	–	–	36,887	–	–	(6,540,032)	(6,503,145)
Balance at 1 January 2019		19,687,196	–	37,050,086	2,160,577	9,893,880	25,853,910	57,353,508	151,999,157
Changes in equity for the year:									
1. Net profit		–	–	–	–	–	–	12,580,924	12,580,924
2. Other comprehensive income	27	–	–	–	643,005	–	–	–	643,005
Total comprehensive income		–	–	–	643,005	–	–	12,580,924	13,223,929
3. Issuance of other equity instrument	25	–	44,990,816	–	–	–	–	–	44,990,816
4. Appropriation of profit:	30								
– Appropriation to surplus reserve	28	–	–	–	–	1,258,092	–	(1,258,092)	–
– Appropriation to general reserve	29	–	–	–	–	–	4,182,582	(4,182,582)	–
– Dividends	30	–	–	–	–	–	–	(649,677)	(649,677)
Balance at 31 December 2019		19,687,196	44,990,816	37,050,086	2,803,582	11,151,972	30,036,492	63,844,081	209,564,225

The notes on pages 181 to 311 form an integral part of these financial statements

Notes to Financial Statements

Year ended 31 December 2020 Expressed in thousands of Renminbi

I General Information

China Guangfa Bank Co., Ltd. ("the Bank") (formerly known as Guangdong Develop Bank Co., Ltd) is a joint-stock commercial bank with limited liability incorporated in Guangzhou Municipal of Guangdong Province in the People's Republic of China ("PRC") on 8 September 1988 with the approval of the State Council of the PRC and the The People's Bank Of China ("PBOC"). The Bank is established with special placement, and registered in Guangdong Province Administration for Industry and Commerce to obtain a legal person business license. The registered address is 713 Dongfeng East Road, Yuexiu District, Guangzhou.

With the approval of the China Banking Regulatory Commission on 27 January 2011, the Bank changed the name to "China Guangfa Bank Co., Ltd". The Bank obtained an updated financial license on 16 February 2011, and an updated business license for enterprises on 18 February 2011.

As at 31 December 2020, apart from the Head Office, the Bank has 46 direct branches in Beijing, Shanghai, Dalian, Shenyang, Zhengzhou, Nanjing, Hangzhou, Kunming, Guangzhou, Shenzhen, Dongguan, Zhuhai, Shantou, Meizhou, Huizhou, Shaoguan, Qingyuan, Zhongshan, Foshan, Jiangmen, Zhaoqing, Yangjiang, Zhanjiang, Wuhan, Maoming, Heyuan, Changsha, Tianjin, Harbin, Jinan, Urumqi, Chengdu, Fuzhou, Ningbo, Suzhou, Hefei, Chongqing, Xi'an, Shijiazhuang, Nanchang, Nanning, Taiyuan, Changchun, Guiyang, Macau Special Administration Region of the People's Republic of China ("Macau") and Hong Kong Special Administration Region of the People's Republic of China ("Hong Kong") respectively.

The Bank's principal activities are the provision of corporate and retail deposits, loans and advance, settlement treasure and other financial services. The Bank mainly operates in Mainland China, Macau and Hong Kong.

For the purpose of the Financial Information, Mainland China refers to the PRC excluding Hong Kong, Macau and Taiwan. Overseas refers to countries and regions other than Mainland China.

II Basis Of Preparation

The financial statements have been prepared in accordance with China Accounting Standards for Business Enterprises – Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued subsequently by the Ministry of Finance of the People's Republic of China (the "MOF") (collectively referred to as the "CAS").

The Bank's financial statements have been prepared under the historical costs convention except for other debt investments, other equity investments and financial assets/liabilities held for trading (including derivative financial instrument) and that have been measured at fair value. If an asset is impaired, a provision for impairment loss of the asset is recognised in accordance with the relevant requirements.

The financial statements have been prepared on a going concern basis.

III Statement Of Compliance

The financial statements comply with the requirements of CAS and present truly and completely the financial position of the Bank as at 31 December 2020 and the financial performance and cash flows of the Bank for the year then ended.

IV Summary of Principal Accounting Policies

1. Accounting year

The accounting year of the Bank is from 1 January to 31 December.

2. Functional currency and presentation currency

The functional currency for the Bank's Head office and domestic branches is Renminbi. The functional currencies of overseas branches are determined in accordance with the primary economic environment in which they operate, and are translated into Renminbi for the preparation of the financial statements. These financial statements are presented in Renminbi.

3. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central banks, short-term deposits, financial assets held under resale agreements and placements with banks and other financial institutions, and highly liquid short-term investments of debt securities with original maturity of less than 3 months and are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

4. Foreign currency translation

When the Bank receives capital in foreign currencies from investors, the capital is translated to Renminbi as at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or rates that approximate the spot exchange rates on the dates of transactions. A rate that approximates the spot exchange rate is determined by a systematic and rational method, such as the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate as at the date the fair value is determined; Translation differences on non-monetary financial assets classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income. Other translation differences are recognised to profit or loss in the period.

Foreign currency financial statements of overseas branch are translated into Renminbi for the preparation of financial statements. Assets and liabilities in the financial statements denominated in foreign currencies are translated into Renminbi at the spot exchange rates ruling as at the end of the relevant periods. Equity items, excluding "undistributed profits", are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operations are translated into Renminbi at the spot exchange rates or rates that approximate the spot exchange rates at the transaction dates. The resulting exchange differences are recognised in other comprehensive income. The exchange differences in equity with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

IV Summary of Principal Accounting Policies (continued)

5. Reverse repurchase and repurchase transactions

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the the balance sheet. The corresponding cash received is recognised on the the balance sheet as a "repurchase agreement". The difference between the sale and repurchase prices is treated as an interest expenses 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 the balance sheet. The corresponding cash paid, including accrued interest, is recognised on the the balance sheet 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.

6. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition

A financial asset or financial liability is recognised on trade-date, the date when the bank becomes a party to the contractual provisions of the instrument.

Financial assets (or a part of a financial asset or group of financial assets) are derecognised, that is resold from its account and balance sheet when the financial assets meet the following conditions:

(1) the rights to the cash flows from the financial asset expire; or

(2) the Bank has transferred its rights to receive cash flows from the asset; or has assumed an obligation to pay cash flows from the asset to a third party under a "pass-through" arrangement; and either the bank has transferred substantially all the risks and rewards of ownership of the financial asset; or the bank has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

The financial liability is derecognised if the underlying present obligation specified in the contracts is discharged, cancelled or expired. If an agreement between the Bank and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace. The trade date is the date that the Bank committed to purchase or sell a financial asset.

IV Summary of Principal Accounting Policies (continued)

6. Financial instruments (continued)

Classification and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them: financial assets at fair value through profit or loss, financial assets at amortised cost and financial assets at fair value through other comprehensive income. All affected related financial assets will be reclassified only if the Bank changes its business model for managing financial assets.

Equity investments are those classified as "Financial assets at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income", which are listed as "financial assets held for trading" and "other equity investments". The debt investments, which are classified as financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss based on its business model, cash flow characteristics as well as taking into account fair value options at the time of purchase, are listed as "debt investment", "other debt investment" and "financial assets held for trading".

Financial assets are measured at fair value on initial recognition, but accounts receivable or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Bank has applied the practical expedient of not adjusting the effect of a significant financing component due within one year, are initially measured at the transaction price.

For financial assets at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to other financial assets are included in the initial recognition amounts.

Business models

The Bank's business model refers to how the Bank manages its financial assets in order to generate cash flows. That is, the Bank's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model of the financial assets is "other". The Bank's assessment of the business model is performed on a financial assets portfolio basis, and determined on a reasonable expected scenario, taking into account: how cash flows were generated in the past, how the performance of the business model and the financial assets held within that business model is evaluated and reported to the Bank's key management personnel; how risks are evaluated and managed; and how managers of the business are compensated.

Contractual cash flows characteristics

The assessments of the contractual cash flow characteristics aims to identify whether the contractual cash flow is only for the payment of principal and the interest of the outstanding amount. If financial assets are held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Bank then assess whether the asset's cash flows are solely payments of principal and interest. And during the assessments, the Bank will consider if the contractual cash flow is consistent with basic lending arrangements. If the terms of the contracts raise risks or volatility exposures that are inconsistent with the basic lending arrangements, the relevant financial assets will be classified as financial assets at fair value through profit or loss.

IV Summary of Principal Accounting Policies (continued)

6. Financial instruments (continued)

Contractual cash flows characteristics (continued)

The subsequent measurement of financial assets depends on the classification:

Debt investments measured at amortised cost

The Bank measures financial assets at amortised cost if both of the following conditions are met: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Debt investments at fair value through other comprehensive income

The Bank measures debt investments at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income is recognised using the effective interest method. The interest income, impairment losses and foreign exchange revaluation are recognised in profit or loss. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Equity investments at fair value through other comprehensive income

The Bank can elect to classify irrevocably its equity investments which are not held for trading as equity investments designated at fair value through other comprehensive income. Only the relevant dividend income (excluding the dividend income explicitly recovered as part of the investment cost) is recognised in profit or loss. Subsequent changes in the fair value are included in other comprehensive income, and no provision for impairment is made. When the financial asset is derecognised, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings.

IV Summary of Principal Accounting Policies (continued)

6. Financial instruments (continued)

Contractual cash flows characteristics (continued)

Financial assets at fair value through profit or loss

The financial assets other than the above financial assets measured at amortised cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value with net changes in fair value recognised in profit or loss.

Only when accounting mismatch can be eliminated or significantly reduced, can financial assets be designated at fair value through profits and losses at initial recognition.

When an entity classified a financial asset as financial assets designated at fair value through profit or loss, it can not be reclassified as other financial assets; nor can other financial assets be reclassified as financial assets designated at fair value through profit or loss after initial recognition.

Classification and measurement of financial liabilities

The Bank's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivative instruments attributable to financial liabilities). Financial liabilities held for trading (including derivative instruments attributable to financial liabilities) are subsequently measured at fair value. All changes in fair value of such financial liabilities are recognised in profit or loss.

Other financial liabilities

After initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

IV Summary of Principal Accounting Policies (continued)

6. Financial instruments (continued)

Impairment of financial assets

Based on the expected credit losses ("ECLs"), the Bank recognises an allowance for ECLs for the financial assets measured at amortised cost, debt investments at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

The Bank assesses whether the credit risk has increased significantly since initial recognition at each balance sheet date. If the credit risk has not increased significantly since initial recognition (stage 1), the loss allowance is measured at an amount equal to 12-month ECLs by the Bank and the interest income is calculated according to the carrying amount and the effective interest rate; if the credit risk has increased significantly since initial recognition but are not credit-impaired (stage 2), the loss allowance is measured at an amount equal to lifetime ECLs by the Bank and the interest income is calculated according to the carrying amount and the effective interest rate; if such financial assets are credit-impaired after initial recognition (stage 3), the loss allowance is measured at an amount equal to lifetime ECLs by the Bank and the interest income is calculated according to the amortised cost and the effective interest rate.

At each balance sheet date, the Bank assesses whether the credit risk on the relevant financial instruments has increased significantly since initial recognition. The Bank compares the risk of a default occurring of a single financial instrument or a group of financial instruments with similar credit risk characteristics as at the balance sheet date with the risk of a default as at the date of initial recognition, to determine changes in the risk of a default occurring of the financial instrument in the expected lifetime.

Refer to Note XIII.1 for the disclosure of the Bank's assumption about the measurement of ECLs.

When there are one or more events that have adverse effects on the expected future cash flows of a financial asset, the financial asset is credit-impaired.

When the Bank no longer reasonably expects to collect all or part of the contractual cash flows of the financial asset, the Bank directly writes down the carrying amount of the financial asset.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Financial guarantees contracts

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured, on initial recognition, at fair value. For financial guarantee contracts that are not designated as financial liabilities at fair value profit or loss, they are, after initial recognition, subsequently measured at the higher of: (i) the amount of provisions for ECLs at the balance sheet date, and (ii) the amount initially recognised less the cumulative amortisation recognised in accordance with the guidance for revenue recognition.

IV Summary of Principal Accounting Policies (continued)

6. Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair value is obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. Credit risk valuation adjustments are applied to the Bank's over-the-counter derivatives to reflect the credit risk of the counterparties and the Bank respectively. They are dependent on expected future values of exposures for each counterparty and default probabilities, etc. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Bank recognises profit or loss on the date of transaction.

For derivatives not related to hedge accounting, changes in the fair value of these derivatives are recognised in the income statement.

Modification of financial assets

If the Bank amends or rearranges the contract with its counterparty, which does not result in the de-recognition of the financial assets, but changes the cash flow of the contract, the Bank shall evaluate whether the credit risk of the relevant financial instrument has increased significantly by comparing the risk of default of such assets after modification at the reporting date with the risk of default under the original terms at initial recognition. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognised in profit and loss. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

Transfer of financial assets

A financial asset is derecognised when the Bank has transferred substantially all the risks and rewards of the asset to the transferee. A financial asset is not derecognised when the Bank retains substantially all the risks and rewards of the financial asset.

When the Bank has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either (i) derecognises the financial asset and recognises the assets and liabilities created in the transfer when it has not retained control of the asset; or (ii) continues to recognise the transferred asset to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the guarantee amount. The guarantee amount is the maximum amount of consideration that the Bank could be required to repay.

IV Summary of Principal Accounting Policies (continued)

7. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates. A long-term equity investment is initially measured at its initial investment cost on acquisition.

For a long-term equity investment where the Bank can exercise control over the investee, the long-term investment is accounted for using the cost method in the Bank's individual financial statements. 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.

Under the cost method, the long-term equity investment is measured at its initial investment cost. When additional investment is made or the investment is recouped, the cost of long-term equity investment is adjusted accordingly. Cash dividends or profit distributions declared by the investee are recognised as investment income in profit or loss.

The equity method is adopted when the Bank has joint control, or exercises significant influence over the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control with other parties over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Bank's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Bank's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

IV Summary of Principal Accounting Policies (continued)

7. Long-term equity investments (continued)

Under the equity method, after it has acquired a long-term equity investment, the Bank recognises its share of the investee's profit or loss, as well as its share of the investee's other comprehensive income, as investment income or loss and other comprehensive income, and adjusts the carrying amount of the investment accordingly. The Bank recognises its share of the investee's profit or loss after making appropriate adjustments to the investee's profit or loss based on the fair value of the investee's identifiable assets at the acquisition date, using the Bank's accounting policies and periods. Unrealised profits and losses from transactions with its joint ventures and associates are eliminated to the extent of the Bank's investments in the associates or joint ventures (except for assets that constitute a business) (However, any loss arising from such transactions which are attributable to an impairment loss shall be recognised at its entirety). The carrying amount of the investment is reduced based on the Bank's share of any profit distributions or cash dividends declared by the investee. The Bank's share of net losses of the investee is recognised to the extent that the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Bank has the obligations to assume further losses. The Bank's share of the investee's equity changes, other than those arising from the investee's profit or loss, other comprehensive income or profit distribution, is recognised in the Bank's equity, and the carrying amount of the long-term equity investment is adjusted accordingly.

Upon disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss. For a long-term equity investment accounted for using the equity method, when the Bank discontinues using the equity method due to disposal, all amounts previously recognised in other comprehensive income are accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Equity previously recognised resulting from the investee's equity changes other than profit or loss, other comprehensive income and profit distribution is reclassified to profit or loss in its entirety. When the Bank continues to use the equity method, the amounts previously recognised in other comprehensive income are accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities and reclassified to profit or loss on a pro-rata basis. Equity previously recognised resulting from the investee's equity changes other than profit or loss, other comprehensive income and profit distribution is reclassified to profit or loss on a pro-rata basis.

For the impairment test and calculation of impairment of long-term equity investment, please refer to Note IV. 13.

IV Summary of Principal Accounting Policies (continued)

8. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Bank and the cost of the asset can be measured reliably. Subsequent expenditures incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures are recognised in profit or loss as incurred.

Fixed assets are initially measured at cost, by taking into account the effect of any asset retirement obligations. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use. Depreciation is calculated using the straight-line method.

The useful lives, estimated residual value rates and annual depreciation rates of each category of the fixed assets are as follows:

Types of assets	Useful life	Estimated residual value rate	Annual depreciation rate
Properties and buildings	30 - 35 years	3% - 5%	2.7% - 3.2%
Electronic equipments	5 years	3% - 5%	19% - 19.4%
Transportation and other equipments	5 years	3% - 5%	19% - 19.4%

The Bank reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each year end, and make adjustments if necessary.

An item of fixed assets including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses 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 income statement in the year the asset is derecognised.

Construction in progress

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.

For the impairment test and calculation of impairment of fixed assets, please refer to Note IV. 13.

IV Summary of Principal Accounting Policies (continued)

9. Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the Bank and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Bank. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Bank.

The useful lives for such intangible assets are as follows:

Types of assets	Useful life	Amortization rate
Land use rights	30 – 50 years	2.00%-3.33%
Software	5 years	20%
Others	5 years	20%

Land use rights that are purchased by the Bank are accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Bank, and relevant land use rights are accounted for as fixed assets and intangible assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; they are accounted for as fixed assets if they cannot be reasonably allocated.

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Bank reviews the useful life and amortisation method at least at each year end and makes adjustment if necessary.

An intangible asset with an indefinite useful life is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Such asset is not amortised, but its useful life is reassessed in each accounting period. If there is evidence indicating that the useful life of the intangible asset is finite, it is accounted for using the above accounting policies applicable to intangible assets with finite useful lives.

10. Research and development expenditure

The Bank classifies the expenditures on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognised in profit or loss as incurred.

Expenditure on the development phase is capitalised only when the Bank can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits (among other things, the Bank can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset); (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) the ability to measure reliably the expenditure attributable to the intangible asset during the development phase. Expenditure on the development phase which does not meet these above criteria is recognised in profit or loss when incurred.

IV Summary of Principal Accounting Policies (continued)

11. Long-term deferred expenses

Long-term deferred expenses are those prepaid expenses with an amortization period of more than one year (excluding one year), and mainly comprise leasehold improvements and rental expenses. Rental expenses for operating lease of certain fixed assets are amortized on the straight-line basis over the lease term. Other long-term deferred expenses are amortized on the straight-line basis evenly according to their beneficial periods or legal periods of validity, whichever is shorter.

If long-term deferred expenses are no longer expected to generate economic benefits to the Bank in the future, they shall be recognised as expenses in the income statement of the current period.

12. Repossessed assets

Financial repossessed assets are initially recognised at fair value. Relevant transaction fees such as tax fees and advance litigation fees payable for obtaining repossessed assets are taken into the profit or loss or initial carrying amount according to the type of financial asset. Non-financial repossessed assets are initially recognised at fair value of the waived claims. Relevant transaction fees such as tax fees and advance litigation fees payable for obtaining repossessed assets are taken into the initial carrying amount of the repossessed assets. At the end of each year, when there are indicators that the recoverable amount is lower than carrying amount, the carrying amount is written down immediately to its recoverable amount.

Impairment losses on non-financial repossessed assets are accounted for in accordance with the accounting policies as set out in Note IV. 13.

13. Impairment of assets

The Bank determines the impairment of assets, other than the impairment of deferred tax assets and financial assets, using the following methods:

The Bank assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Bank estimates the recoverable amount of the asset and performs impairment testing. Intangible assets that have not been ready for their intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Bank estimates the recoverable amount on an individual basis unless it is not possible to estimate the recoverable amount of the individual asset, in which case the recoverable amount is determined for the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Bank. The reduction in the carrying amount is treated as an impairment loss and recognised in profit or loss. A provision for impairment loss of the asset is recognised accordingly.

Once the above impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

IV Summary of Principal Accounting Policies (continued)

14. Employee benefits

Employee benefits refer to all forms of consideration or compensation other than share-based payments given by the Bank in exchange for services rendered by employees or for termination of employment. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits given by the Bank to an employee's spouse, children and dependents, family members of deceased employees and other beneficiaries are also employee benefits.

Post-employment benefits (defined contribution plans)

Statutory defined contribution plans

In accordance with the relevant laws and regulations, the employees of the Bank participate in basic pension insurance and unemployment insurance schemes administered by the local government authorities. The Bank calculates and contributes to the local government agencies the above pension and insurance schemes using applicable contribution bases and rates stipulated in the relevant local regulations in the period the employees providing their services to the Bank Contributions to these plans are recognised in the income statement as incurred.

Retirement benefit annuity plan

In addition to the basic pension insurance scheme, employees and early retirees of the Bank also participate in a defined contribution plan established by the Bank (the "Annuity Plan"). The Bank 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 income statement when it incurs. The Bank 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.

Termination benefits

The Bank provides termination benefits to employees and recognises an employee benefits liability for termination benefits, with a corresponding charge to profit or loss, at the earlier of when the Bank can no longer withdraw the offer of those benefits resulting from an employment termination plan or a curtailment proposal and when the Bank recognise costs involving the payment of termination benefits.

Early retirement benefits

The Bank pays early retirement benefits to those employees who accepted an early retirement arrangement. Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by the Bank's management. The related benefit payments are made from the date of early retirement to the normal retirement date. The liability related to the early retirement benefit obligations as at each balance sheet date is calculated by the Bank using the projected unit credit method and is recorded as a liability under "Employee benefits obligations" in the the balance sheet. 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 early retirement benefit obligations and the gains or losses arising from amendments to the obligations are recognised immediately in "Operating and administrative expenses" in the income statement.

IV Summary of Principal Accounting Policies (continued)

15. Provisions

An obligation related to a contingency shall be recognised as provisions when all of the following conditions are satisfied:

(i) The obligation is a present obligation of the Bank;

(ii) It is probable that an outflow of economic benefits from the Bank will be required to settle the obligation;

(iii) A reliable estimate can be made of the amount of the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Provisions are reviewed at each balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

16. Dividend

Dividends are recognised as a liability and deducted from equity when they are approved by the General Meeting and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividends that are approved after the end of the year are disclosed as an event after the year.

17. Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expenses

The “Interest income” and “Interest expense” in the Bank’s income statement are the interest income and expense calculated by using the effective interest method on financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial liabilities at amortised cost.

IV Summary of Principal Accounting Policies (continued)

17. Recognition of income and expenses (continued)

Interest income and expenses (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

For the purchased or originated credit-impaired financial assets, the Bank calculates the interest income according to the amortised cost of the financial assets and the effective interest rate after credit adjustment since the initial recognition by the Bank. The effective interest rate after credit adjustment refers to the estimated future cash flows of the acquired or originated financial assets with credit impairment in the expected duration, which is converted into the interest rate of amortised cost of the financial assets.

For the financial assets acquired or originated without any credit impairment, but incurred credit impairment in the subsequent period, the Bank calculates the interest income in accordance with the amortised cost and the effective interest rate of the financial assets.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers at a specific time or during a certain period. For those services that are provided over a period of time, fee and commission income are accrued over that period. For other services, fee and commission income are recognised when the transactions are completed and the amount of the fee could be estimated reasonably.

IV Summary of Principal Accounting Policies (continued)

18. Government grants

Government grants are recognised when all attaching conditions will be complied with and the grants will be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A government grant related to income is accounted for as follows: (1) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and released in profit or loss or offset against related expenses over the periods in which the related costs are recognised; (2) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss or offset against relevant expenses. A government grant relating to an asset shall be offset against the carrying amounts of relevant assets, or recognised as deferred income and amortised in profit or loss over the useful life of the related asset by annual instalments in a systematic and rational way (however, a government grant measured at a nominal amount is recognised directly in profit or loss). Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

19. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expenses in profit or loss, or recognised directly in equity if it relates to a transaction or event which is recognised directly in equity.

Current tax liabilities and assets from the current and prior periods at the amount expected to be paid by the Bank or returned by the tax authority calculated according to related tax laws.

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the tax bases and the carrying amounts of the items, which have a tax base according to related tax laws but are not recognised as assets and liabilities.

IV Summary of Principal Accounting Policies (continued)

19. Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) When the taxable temporary difference arises from the initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit or loss; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when 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.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax losses and any unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised, except:

(i) When the deductible temporary difference 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 profit or loss; and

(ii) In respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised 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 in the future.

At the balance sheet date, deferred tax assets and 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, in accordance with the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the bank expects, at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

IV Summary of Principal Accounting Policies (continued)

20. Leases

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset. An operating lease is a lease other than a finance lease.

As lessee of an operating lease

Lease payments under an operating lease are recognised by a lessee on a straight-line over the lease term, and either included in the cost of the related asset or charged to profit or loss. Contingent rents are charged to profit or loss as incurred.

As lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. Contingent rents are charged to profit or loss as incurred.

Rental concessions resulting from the Covid-19 epidemic("the epidemic")

For rent concessions such as rent remission or deferred payment reached between the Bank and its counterparties on existing lease contracts directly caused by the epidemic, the Bank will adopt a simplified method for all leases if the following conditions are met:

(1) The consideration value after the concession is less or basically unchanged than that before the concession;

(2) The concession applies only to lease payments payable prior to June 30, 2021;

(3) There are no material changes to the other terms and conditions of the lease after comprehensive consideration of qualitative and quantitative factors.

As lessee

For operating leases, the Bank shall continue to record the rent under the original contract as the cost or expense of the relevant assets in the same manner as before the concession. In case of rent remission or reduction, the Bank shall treat the remission or reduction as contingent rent and record it into profit or loss during the remission or reduction period. In case the rent is delayed in payment, the Bank shall recognize the rent payable during the original payment period as payment payable, and deduct the payment payable confirmed earlier when the rent is actually paid.

As lessor

For operating leases, the Bank shall continue to recognize the rent under the original contract as lease income in the same way as before the concession. In case of rent remission or reduction, the Bank shall treat the remission or reduction as contingent rent and deduct the lease income during the remission or reduction period. If rent collection is delayed, the Bank shall recognize the rent collected as receivable during the original collection period, and deduct the receivable confirmed in the earlier period when the rent is actually received.

IV Summary of Principal Accounting Policies (continued)

21. Fiduciary activities

When the Bank 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 the balance sheet.

The Bank grants the entrusted loans on behalf of the trustors, which are recorded off-balance sheet. The Bank, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Bank 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 Bank 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.

Entrusted investments represent the investment and asset management services provided by the Bank to third parties in accordance with the agreed investment plans. The third parties provide funding for the related investments. Income from such investment activities is collected on behalf of and paid to the third parties according to the relevant contractual terms.

22. 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 Bank. 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.

IV Summary of Principal Accounting Policies (continued)

23. Related party

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

The following parties are the related parties of the Bank:

(1) Parent of the Bank

(2) Subsidiaries of the Bank;

(3) Other entities controlled by the parent of the Bank;

(4) Entities that have joint control over the Bank;

(5) Entities that have significant influence over the Bank;

(6) Joint ventures of the Bank;

(7) Associates of the Bank;

(8) Principal individual investors of the Bank and close family members of such individuals;

(9) Key management personnel of the Bank or of the parent and close family members of such individuals;

(10) Other entities controlled, jointly controlled or significantly influenced by the Bank's principal individual investors, key management personnel or close family members of such individuals;

(11) Joint ventures or associates of other members of enterprise groups (including parent companies and subsidiaries) of the Bank;

(12) Joint ventures or associates of enterprises who has control over of the Bank;

(13) Joint ventures of an enterprise exerting significant influence over the Bank;

(14) Enterprise pension funds established by the Bank.

"Joint ventures" as mentioned above include joint ventures and their subsidiaries, and "Associates" as mentioned above include associates and their subsidiaries. Entities are not regarded as related parties simply because they are merely under common control from the State without other related party relationships between them.

IV Summary of Principal Accounting Policies (continued)

24. Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Bank's internal organisation, management requirements and internal reporting system. Two or more operating segments may be aggregated into a single operating segment if the segments have the same or similar economic characteristics and are similar in respect of the nature of each segment's products and services, the nature of productive process, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Reportable segments are identified based on operating segment with consideration of materiality.

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

25. Changes in accounting policies and accounting estimates

Accounting treatment of rental concessions resulting from the Covid-19 epidemic

Pursuant to CaiKuai [2020] No.10 COVID-19 Related Rental Concession Accounting Regulation, a simplified method can be adopted for the epidemic related rental Concession. As the lessee and lessor, the Bank adopts the simplified method in the accounting treatment (Note IV, 20) for all the rent concessions related to the leases from June 19, 2020 (the effective date of the accounting treatment), and the amount of the relevant rent concessions included in the current year's profit is not significant.

Scope of disclosure of related parties

Pursuant to the requirements of Interpretation of ASBEs No. 13, as of January 1, 2020, joint ventures and their subsidiaries of enterprises exerting significant influence on the Bank shall be regarded as related parties. The accounting policy change affects the judgment of the related parties and the disclosure of the related party transactions, and the comparative data are not adjusted retrospectively in accordance with the provisions of convergence.

V Significant Accounting Judgements and Estimates

The Bank makes estimates and judgements that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank has taken into consideration the impact of the economic environment on the industries and territories in which the Bank operates when determining critical accounting estimates and judgements in applying accounting policies.

Areas susceptible to changes in critical estimates and judgements, which affect the carrying value of assets and liabilities in 2020, are set out below. It is possible that actual results may be materially different from the estimates and judgements referred below.

1. Impairment loss on loans and advances to customers

The Bank used complicated models, a number of parameters and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness(e.g., the likelihood of default by customers and corresponding losses). The Bank uses significant judgements from Management and estimation techniques in order to measure ECL, such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial assets
- Parameters for measuring ECL
- Forward-looking information and management superposition

For further information of the above judgements and estimation, please refer to Note XIII.1.

It is critical to estimate the future cash flow of the impaired loan which is measured by the expected credit loss on an individual basis. The factors that may affect the estimates include but are not limited to the following: the borrower's operating performance, financial situation, the guarantor's guarantee ability and the recoverable cash flow of the realization of the collateral, etc.

V Significant Accounting Judgements and Estimates (continued)

2. Fair value of derivatives and other financial instruments

The Bank establishes fair value of financial instruments with reference to a quoted market price in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible these models use observable market inputs and data including, for example, interest rate yield curves, foreign currency rates and option volatilities. The results of using valuation techniques are calibrated against industry practice and observable current market transactions in the same or similar instruments.

The Bank assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are periodically reviewed and, where appropriate, have been updated to reflect market conditions at the balance sheet date.

3. Income tax and deferred income tax

Determining income tax provisions requires the Bank to estimate the future tax treatment of certain transactions. The Bank carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

4. Impairment of non-financial assets

Non-financial assets are reviewed periodically to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided. The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows.

Since a market price of the asset (the asset group) cannot be obtained reliably, and the fair value of the asset cannot be estimated reliably, the recoverable amount was calculated based on the present value of estimated future cash flows. In assessing the present value of estimated future cash flow, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the related income and related operating expenses based on reasonable and supportable assumption.

5. Provisions

The Bank uses judgement to assess whether the Bank has a present legal or constructive obligation as a result of past event at each balance sheet date and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the financial statements.

V Significant Accounting Judgements and Estimates (continued)

6. Judgement in assessing control over structured entities

The Bank is involved with structured entities in its normal business course, and the Bank determines whether or not to consolidate those structured entities depending on whether the Bank has control over them. When assessing control over structured entities, the Bank takes consideration of power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and link between power and returns.

The variable returns the Bank is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as investment income, remuneration and exposure to loss from providing credit or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Bank not only considers applicable legal or regulatory requirements, and contractual agreements, but also other circumstances where the Bank may have obligation to absorb any loss of the structured entity.

The Bank reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

As described in Note XVII, the Bank has right to or sets up the non-principal guaranteed wealth management products, trust investment plans and asset management plans, but has not consolidated there structured entities.

VI Taxation

The Bank's main applicable taxes and tax rates in China are as follows:

Income tax is levied at 25% on the taxable profit.

Value added tax is levied at 6%/9%/13% on the taxable added value.

Urban maintenance and construction tax is levied at 1% - 7% on turnover tax.

Education surcharge is levied at 3% on turnover tax.

Local education surcharge is levied at 2% on turnover tax.

The statutory income tax rate is 25%, which is applicable to the Bank for the year ended 2020(2019: 25%).

Taxation on Macau and Hong Kong branch is charged at the appropriate current rates of the relevant local taxation ruling.

VII Notes to Financial Statements

1. Cash and due from central banks

	2020	2019
Cash	**3,548,742**	3,098,555
Due from central banks		
– Statutory deposit reserves (i)	**165,527,715**	161,222,062
– Surplus deposit reserves (ii)	**79,938,386**	67,833,955
– Fiscal deposits	**192,427**	136,213
Sub-total	**245,658,528**	229,192,230
Accrued interest	**85,734**	87,148
Total	**249,293,004**	232,377,933

(i) The Bank places statutory deposit reserves with the PBOC, the Monetary Authority of Hong Kong and the Monetary Authority of Macau. Pursuant to relevant laws and regulations, the statutory deposit reserves are not available for the Bank's daily business.

As at the end of relevant periods, the statutory deposit reserve ratios were as follows:

	2020	2019
Reserve ratio for Renminbi deposits	**9.00%**	10.50%
Reserve ratio for foreign currency deposits	**5.00%**	5.00%
Reserve ratio for Renminbi deposits outside Mainland China	**9.00%**	10.50%

The amount of statutory deposit reserve funds placed with the Monetary Authority of Hong Kong and Macau by Hong Kong and Macau branch is determined by the local jurisdiction.

(ii) The surplus deposit reserves are maintained with the PBOC for the purposes of clearing.

VII Notes to Financial Statements (continued)

2. Due from banks and other financial institutions

Analysed by type and location of counterparty

	2020	2019
Banks operating in Mainland China	**5,448,770**	7,837,912
Other financial institutions operating in Mainland China	**1,019,818**	992,475
Sub-total	**6,468,588**	8,830,387
Banks operating outside Mainland China	**8,849,863**	7,833,120
Other financial institutions operating outside Mainland China	**256**	7,044
Sub-total	**8,850,119**	7,840,164
Accrued interest	**802**	62,478
Total	**15,319,509**	16,733,029
Less: allowance for impairment losses (Note VII.13)	**(1)**	(494)
Net balance	**15,319,508**	16,732,535

3. Placements with banks and other financial institutions

Analysed by type and location of counterparty

	2020	2019
Banks operating in Mainland China	**15,916,658**	25,591,914
Other financial institutions operating in Mainland China	**81,696,739**	62,955,668
Sub-total	**97,613,397**	88,547,582
Banks operating outside Mainland China	**–**	453,453
Other financial institutions operating outside Mainland China	**204,004**	582,458
Sub-total	**204,004**	1,035,911
Accrued interest	**496,530**	275,389
Total	**98,313,931**	89,858,882
Less: allowance for impairment losses (Note VII.13)	**(329,034)**	(380,248)
Net balance	**97,984,897**	89,478,634

VII Notes to Financial Statements (continued)

4. Derivative financial assets and liabilities

Derivatives are off-balance sheet financial instruments which include forward, swap and option transactions undertaken by the Bank in the foreign exchange and interest rate markets. All of the Bank's derivative financial instruments are traded over the counter.

The Bank enters into financial derivative transactions for the purpose of doing treasury business and managing its assets and liabilities. Derivative financial instruments include but are not limited to foreign exchange swaps, forward foreign exchange trading, currency swaps, forward rate agreements, interest rate swaps, interest rate options, interest rates and credit derivatives. The Bank's derivative financial instruments can be divided into trading derivative financial instruments according to the purposes of holding.

The Bank will choose appropriate hedging strategies and tools based on the risk exposure of interest/exchange rates of its assets and liabilities, as well as its analyses and judgments regarding future interest/exchange rate movements.

The Bank is exposed to risk on assets or liabilities denominated in foreign currencies as their value may fluctuate due to changes in exchange rates. Such risk can be offset through the use of forward foreign exchange contracts or foreign exchange option contracts.

The following tables provide an analysis of the notional amounts and the corresponding fair value of derivatives of the Bank at the end of the reporting period. The notional amounts of the derivatives indicate the transaction volume outstanding at the end of the reporting period; they do not represent amounts at risk.

VII Notes to Financial Statements (continued)

4. Derivative financial assets and liabilities (continued)

(1) Analysed by type of derivative contracts

	2020		
	Notional amounts	Assets	Liabilities
Derivatives held for trading			
Foreign currency derivatives			
Forward and swap contracts	609,521,780	12,989,538	(12,777,653)
Foreign currency deferred and spot contracts	8,830,037	6,930	(9,092)
Foreign currency options bought	67,634,393	1,566,389	–
Foreign currency options sold	71,759,428	–	(1,519,251)
Sub-total	757,745,638	14,562,857	(14,305,996)
Interest rate derivatives			
Interest rate swap contracts	2,257,489,000	12,396,379	(12,338,544)
Interest rate options bought	30,000	401	–
Interest rate options sold	20,000	–	(314)
Sub-total	2,257,539,000	12,396,780	(12,338,858)
Other derivatives			
Gold options bought	6,453,884	166,082	–
Gold options sold	6,453,884	–	(166,082)
Cross-currency interest rate swaps	4,121,328	14,600	(19,052)
Index (linked) options bought	57,114,879	812,490	–
Index (linked) options sold	55,679,401	–	(757,261)
Future options bought	20,400,563	136,686	–
Future options sold	20,400,563	–	(136,686)
Commodity swap contracts	20,664,645	454,171	(213,173)
Total return swap contracts	18,050,935	97,477	(63,447)
Sub-total	209,340,082	1,681,506	(1,355,701)
Total	3,224,624,720	28,641,143	(28,000,555)

VII Notes to Financial Statements (continued)

4. Derivative financial assets and liabilities (continued)

(1) Analysed by type of derivative contracts (continued)

	2019		
	Notional amounts	Assets	Liabilities
Derivatives held for trading			
Foreign currency derivatives			
Forward and swap contracts	772,111,986	6,753,254	(6,168,099)
Foreign currency deferred and spot contracts	4,713,859	4,402	(8,589)
Foreign currency options bought	252,320,292	4,410,599	–
Foreign currency options sold	253,136,361	–	(4,413,156)
Sub-total	1,282,282,498	11,168,255	(10,589,844)
Interest rate derivatives			
Interest rate swap contracts	3,138,840,000	12,233,459	(12,224,699)
Interest rate options bought	17,763,000	216,655	–
Interest rate options sold	17,763,000	–	(216,655)
Sub-total	3,174,366,000	12,450,114	(12,441,354)
Other derivatives			
Gold options bought	32,989,033	718,567	–
Gold options sold	32,989,033	–	(718,567)
Cross-currency interest rate swaps	3,922,710	47,189	(51,475)
Index (linked) options bought	8,271,177	388,782	–
Index (linked) options sold	7,009,813	–	(338,269)
Commodity swap contracts	7,305,473	374,791	(135,520)
Total return swap contracts bought	2,488,941	27,445	(7,876)
Sub-total	94,976,180	1,556,774	(1,251,707)
Total	4,551,624,678	25,175,143	(24,282,905)

VII Notes to Financial Statements (continued)

4. Derivative financial assets and liabilities (continued)

(2) Analysed by credit risk-weighted amounts

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the relevant periods. They do not represent the amounts at risk. The credit risk-weighted amount depends on the status of the counterparty and the maturity characteristics of the instrument. The amounts have taken into account the effects of bilateral netting arrangements.

Counterparty credit risk weighted amounts are determined in accordance with the "Regulation Governing Capital of Commercial Banks (provisional)", covering default risk weighted assets of counterparties and credit valuation adjustment risk weighted assets.

Since 1 January 2019, the Bank has calculated the exposure of derivatives according to the Circular on The Measures on Default Risk Weighted Assets of Counterparties In Respect Of Derivatives and the supporting rules issued by the China Banking and Insurance Regulatory Commission (the "CBIRC").

	2020	2019
Default risk weighted assets of counterparties		
– Foreign currency derivatives	**3,089,993**	2,534,878
– Interest rate derivatives	**626,528**	634,420
– Other derivatives	**305,990**	308,007
Credit value adjustment risk weighted assets	**850,716**	960,917
Total	**4,873,227**	4,438,222

VII Notes to Financial Statements (continued)

5. Financial assets held under resale agreements

(1) Analysed by type and location of counterparty

	2020	2019
Banks operating in Mainland China	**40,655,180**	42,087,303
Other financial institutions operating in Mainland China	**66,652,293**	25,046,415
Sub-total	**107,307,473**	67,133,718
Accrued interest	**140,499**	118,978
Total	**107,447,972**	67,252,696
Less: allowance for impairment losses (Note VII.13)	**(403,313)**	(403,339)
Net balance	**107,044,659**	66,849,357

(2) Analysed by type of collateral

	2020	2019
Securities		
– Government bonds	**33,702,102**	28,244,843
– Corporate bonds	**–**	1,418,430
– Commercial banks and other financial institutions bonds	**–**	985,500
– Policy banks bonds	**73,202,058**	36,081,632
Sub-total	**106,904,160**	66,730,405
Bills	**403,313**	403,313
Accrued interest	**140,499**	118,978
Total	**107,447,972**	67,252,696
Less: allowance for impairment losses (Note VII.13)	**(403,313)**	(403,339)
Net balance	**107,044,659**	66,849,357

VII Notes to Financial Statements (continued)

6. Loans and advances to customers

(1) Analysed by nature

	2020	2019
Loans and advances measured at amortised cost		
Corporate loans and advances	**783,650,641**	637,164,516
Residential mortgages loans	**235,940,568**	190,668,620
Credit cards	**417,146,757**	466,105,820
Other personal loans	**161,976,897**	140,059,790
Personal loans and advances	**815,064,222**	796,834,230
Sub-total	**1,598,714,863**	1,433,998,746
Loans and advances measured at fair value through comprehensive income		
Discounted bills	**198,965,469**	132,414,749
Total	**1,797,680,332**	1,566,413,495
Accrued interest	**6,301,086**	6,849,523
Gross loans and advances to customers	**1,803,981,418**	1,573,263,018
Less: Allowances for loans and advances measured at amortised cost (Note VII.13)	**(49,408,014)**	(41,952,459)
Net loans and advances to customers	**1,754,573,404**	1,531,310,559
Allowances for loans and advances measured at fair value through comprehensive income (Note VII.13)	**(204,237)**	(188,069)

VII Notes to Financial Statements (continued)

6. Loans and advances to customers (continued)

(2) Analysed by type of collateral

	2020	2019
Loans secured by monetary assets	**115,756,723**	113,942,117
Loans secured by tangible assets other than monetary assets	**514,523,339**	450,474,569
Guaranteed loans	**444,687,163**	318,702,638
Unsecured loans	**722,713,107**	683,294,171
Total	**1,797,680,332**	1,566,413,495
Accrued interest	**6,301,086**	6,849,523
Gross loans and advances to customers	**1,803,981,418**	1,573,263,018
Less: Allowances for loans and advances measured at amortised cost (Note VII.13)	**(49,408,014)**	(41,952,459)
Net loans and advances to customers	**1,754,573,404**	1,531,310,559
Allowances for loans and advances measured at fair value through comprehensive income(Note VII.13)	**(204,237)**	(188,069)

VII Notes to Financial Statements (continued)

6. Loans and advances to customers (continued)

(3) Analysed by industry

	2020		2019	
	Gross balance	Percentage %	Gross balance	Percentage %
Corporate loans and advances				
– Real estate	160,944,281	8.92	139,146,339	8.84
– Water, environment and public utilities management	125,512,645	6.96	96,929,535	6.16
– Manufacturing	121,273,814	6.72	102,583,310	6.52
– Leasing and commercial service	94,614,274	5.24	71,791,441	4.56
– Wholesale and retail trade	84,463,727	4.68	82,675,068	5.26
– Construction	58,852,792	3.26	51,026,010	3.24
– Transportation, logistics and postal services	37,025,394	2.05	22,178,392	1.41
– Mining	30,870,603	1.71	20,663,403	1.31
– Production and supply of electricity, heat, gas and water	21,863,855	1.21	16,143,780	1.03
– Others	48,229,256	2.69	34,027,238	2.16
Sub-total	783,650,641	43.44	637,164,516	40.49
Discounted bills	198,965,469	11.03	132,414,749	8.42
Personal loans and advances	815,064,222	45.18	796,834,230	50.65
Total	1,797,680,332	99.65	1,566,413,495	99.56
Accrued interest	6,301,086	0.35	6,849,523	0.44
Gross loans and advances to customers	1,803,981,418	100.00	1,573,263,018	100.00
Less: Allowances for loans and advances measured at amortised cost (Note VII.13)	(49,408,014)		(41,952,459)	
Net loans and advances to customers	1,754,573,404		1,531,310,559	
Allowance for loans and advances measured at fair value through comprehensive income (Note VII.13)	(204,237)		(188,069)	

VII Notes to Financial Statements (continued)

6. Loans and advances to customers (continued)

(4) Analysed by geographical sector

	2020		2019	
	Gross balance	Percentage %	Gross balance	Percentage %
Head Office	463,134,963	25.67	499,088,757	31.72
Pearl River Delta	407,150,366	22.57	325,763,432	20.71
Yangtze River Delta	330,491,739	18.32	274,813,342	17.47
Central and Western	340,739,003	18.89	256,641,785	16.31
Bohai Rim	241,271,603	13.37	196,367,413	12.48
Overseas	14,892,658	0.83	13,738,766	0.87
Total	1,797,680,332	99.65	1,566,413,495	99.56
Accrued interest	6,301,086	0.35	6,849,523	0.44
Gross loans and advances to customers	1,803,981,418	100.00	1,573,263,018	100.00
Less: Allowances for loans and advances measured at amortised cost (Note VII.13)	(49,408,014)		(41,952,459)	
Net loans and advances to customers	1,754,573,404		1,531,310,559	
Allowances for loans and advances measured at fair value through comprehensive income (Note VII.13)	(204,237)		(188,069)	

VII Notes to Financial Statements (continued)

6. Loans and advances to customers (continued)

(5) Overdue loans and advances analysed by type of collateral and overdue period

	2020				
	Overdue between 1 day and 90 days (inclusive)	Overdue between 90 days and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Loans secured by monetary assets	17,904	567,624	451,397	–	1,036,925
Loans secured by tangible assets other than monetary assets	2,360,211	1,763,843	1,012,113	38,767	5,174,934
Guaranteed loans	1,618,738	1,332,202	1,033,079	184,267	4,168,286
Unsecured loans	7,062,165	7,848,531	530,472	109,058	15,550,226
Total	11,059,018	11,512,200	3,027,061	332,092	25,930,371

	2019				
	Overdue between 1 day and 90 days (inclusive)	Overdue between 90 days and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Loans secured by monetary assets	78,178	245,573	313,089	529	637,369
Loans secured by tangible assets other than monetary assets	1,892,078	1,564,094	3,172,706	1,262,369	7,891,247
Guaranteed loans	1,405,696	1,909,885	1,734,915	932,379	5,982,875
Unsecured loans	9,883,466	7,305,811	572,580	23,944	17,785,801
Total	13,259,418	11,025,363	5,793,290	2,219,221	32,297,292

Overdue loans represent loans of which the whole or part of the principal or interest was overdue for one day or more.

VII Notes to Financial Statements (continued)

6. Loans and advances to customers (continued)

(6) Analysed by loans and advances and allowances for impairment losses

	2020				
	Stage 1 (ECL of 12-month)	Stage 2 (ECL of Lifetime)	Stage 3 (ECL of Lifetime)	Total	Impaired loans and advances as a % of gross loan balances
Gross balances of loans and advances					
– Financial institution	85,510,899	177,366	–	85,688,265	–
– Non-financial institution	1,643,312,285	34,313,189	34,366,593	1,711,992,067	2.01
Gross loans and advances to customers	1,728,823,184	34,490,555	34,366,593	1,797,680,332	1.91
Less: allowances for loans and advances measured at amortised cost					
– Financial institution	(73,285)	(4,950)	–	(78,235)	
– Non-financial institution	(19,532,178)	(6,476,856)	(23,320,745)	(49,329,779)	
Total impairment allowances for loans and advances	(19,605,463)	(6,481,806)	(23,320,745)	(49,408,014)	
Gross balances of loans and advances					
– Financial institution	85,437,614	172,416	–	85,610,030	
– Non-financial institution	1,623,780,107	27,836,333	11,045,848	1,662,662,288	
Accrued interest	5,960,176	100,672	240,238	6,301,086	
Net loans and advances to customers	1,715,177,897	28,109,421	11,286,086	1,754,573,404	
Allowances for loans and advances measured at fair value through comprehensive income	(198,627)	(4,929)	(681)	(204,237)	

VII Notes to Financial Statements (continued)

6. Loans and advances to customers (continued)

(6) Analysed by loans and advances and allowances for impairment losses (continued)

	2019				
	Stage 1 (ECL of 12-month)	Stage 2 (ECL of Lifetime)	Stage 3 (ECL of Lifetime)	Total	Impaired loans and advances as a % of gross loan balances
Gross balances of loans and advances					
– Financial institution	65,128,636	397,500	–	65,526,136	–
– Non-financial institution	1,417,412,039	44,570,780	38,904,540	1,500,887,359	2.59
Gross loans and advances to customers	1,482,540,675	44,968,280	38,904,540	1,566,413,495	2.48
Less: allowances for loans and advances measured at amortised cost					
– Financial institution	(15,209)	(20,511)	–	(35,720)	
– Non-financial institution	(11,090,811)	(7,874,412)	(22,951,516)	(41,916,739)	
Total impairment allowances for loans and advances	(11,106,020)	(7,894,923)	(22,951,516)	(41,952,459)	
Gross balances of loans and advances					
– Financial institution	65,113,427	376,989	–	65,490,416	
– Non-financial institution	1,406,321,228	36,696,368	15,953,024	1,458,970,620	
Accrued interest	6,435,450	232,366	181,707	6,849,523	
Net loans and advances to customers	1,477,870,105	37,305,723	16,134,731	1,531,310,559	
Allowances for loans and advances measured at fair value through comprehensive income	(132,793)	(53,992)	(1,284)	(188,069)	

The Bank conducts impairment test and accrues impairment allowances on loans and advances to customers in accordance with the accounting policy in Note IV.6.

VII Notes to Financial Statements (continued)

6. Loans and advances to customers (continued)

(7) Movements of allowances for impairment losses on loans and advances to customers

	2020			
	Stage 1 (ECL of 12-month)	Stage 2 (ECL of Lifetime)	Stage 3 (ECL of Lifetime)	Total
As at 1 January	(11,106,020)	(7,894,923)	(22,951,516)	(41,952,459)
Transfers to Stage 1	(666,905)	549,279	117,626	–
Transfers to Stage 2	194,732	(202,906)	8,174	–
Transfers to Stage 3	1,056,254	2,684,915	(3,741,169)	–
Charge for the year	(15,023,020)	(4,416,975)	(33,371,463)	(52,811,458)
Release during the year	5,939,496	2,798,804	9,253,119	17,991,419
Recoveries	–	–	(4,417,392)	(4,417,392)
Write-offs	–	–	31,781,876	31,781,876
As at 31 December	(19,605,463)	(6,481,806)	(23,320,745)	(49,408,014)

	2019			
	Stage 1 (ECL of 12-month)	Stage 2 (ECL of Lifetime)	Stage 3 (ECL of Lifetime)	Total
As at 1 January	(9,397,933)	(2,926,733)	(24,179,737)	(36,504,403)
Transfers to Stage 1	(729,409)	431,990	297,419	–
Transfers to Stage 2	185,786	(192,873)	7,087	–
Transfers to Stage 3	846,449	2,858,920	(3,705,369)	–
Charge for the year	(7,003,741)	(8,603,284)	(32,363,018)	(47,970,043)
Release during the year	4,992,828	537,057	7,871,743	13,401,628
Recoveries	–	–	(2,801,051)	(2,801,051)
Write-offs	–	–	31,921,410	31,921,410
As at 31 December	(11,106,020)	(7,894,923)	(22,951,516)	(41,952,459)

VII Notes to Financial Statements (continued)

6. Loans and advances to customers (continued)

(7) Movements of allowances for impairment losses on loans and advances to customers (continued)

Changes in loans and advance to costumer resulting significant impact on the Bank's impairment allowances in 2020 mainly include:

In 2020, the loan principal from Stage 1 to Stage 2 is RMB 15,257 million, the loan principal from Stage 1 to Stage 3 is RMB 21,300 million, and the loan principal from Stage 2 to Stage 3 is RMB5,829 million. For the loan principal of RMB 4,951 million transferred from stage 2 to stage 1, and for the loan principal transferred from stage 3 to stage 1 and 2, the change amount of loss provision resulting from the transfer is not significant.

In 2020, the Bank written off the principal of non-performing loans of RMB 18,122 million, resulting in a corresponding reduction of RMB 18,122 million in the stage 3 impairment allowances.

In 2020, the Bank transferred 16,824 million of non-performing loan principal through debt-for-equity swap, debt transfer, asset securitization and other ways, resulting in a corresponding reduction of RMB 13,660 million in the stage 3 impairment allowances.

In 2020, the modification of the contract cash flow that did not lead to the recognition of loan termination resulted in the transfer of the relevant loan impairment allowances from Stage 3 to Stage 2, and the loan principal transferred from Stage 3 or Stage 2 to Stage 1 was not significant.

(8) Fair value of collaterals

The fair value of collaterals for credit impaired corporate loans at the balance sheet date is as follows:

	2020
Land, properties and buildings	**4,119,181**
Other assets	**2,029,563**
Total	**6,148,744**

Fair value of collaterals for impaired corporate loans as at the balance sheet date:

	2019
Land, properties and buildings	6,886,628
Other assets	2,393,666
Total	9,280,294

The fair value of collaterals was estimated by the Bank based on the latest available external valuations adjusted by taking into account the current realisation experience as well as the market situation. The collaterals include land, properties, buildings and machines etc. Assets pledged as collateral include inventories, certificates of deposit, shares and deposit etc.

VII Notes to Financial Statements (continued)

7. Financial investment

(a) Financial assets held for trading

	Note	2020	2019
Financial assets at fair value through profit or loss	(i)	**146,100,151**	128,611,895
Financial assets designated as at fair value through profit or loss	(ii)	**709,720**	692,391
Total		**146,809,871**	129,304,286

(i) Classified as investment at fair value through profit or loss

Analysed by type of investment and geographical location

	2020	2019
Unlisted debt securities investments		
Issued by entities in Mainland China		
– Government bonds	**3,763,064**	359,427
– Policy banks bonds	**4,890,654**	3,158,898
– Commercial banks and other financial institutions bonds	**16,907,135**	8,915,781
– Corporate bonds	**7,825,482**	5,577,150
Subtotal of debt securities investments	**33,386,335**	18,011,256
Unlisted fund and other investments	**112,713,816**	110,600,639
Total	**146,100,151**	128,611,895

(ii) Designated as investment at fair value through profit or loss

Financial assets designated as at fair value through profit or loss are domestic non-listed beneficial interests, with a total amount of RMB 710 million (2019: RMB 692 million).

There is no significant restriction on the realisation of the above investments.

VII Notes to Financial Statements (continued)

7. Financial investment (continued)

(b) Debt investments

Analysed by type of investment and geographical location

	2020	2019
Unlisted		
Issued by entities in Mainland China		
– Government bonds	**154,637,098**	172,423,710
– Policy banks bonds	**44,694,597**	37,514,886
– Commercial banks and other financial institutions bonds	**24,262,478**	10,900,000
– Corporate bonds	**2,136,915**	3,155,362
Sub-total	**225,731,088**	223,993,958
Listed (Note(i))		
Issued by entities outside Mainland China		
– Commercial banks and other financial institutions bonds	**219,855**	275,457
– Corporate bonds	**345,654**	321,250
Sub-total	**565,509**	596,707
Subtotal of debt securities	**226,296,597**	224,590,665
Unlisted fund and other investments (Note(ii))	**106,710,956**	83,192,730
Accrued interest	**4,235,876**	4,200,039
Total	**337,243,429**	311,983,434
Less: allowance for impairment losses (Note(iii)) (Note VII.13)	**(4,842,207)**	(4,482,549)
Book value	**332,401,222**	307,500,885

(i) Only those debt securities traded on the Stock Exchange are included in "Listed".

(ii) Unlisted fund and other investments mainly include beneficial interests of trust investment plans, beneficial interests of debt financing plans, and beneficial interests of asset management plans issued by other financial institutions.

VII Notes to Financial Statements (continued)

7. Financial investment (continued)

(b) Debt investments (continued)

Analysed by type of investment and geographical location (continued)

(ii) Movements of allowance for impairment losses on debt investments are as follows:

	2020			
	Stage 1 (ECL of 12-month)	**Stage 2 (ECL of Lifetime)**	**Stage 3 (ECL of Lifetime)**	**Total**
As at 1 January	**(281,670)**	**(126,957)**	**(4,073,922)**	**(4,482,549)**
Transfers to Stage 1	**(7,937)**	**7,937**	**–**	**–**
Transfers to Stage 2	**33,449**	**(33,449)**	**–**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**
Charge for the year	**(212,633)**	**(417,158)**	**(3,048,489)**	**(3,678,280)**
Release during the year	**135,689**	**96,806**	**2,180**	**234,675**
Write-offs	**–**	**–**	**3,083,947**	**3,083,947**
As at 31 December	**(333,102)**	**(472,821)**	**(4,036,284)**	**(4,842,207)**

	2019			
	Stage 1 (ECL of 12-month)	Stage 2 (ECL of Lifetime)	Stage 3 (ECL of Lifetime)	Total
As at 1 January	(606,429)	(223,029)	(3,031,060)	(3,860,518)
Transfers to Stage 1	(181,012)	181,012	–	–
Transfers to Stage 2	3,814	(3,814)	–	–
Transfers to Stage 3	8,588	–	(8,588)	–
Charge for the year	(136,774)	(106,411)	(1,561,755)	(1,804,940)
Release during the year	630,143	25,285	430,714	1,086,142
Write-offs	–	–	96,767	96,767
As at 31 December	(281,670)	(126,957)	(4,073,922)	(4,482,549)

VII Notes to Financial Statements (continued)

7. Financial investment (continued)

(c) Other debt investments

Analysed by type of investment and geographical location

	2020	2019
Debt securities investments		
Unlisted		
Issued by entities in Mainland China		
– Government bonds	**129,611,141**	77,819,138
– Policy banks bonds	**62,197,280**	53,438,491
– Commercial banks and other financial institutions bonds	**36,537,482**	44,166,236
– Corporate bonds	**6,630,130**	6,472,516
Issued by entities outside Mainland China		
– Commercial banks and other financial institutions bonds	**62,479**	66,801
– Corporate bonds	**–**	230,676
Sub-total	**235,038,512**	182,193,858
Listed (Note(i))		
Issued by entities outside Mainland China		
– Government bonds	**31,029**	30,333
– Commercial banks and other financial institutions bonds	**2,788,572**	4,102,948
– Corporate bonds	**2,642,936**	2,927,930
Sub-total	**5,462,537**	7,061,211
Subtotal of debt securities investments	**240,501,049**	189,255,069
Accrued interest	**3,298,561**	2,892,528
Total	**243,799,610**	192,147,597

(i) Only those debt securities traded on the Stock Exchange are included in "Listed"

VII Notes to Financial Statements (continued)

7. Financial investment (continued)

(c) Other debt investments (continued)

Movements of allowances for impairment losses on Other debt investments are as follows:

	2020			
	Stage 1 (ECL of 12-month)	Stage 2 (ECL of Lifetime)	Stage 3 (ECL of Lifetime)	Total
As at 1 January	(9,890)	–	(66,801)	(76,691)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Charge for the year	(8,770)	–	–	(8,770)
Release during the year	4,016	–	–	4,016
Others	216	–	4,321	4,537
As at 31 December	(14,428)	–	(62,480)	(76,908)

	2019			
	Stage 1 (ECL of 12-month)	Stage 2 (ECL of Lifetime)	Stage 3 (ECL of Lifetime)	Total
As at 1 January	(10,317)	–	(65,719)	(76,036)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Charge for the year	(7,013)	–	–	(7,013)
Release during the year	7,440	–	–	7,440
Others	–	–	(1,082)	(1,082)
As at 31 December	(9,890)	–	(66,801)	(76,691)

VII Notes to Financial Statements (continued)

7. Financial investment (continued)

(d) Other equity investment

Analysed by type of investment

	2020	2019
Other equity investments (Note(i))		
Unlisted	**1,943,912**	1,317,777
Listed (Note(ii))	**799,991**	832,542
Total	**2,743,903**	2,150,319

(i) The Bank designated the equity investments not held for trading as measured at fair value through other comprehensive income. As at 31 December 2020, the fair value was RMB 2.744 billion (31 December 2019: RMB 2,150 million). In 2020, the Bank received RMB 18 million dividends from the above equity investments. (2019: RMB 15 million)

(ii) Only those debt securities traded on the Stock Exchange are included in "Listed".

8. Long term equity investments

(1) The movement of the Bank's investments in associate is as follows:

	2020	2019
As at 1 January	**5,056**	5,056
Current year disposal	**(5,056)**	–
As at 31 December	**–**	5,056

(2) The investment in associate of the Bank is Guangdong Guangfa International Financial & Consulting Co., Ltd (Guangfa International) with a registered capital of RMB 10 million. The Bank holds 41% of the shares of the associate.

As of December 31, 2020, the Bank has completed the liquidation of Guangfa International, and the corresponding termination of the recognition of the investment of the joint venture.

VII Notes to Financial Statements (continued)

9. Fixed assets

	Properties and buildings	Construction in progress	Electronic equipments	Transportation and other equipments	Total
Costs					
1 January 2019	11,412,317	870,621	4,582,938	1,059,808	17,925,684
Additions	5,166	242,732	303,540	85,708	637,146
Transfers from/(out of) construction in progress	9,834	(9,834)	–	–	–
Disposals	(98,237)	–	(153,562)	(80,716)	(332,515)
31 December 2019	11,329,080	1,103,519	4,732,916	1,064,800	18,230,315
1 January 2020	11,329,080	1,103,519	4,732,916	1,064,800	18,230,315
Additions	106,367	295,383	519,753	86,530	1,008,033
Transfers from/(out of) construction in progress	712,408	(517,167)	–	–	195,241
Disposals	(38,104)	–	(609,334)	(74,372)	(721,810)
31 December 2020	12,109,751	881,735	4,643,335	1,076,958	18,711,779
Accumulated depreciation					
1 January 2019	(2,943,668)	–	(3,311,696)	(768,984)	(7,024,348)
Charge for the year	(378,504)	–	(523,326)	(114,258)	(1,016,088)
Disposals	51,974	–	150,130	72,073	274,177
31 December 2019	(3,270,198)	–	(3,684,892)	(811,169)	(7,766,259)
1 January 2020	(3,270,198)	–	(3,684,892)	(811,169)	(7,766,259)
Charge for the year	(376,660)	–	(350,506)	(83,926)	(811,092)
Disposals	26,729	–	580,311	68,455	675,495
31 December 2020	(3,620,129)	–	(3,455,087)	(826,640)	(7,901,856)
Allowances for impairment losses (Note VII.13)					
1 January 2019	(253,199)	–	–	–	(253,199)
Deductions	20,300	–	–	–	20,300
31 December 2019	(232,899)	–	–	–	(232,899)
1 January 2020	(232,899)	–	–	–	(232,899)
Deductions	4,391	–	–	–	4,391
31 December 2020	(228,508)	–	–	–	(228,508)
Net carrying value					
31 December 2019	7,825,983	1,103,519	1,048,024	253,631	10,231,157
31 December 2020	8,261,114	881,735	1,188,248	250,318	10,581,415

VII Notes to Financial Statements (continued)

9. Fixed assets (continued)

(i) As at 31 December 2020, the Bank was in the process of completing the ownership documentation of certain properties and buildings with a net carrying value of RMB 180 million (2019: RMB 150 million). The management are of the opinion that the Bank is entitled to legally and effectively occupy or use the above-mentioned properties and buildings.

(ii) As at 31 December 2020, the Bank assessed the recoverable amount of certain properties and buildings and construction in progress that are considered to be impaired. Based on the assessment, the net carrying value of such assets was reduced by RMB 229 million (2019: RMB 233 million). The estimated recoverable amounts were determined based on the fair value of the properties and buildings and construction in progress less disposal costs, with reference to the recent observable market prices for similar properties and buildings and construction in progress within the same area.

(iii) As at 31 December 2020, the net carrying value of properties and buildings under operating lease amounted to RMB 532 million (2019: RMB 166 million).

10. Intangible assets

	Land use rights	Software	Others	Total
Costs				
1 January 2019	2,779,293	4,356,344	9,059	**7,144,696**
Additions	–	783,774	–	**783,774**
Disposals	(6,719)	(6,150)	(800)	**(13,669)**
31 December 2019	2,772,574	5,133,968	8,259	**7,914,801**
1 January 2020	2,772,574	5,133,968	8,259	**7,914,801**
Additions	–	1,096,403	–	**1,096,403**
Disposals	–	(5,070)	(111)	**(5,181)**
31 December 2020	2,772,574	6,225,301	8,148	**9,006,023**
Accumulated amortisation				
1 January 2019	(195,984)	(2,701,953)	(8,803)	**(2,906,740)**
Charge for the year	(66,704)	(662,883)	(186)	**(729,773)**
Disposals	3,540	6,150	800	**10,490**
31 December 2019	(259,148)	(3,358,686)	(8,189)	**(3,626,023)**
1 January 2020	(259,148)	(3,358,686)	(8,189)	**(3,626,023)**
Charge for the year	(66,671)	(720,856)	(70)	**(787,597)**
Disposals	–	5,048	111	**5,159**
31 December 2020	(325,819)	(4,074,494)	(8,148)	**(4,408,461)**
Net carrying value				
31 December 2019	2,513,426	1,775,282	70	**4,288,778**
31 December 2020	2,446,755	2,150,807	–	**4,597,562**

As at 31 December 2020 the Bank has no land use rights with procedures of property rights still pending. (2019: Nil).

VII Notes to Financial Statements (continued)

11. Deferred tax assets and liabilities

(1) Analysed by nature

	2020				
	Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities	Net balance
Allowances for impairment losses on loans and advances to customers and other assets	60,690,252	15,172,563	–	–	15,172,563
Fair value change of financial instruments	–	–	(5,238,560)	(1,309,640)	(1,309,640)
Provisions	2,841,373	710,343	–	–	710,343
Deferred interest income of discounted bills	2,427,256	606,814	–	–	606,814
Accrued salary	964,648	241,162	–	–	241,162
Others	–	–	(245,960)	(61,490)	(61,490)
Total	66,923,529	16,730,882	(5,484,520)	(1,371,130)	15,359,752

	2019				
	Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities	Net balance
Allowances for impairment losses on loans and advances to customers and other assets	59,490,196	14,872,549	–	–	14,872,549
Fair value change of financial instruments	–	–	(7,185,632)	(1,796,408)	(1,796,408)
Provisions	2,129,767	532,442	–	–	532,442
Deferred interest income of discounted bills	1,747,308	436,827	–	–	436,827
Accrued salary	465,092	116,273	–	–	116,273
Others	–	–	(501,960)	(125,490)	(125,490)
Total	63,832,363	15,958,091	(7,687,592)	(1,921,898)	14,036,193

VII Notes to Financial Statements (continued)

11. Deferred tax assets and liabilities (continued)

(2) Movements of deferred tax

	2020			
	As at 31 December 2019	Recognised in income statement (Note VII.43)	Recognised in equity	As at 31 December
Allowances for impairment losses on loans and advances to customers and other assets	14,872,549	300,014	–	15,172,563
Fair value change of financial instruments	(1,796,408)	(126,093)	612,861	(1,309,640)
Provisions	532,442	177,901	–	710,343
Deferred interest income of discounted bills	436,827	169,987	–	606,814
Accrued salary	116,273	124,889	–	241,162
Others	(125,490)	64,000	–	(61,490)
Net balance	14,036,193	710,698	612,861	15,359,752

	2019				
	As at 31 December 2018	Changes in accounting policies	Recognised in income statement (Note VII.43)	Recognised in equity	As at 31 December
Allowances for impairment losses on loans and advances to customers and other assets	12,035,149	2,068,706	768,694	–	14,872,549
Fair value change of financial instruments	(845,578)	25,043	(752,755)	(223,118)	(1,796,408)
Provisions	117,532	180,012	234,898	–	532,442
Deferred interest income of discounted bills	279,718	–	157,109	–	436,827
Accrued salary	104,506	–	11,767	–	116,273
Others	(78,509)	–	(46,981)	–	(125,490)
Net balance	11,612,818	2,273,761	372,732	(223,118)	14,036,193

In accordance with the accounting policy in Note IV.19, as at 31 December 2020, the Bank has not recognised deferred tax assets of RMB 1,102 million (2019: RMB 610 million) in respect of the allowances for impairment losses on personal loans and advances of RMB 4,409 million (2019: RMB 2,441 million), as it is not certain that written-off of above loans and advances to customers can be approved by the relevant tax authorities in the future.

VII Notes to Financial Statements (continued)

12. Other assets

	2020	2019
Suspense account for clearing	**6,983,285**	3,601,444
Advanced investment (i)	**5,000,000**	–
Long-term deferred expenses	**1,066,237**	1,199,762
– Leasehold improvement expenditure	**643,449**	717,383
– Other long-term deferred expenses	**422,788**	482,379
Repossessed assets (ii)	**835,619**	1,243,306
Continuing involvement in financial assets (iii)	**734,668**	1,487,467
Prepayment for purchase of long-term assets	**459,932**	529,103
Prepaid rentals	**416,845**	380,158
Disbursement fee	**399,725**	392,417
Interest receivable	**277,589**	586,963
Others	**1,038,641**	1,488,201
Gross balance	**17,212,541**	10,908,821
Less: Allowances for impairment losses (Note VII.13)	**(524,133)**	(1,062,528)
Net balance	**16,688,408**	9,846,293

VII Notes to Financial Statements (continued)

12. Other assets (continued)

(i) Advanced investment

On June 28, 2018 the Board of Directors of the Bank approved the "Proposal on the Establishment of Asset Management Subsidiaries of the China Guangfa Bank" and agreed to invest RMB 5 billion to establish a wholly-owned financial subsidiary ("GuangYin Wealth Management Co., Ltd."), which was approved by the CBIRC on July 13, 2020. As at December 31, 2020, Guangyin Wealth Management Co., Ltd. is still in the process of preparation, and the relevant industrial and commercial registration has not been completed. The Bank transferred the investment fund of RMB 5 billion to the Bank on October 9, 2020, and the above amount was temporarily suspended as the advance investment.

(ii) Repossessed assets

Analysed by type

	2020	2019
Properties and buildings	**751,029**	1,158,716
Land	**84,590**	84,590
Gross balance	**835,619**	1,243,306
Less: Allowances for impairment losses	**(192,765)**	(327,397)
Net balance	**642,854**	915,909

In 2020, the Bank has converted the repossessed assets with an original value of RMB 296 million and a net value of RMB 195 million into fixed assets for own use (2019: Nil).

The Bank has disposed of repossessed assets with the original value of RMB143 million in 2020 (2019: RMB34 million)

The Bank plans to dispose of the repossessed assets as of 31 December, 2020 through public disposal methods such as auction and bidding in the future.

(iii) Continuing involvement in financial assets

As at December 31, 2020, the Bank's continuing involvement in assets was RMB735 million and its continuing involvement in liabilities was RMB735 million (31 December 2019: RMB1,487 million). As at 31 December, 2020, the Bank retained a certain degree of continuing involvement in the transferred credit assets by holding part of the investment, and the carrying value of the transferred credit assets at the transfer date was RMB 5,278 million (31 December, 2019: RMB 12,968 million).

VII Notes to Financial Statements (continued)

13. Movements of allowances for impairment losses

		2020					
	VII	As at 1 January	Charge for the year	Release during the year	Write-offs(i)	Others	As at 31 December
Due from banks and other financial institution	2	(494)	–	462	–	31	(1)
Placements with banks and other financial institutions	3	(380,248)	(116,658)	167,686	–	186	(329,034)
Financial assets held under resale agreements	5	(403,339)	–	26	–	–	(403,313)
Loans and advances to customers							
– Loans and advances measured at amortised cost	6	(41,952,459)	(52,811,458)	17,991,419	27,364,484	–	(49,408,014)
– Loans and advances measured at fair value through comprehensive income	6	(188,069)	(204,237)	188,069	–	–	(204,237)
Financial investment							
Debt investments	7	(4,482,549)	(3,678,280)	234,675	3,083,947	–	(4,842,207)
Other debt investments	7	(76,691)	(8,770)	4,016	–	4,537	(76,908)
Credit commitments	21	(1,369,370)	(2,337,866)	1,324,654	–	–	(2,382,582)
Fixed assets	9	(232,899)	–	–	4,391	–	(228,508)
Other assets	12	(1,062,528)	(141,353)	466,963	212,785	–	(524,133)
Total		(50,148,646)	(59,298,622)	20,377,970	30,665,607	4,754	(58,398,937)

		2019					
	VII	As at 1 January	Charge for the year	Release during the year	Write-offs(i)	Others	As at 31 December
Due from banks and other financial institutions	2	(1,550)	(494)	1,550	–	–	(494)
Placements with banks and other financial institutions	3	(275,392)	(155,166)	50,310	–	–	(380,248)
Financial assets held under resale agreements	5	(403,351)	(27)	39	–	–	(403,339)
Loans and advances to customers							
– Loans and advances measured at amortised cost	6	(36,504,403)	(47,970,043)	13,401,628	29,120,359	–	(41,952,459)
– Loans and advances measured at fair value through comprehensive income	6	(242,105)	(188,069)	242,105	–	–	(188,069)
Financial investment							
– Debt investments	7	(3,860,518)	(1,804,940)	1,086,142	96,767	–	(4,482,549)
– Other debt investments	7	(76,036)	(7,013)	7,440	–	(1,082)	(76,691)
Credit commitments	21	(720,047)	(1,338,878)	689,555	–	–	(1,369,370)
Fixed assets	9	(253,199)	–	–	20,300	–	(232,899)
Other assets	12	(722,369)	(492,464)	39,201	113,104	–	(1,062,528)
Total		(43,058,970)	(51,957,094)	15,517,970	29,350,530	(1,082)	(50,148,646)

(i) Write-offs include recoveries of loans and advances that were previously written off.

VII Notes to Financial Statements (continued)

14. Due to banks and other financial institutions

Analysed by type and location of counterparty

	2020	2019
Banks operating in Mainland China	**136,176,706**	135,212,361
Other financial institutions operating in Mainland China	**321,689,744**	275,941,852
Sub-total	**457,866,450**	411,154,213
Banks operating outside Mainland China	**4,922,250**	4,270,796
Other financial institutions operating outside Mainland China	**–**	42
Sub-total	**4,922,250**	4,270,838
Accrued interest	**2,129,882**	1,290,569
Total	**464,918,582**	416,715,620

15. Placements from banks and other financial institutions

Analysed by type and location of counterparty

	2020	2019
Banks operating in Mainland China	**16,658,253**	27,328,725
Other financial institutions operating in Mainland China	**–**	300,000
Sub-total	**16,658,253**	27,628,725
Banks operating outside Mainland China	**–**	35,000
Accrued interest	**8,305**	99,535
Total	**16,666,558**	27,763,260

16. Financial liabilities held for trading

As at 31 December 2020 and 31 December 2019, the Bank's financial liabilities held for trading was mainly composed of short position in gold.

VII Notes to Financial Statements (continued)

17. Financial assets sold under repurchase agreements

(1) Analysed by type and location of counterparty

	2020	2019
Banks operating in Mainland China	**52,660,897**	70,118,386
Other financial institutions operating in Mainland China	**–**	4,114,572
The PBOC	**32,455,608**	30,484,309
Accrued interest	**7,830**	25,557
Total	**85,124,335**	104,742,824

(2) Analysed by type of collateral

	2020	2019
Securities		
– Government bonds	**12,829,769**	34,651,768
– Commercial banks and other financial institutions Bonds	**56,815,731**	50,004,332
Sub-total	**69,645,500**	84,656,100
Bills	**15,471,005**	20,061,167
Accrued interest	**7,830**	25,557
Total	**85,124,335**	104,742,824

VII Notes to Financial Statements (continued)

18. Customer deposits

	2020	2019
Demand deposits		
– Corporate customers	**649,407,471**	469,240,443
– Personal customers	**113,044,893**	92,038,004
Sub-total	**762,452,364**	561,278,447
Time deposits (include notice deposits)		
– Corporate customers	**807,411,775**	805,131,887
– Personal customers	**259,654,360**	216,189,677
Sub-total	**1,067,066,135**	1,021,321,564
Others	**1,888,094**	522,334
Accrued interest	**21,148,871**	17,047,796
Total	**1,852,555,464**	1,600,170,141

The deposits above include:

		2020	2019
(1)	Pledged deposits for		
	– Acceptance	**113,412,276**	80,597,616
	– Wealth management products	**–**	186,223
	– Guarantee	**2,241,137**	2,234,692
	– Letters of credit	**8,393,640**	8,262,045
	– Others	**7,483,528**	5,311,929
	Total	**131,530,581**	96,592,505
(2)	Outward and inward remittance	**543,475**	354,705

VII Notes to Financial Statements (continued)

19. Employee benefits obligations

	Note	2020	2019
Short-term employee benefits	(1)	6,357,397	5,164,307
Post employment benefits-defined contribution plans	(2)	535,430	281,690
Termination benefits	(3)	–	–
Total		6,892,827	5,445,997

(1) Short-term employee benefits

	2020			
	As at 1 January	Accrued during the year	Payments made	As at 31 December
Salaries, bonuses, allowances	5,031,450	9,910,075	(9,262,459)	5,679,066
Staff welfare	1,294	429,937	(429,970)	1,261
Social insurance				
Medical insurance	8,081	382,112	(376,982)	13,211
Work-related injury insurance	599	1,293	(1,880)	12
Maternity insurance	1,170	24,122	(23,211)	2,081
Housing fund	11,338	694,823	(692,583)	13,578
Labour union fee, staff and workers' education fee	74,721	269,421	(253,030)	91,112
Outsourcing expenses	35,654	1,353,442	(832,020)	557,076
Total	5,164,307	13,065,225	(11,872,135)	6,357,397

	2019			
	As at 1 January	Accrued during the year	Payments made	As at 31 December
Salaries, bonuses, allowances	3,362,260	9,477,035	(7,807,845)	5,031,450
Staff welfare	1,817	398,905	(399,428)	1,294
Social insurance				
Medical insurance	7,921	385,755	(385,595)	8,081
Work-related injury insurance	625	8,554	(8,580)	599
Maternity insurance	933	35,453	(35,216)	1,170
Housing fund	11,282	592,828	(592,772)	11,338
Labour union fee, staff and workers' education fee	42,393	265,198	(232,870)	74,721
Outsourcing expenses	105,278	1,108,579	(1,178,203)	35,654
Total	3,532,509	12,272,307	(10,640,509)	5,164,307

VII Notes to Financial Statements (continued)

19. Employee benefits obligations (continued)

(2) Post employment benefits - defined contribution plans

	2020			
	As at 1 January	Accrued during the year	Payments made	As at 31 December
Pension insurance	20,296	145,574	(152,524)	13,346
Unemployment insurance	1,305	5,891	(6,892)	304
Annuity	260,089	587,067	(325,376)	521,780
Total	281,690	738,532	(484,792)	535,430

	2019			
	As at 1 January	Accrued during the year	Payments made	As at 31 December
Pension insurance	19,734	752,962	(752,400)	20,296
Unemployment insurance	1,712	26,173	(26,580)	1,305
Annuity	288	498,664	(238,863)	260,089
Total	21,734	1,277,799	(1,017,843)	281,690

(i) Social insurance

Social insurance includes basic retirement insurance, basic medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. Pursuant to the relevant laws and regulations in the PRC, Hong Kong and Macau governing labour and social security, the Bank pays the required insurances on behalf of the employees. The Bank is required to make contributions based on defined ratios of the salaries, bonuses and certain allowances of the employees to the statutory retirement plan under the administration of the government.

(ii) Annuity scheme

In addition to the basic retirement insurance, the Bank has set up an annuity scheme for those qualified employees. The annuity is managed by China Life Pension Company Limited. The Bank has made annuity contributions at no more than 8% of its qualified employee's total salaries, bonus and certain allowances in last year.

During the year ended 31 December 2020, the Bank made annuity contribution amounted to RMB 325 million (2019: RMB 239 million).

(3) Termination benefits

	2020	2019
As at 1 January	–	–
Accrued during the year	24,169	10,651
Payments made	(24,169)	(10,651)
As at 31 December	–	–

VII Notes to Financial Statements (continued)

20. Taxes payable

	2020	2019
Corporate income tax	**5,155,763**	5,983,580
Value-added tax	**1,474,720**	1,601,499
Urban maintenance and construction tax	**120,488**	118,383
Education surcharge	**86,706**	85,179
Individual income tax	**60,407**	44,802
Others	**125,288**	123,918
Total	**7,023,372**	7,957,361

21. Provisions

	Note	2020	2019
Allowances for credit commitments	(i)	**2,382,582**	1,369,370
Allowances for litigation losses	(ii)	**458,791**	760,397
Total		**2,841,373**	2,129,767

(i) Movements of allowances for impairment losses on credit commitments are as follows:

	2020			
	Stage 1 (ECL of 12-month)	Stage 2 (ECL of Lifetime)	Stage 3 (ECL of Lifetime)	Total
As at 1 January	**(618,286)**	**(346,386)**	**(404,698)**	**(1,369,370)**
Transfers to Stage 1	**(77,086)**	**77,086**	**–**	**–**
Transfers to Stage 2	**40**	**(40)**	**–**	**–**
Transfers to Stage 3	**73**	**–**	**(73)**	**–**
Charge for the year	**(1,414,041)**	**(202,383)**	**(721,442)**	**(2,337,866)**
Release during the year	**651,995**	**268,851**	**403,808**	**1,324,654**
As at 31 December	**(1,457,305)**	**(202,872)**	**(722,405)**	**(2,382,582)**

VII Notes to Financial Statements (continued)

21. Provisions (continued)

(i) Movements of allowances for impairment losses on credit commitments are as follows: (continued)

	2019			
	Stage 1 (ECL of 12-month)	Stage 2 (ECL of Lifetime)	Stage 3 (ECL of Lifetime)	Total
As at 1 January	(551,461)	(53,437)	(115,149)	(720,047)
Transfers to Stage 1	(28)	28	–	–
Transfers to Stage 2	483	(483)	–	–
Transfers to Stage 3	113	–	(113)	–
Charge for the year	(589,470)	(345,769)	(403,639)	(1,338,878)
Release during the year	522,077	53,275	114,203	689,555
As at 31 December	(618,286)	(346,386)	(404,698)	(1,369,370)

(ii) Movements of allowances for impairment losses on litigation losses are as follows:

	2020	2019
As at 1 January	(760,397)	(470,130)
Charge for the year	(26,628)	(386,264)
Release during the year	135,050	49,240
Payments made during the year	193,184	46,757
As at 31 December	(458,791)	(760,397)

As at 31 December 2020, the Bank was the defendant or the third party in certain pending litigations, with gross claims of RMB 12,546 billion (2019: RMB 14,200 million). Based on the opinions of the Bank's internal or external lawyers, provision has been made for the estimated losses of these litigations and disputes. Management of the Bank are of the view that the provision made is reasonable and adequate.

VII Notes to Financial Statements (continued)

22. Bonds issued

	Note	2020	2019
Subordinated bonds issued	(i)	**4,490,784**	4,489,735
Tier two capital bonds issued	(ii)	**33,499,438**	14,986,910
Financial bonds issued	(iii)	**29,996,474**	29,983,726
Interbank negotiable certificates of deposit	(iv)	**152,950,928**	97,256,903
Accrued interest		**979,075**	1,147,209
Total		**221,916,699**	147,864,483

(i) The Bank issued 15-year subordinated fixed interest rate bonds with face value RMB 4.5 billion on 28 December 2012. The coupon interest rate per annum is 5.60%. The Bank has an option to redeem the bonds at the end of the tenth year. If the Bank does not exercise the option of redemption, the interest margin of the bonds will remain from the eleventh year for the next five years till maturity.

(ii) The Bank issued 10-year tier two capital fixed interest rate bonds with face value RMB 15 billion on 19 June 2015. The coupon interest rate per annum is 5.10%. The Bank has an option to redeem the bonds at the end of the fifth year. The Bank has pre-redeemed all the bonds at face value on June 23, 2020.

The Bank issued 10-yeared tier two capital fixed interest rate bonds with face value RMB 30 billion on 30 October 2020. The coupon interest rate per annum is 4.26%. The Bank has an option to redeem the bonds at the end of the fifth year. If the Bank does not exercise the option of redemption, the interest margin of the bond will remain from the sixth year for the next five years till maturity. The Bank issued 15-yeared tier two capital fixed interest rate bonds with face value RMB 3.50 billion on 30 October 2020. The coupon interest rate per annum is 4.51%. The Bank has an option to redeem the bonds at the end of tenth year. If the Bank does not exercise the option of redemption, the interest margin of bond will remain from the eleventh year for the next five years till maturity.

(iii) The Bank issued two 5-year financial fixed interest rate bonds with face value RMB 15 billion on 19 February 2016 and face value RMB 15 billion on 20 May 2016. The coupon interest rates per annum are 3.32% and 3.52%.

(iv) The Bank held 127 (2019: 109) undue zero-coupon interbank negotiable certificates of deposit with face value RMB 154.76 billion 2020(RMB 98.21 billion) as at 31 December 2020, with periods between 3 to 12 months (2019: 3 to 12 months) and mature at par.

23. Other liabilities

	2020	2019
Deferred income	**8,730,837**	8,357,824
Accrued expenses	**1,906,318**	2,101,371
Suspense account for clearing	**1,762,306**	2,870,965
Continuing involvement in financial liabilities (Note VII.12(iii))	**734,668**	1,487,467
Payables for purchase of long-term assets	**252,868**	287,336
Payables for fund subscription	**184,894**	56,314
Dormant accounts of customer deposits	**108,075**	141,207
Payables arising from the transferred credit assets	**69,422**	916,973
Others	**1,030,444**	671,476
Total	**14,779,832**	16,890,933

VII Notes to Financial Statements (continued)

24. Share capital

The capital structure of the Bank at the balance sheet date is as follows:

	2020		2019	
	No. of share Shares'000	Amount RMB'000	No. of share Shares'000	Amount RMB'000
Share capital (Ordinary shares with par value RMB 1 each)	19,687,196	19,687,196	19,687,196	19,687,196

25. Other equity instruments

	As at 31 December 2020		As at 31 December 2019	
	Quantity (million shares)	Net balance	Quantity (million shares)	Net balance
Issuance of perpetual debt capital – Undated capital bonds	4.50	44,991,071	4.50	44,990,816

With the approvals by relevant regulatory authorities, the Bank issued RMB 45 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 25 September 2019, and completed the issuance on 27 September 2019. The denomination of the Bonds is RMB 100 each, and the annual coupon rate of the Bonds for the first five years is 4.50%, resetting every 5 years.

The duration of the Bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date 5 years after the issuance date (including the interest payment date 5 years after the issuance date) of the Bonds. Upon the occurrence of a trigger event for write-downs, with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors that rank in priority to the claims of the Bond; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bonds are paid by non-cumulative interest. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilize the proceeds from the cancelled distribution to meet other obligations of maturing debts. Except for the restrictions on the distribution on ordinary shares, the cancellation of distributions on the Bond in whole or in part shall not constitute any restrictions on the Bank.

26. Capital reserve

	2020	2019
Shares premium	37,050,086	37,050,086

VII Notes to Financial Statements (continued)

27. Other comprehensive income

Other comprehensive income after tax

	Changes in fair value of other debt investments	Changes in expected credit loss of other debt investments	Changes in fair value of loans and advances measured at fair value through comprehensive income	Changes in expected credit loss of loans and advances at fair value through other comprehensive income	Changes in fair value of other equity investments	Other	Exchanges differences on translation of foreign financial statements	Total
Balance at 1 January 2019	1,988,797	76,036	(19,085)	242,105	(84,016)	–	(43,260)	2,160,577
Change for the year	713,044	491	15,760	(40,527)	(19,413)	–	(26,350)	643,005
Balance at 31 December 2019 and 1 January 2020	2,701,841	76,527	(3,325)	201,578	(103,429)	–	(69,610)	2,803,582
Change for the year	(1,744,146)	163	(44,180)	12,126	(143,130)	80,585	(24,671)	(1,863,253)
Balance at 31 December 2020	957,695	76,690	(47,505)	213,704	(246,559)	80,585	(94,281)	940,329

28. Surplus reserve

	2020	2019
As at 1 January	**11,151,972**	9,893,880
Appropriation for the year	**1,381,201**	1,258,092
As at 31 December	**12,533,173**	11,151,972

The Bank is required to appropriate 10% of its current net profit after offsetting accumulated losses of prior years, as determined under the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF, to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of shareholders at the General Meeting, statutory surplus reserves may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

VII Notes to Financial Statements (continued)

29. General reserve

Pursuant to Caijin [2012] No. 20 Requirements on Impairment Allowance for Financial Institutions (the "Requirement"), issued by the MOF, in addition to the impairment allowance, the Bank establishes a general reserve within the equity holders' equity through the appropriation of profit to address unidentified potential impairment losses. The general reserve as a distribution of profits, being part of the owner's rights and interests, should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement, and the minimum threshold can be accumulated over a period of no more than five years. The Bank set aside a general reserve of 1.5% of the ending balance of gross risk-bearing assets at 31 December 2020 (2019: 1.5%).

30. Appropriation of profits

(a) In accordance with relevant laws and regulations, the Bank has formulated a profit appropriations plan for the year ended 31 December 2020:

- Appropriate statutory surplus reserve amounted to RMB 1,381 million, based on 10% of the net profit of the Bank
- Appropriate general reserve amounted to RMB 4,955million
- Distributed cash dividend of RMB 0.77 per 10 shares to shareholders registered in the share ledger, amounted to a total dividend of RMB 1,516 million. The dividend payable is not reflected in liabilities of the financial statements.

The appropriations of profits mentioned above is yet to be approved by the Board of Directors and General Meeting.

(b) At the Annual General Meeting of shareholders held on 28 April 2020, the shareholders approved the following appropriations of profits for the year ended 31 December 2019:

- Appropriate statutory surplus reserve amounted to RMB 1,258 million, based on 10% of the net profit of the Bank
- Appropriate general reserve amounted to RMB 4,183 million
- Distributed cash dividend of RMB 0.639 per 10 shares to shareholders registered in the share ledger, amounted to a total dividend of RMB 1,258 million.

When the Bank distributes cash dividends to shareholders, it withholds and pays the corresponding income tax for the natural person shareholders of the Bank in accordance with the requirements of relevant laws and regulations on tax collection and management in China.

(c) The Bank paid interest on the 2019 undated capital bonds of RMB 2,025 million on 27 September 2020.

VII Notes to Financial Statements (continued)

31. Net interest income

	2020	2019
Interest income arising from:		
Due from central banks	**2,722,119**	2,663,845
Due from banks and other financial institutions	**55,973**	147,434
Placements with banks and other financial institutions	**3,255,868**	2,715,746
Financial assets held under resale agreements	**2,231,815**	1,982,950
Loans and advances to customers		
– Corporate loans and advances	**35,934,843**	30,112,905
– Personal loans and advances	**57,587,192**	60,628,458
– Discounted bills	**5,269,088**	4,044,172
Investments	**20,785,183**	17,885,980
Total interest income	**127,842,081**	120,181,490
Interest expenses arising from:		
Due to banks and other financial institutions	**(11,024,790)**	(12,859,539)
Placements from banks and other financial institutions	**(536,649)**	(1,460,417)
Financial assets sold under repurchase agreements	**(910,087)**	(1,362,460)
Customer deposits	**(45,097,969)**	(38,388,885)
Bonds issued	**(5,199,336)**	(4,897,148)
Borrowings from central banks	**(2,225,951)**	(1,633,592)
Total interest expenses	**(64,994,782)**	(60,602,041)
Net interest income	**62,847,299**	59,579,449

VII Notes to Financial Statements (continued)

32. Net fee and commission income

	2020	2019
Fee and commission income:		
Bank card fees	**11,624,204**	10,428,220
Agency services fees	**1,454,858**	1,115,157
Commissions on trust and fiduciary activities	**637,655**	595,918
Bond underwriting fees	**623,991**	435,232
Commission on wealth management products	**503,958**	434,164
Guarantee and commitment fees	**414,305**	324,664
Settlement and clearing fees	**324,132**	364,077
Consultancy and advisory fees	**148,201**	142,242
Others	**86,488**	98,706
Total	**15,817,792**	13,938,380
Fee and commission expenses:		
Bank card fees	**(3,724,620)**	(3,914,648)
Settlement fees	**(219,733)**	(250,084)
Agency expenses	**(152,796)**	(178,612)
Others	**(418,689)**	(417,463)
Total	**(4,515,838)**	(4,760,807)
Net fee and commission income	**11,301,954**	9,177,573

VII Notes to Financial Statements (continued)

33. Investment gains/(losses)

	2020	2019
Financial assets held for trading	**3,163,575**	2,687,797
Financial assets at fair value through other comprehensive income	**538,934**	316,914
Financial assets at amortised cost	**915,295**	340,430
Derivatives	**199,322**	290,831
Financial liabilities at fair value through profit or loss	**(6,933)**	1,223
Other	**276,440**	15,045
Total	**5,086,633**	3,652,240

There is no significant restriction on remitting back the investment income of the Bank that realised outside Mainland China.

34. Gains/(losses) arising from changes in fair value

	2020	2019
Derivatives	**85,916**	145,951
Financial assets held for trading	**562,688**	3,155,803
Financial liabilities held for trading	**122,941**	(49,663)
Total	**771,545**	3,252,091

35. Foreign exchange gains/(losses)

Foreign exchange gains/(losses) mainly consist of the conversion of foreign currency assets and liabilities, the realized gains or losses and unrealized changes in the fair value arising from foreign exchange derivatives.

VII Notes to Financial Statements (continued)

36. Taxes and surcharges

	2020	2019
Urban maintenance and construction tax	**461,609**	425,232
Education surcharge	**329,848**	302,939
Property tax	**103,778**	97,661
Stamp tax	**64,430**	55,849
Other tax	**10,010**	19,254
Total	**969,675**	900,935

37. Operating and administrative expenses

	2020	2019
Employee benefits	**13,525,834**	13,560,757
Premises and equipment expenses		
– Rent and property management expenses	**2,177,387**	2,160,498
– Depreciation charges (Note VII.9)	**811,092**	1,016,088
– Maintenance	**913,413**	901,542
Sub-total	**3,901,892**	4,078,128
Outsourcing service fee	**1,394,646**	1,362,260
General operating and administrative expenses	**1,333,488**	1,514,663
Amortisation expenses	**1,094,295**	1,079,433
Others	**1,825,882**	1,900,243
Total	**23,076,037**	23,495,484

VII Notes to Financial Statements (continued)

38. Impairment losses on assets

	2020	2019
Loans and advances to customers		
– Loans and advances measured at amortised cost	**34,820,039**	34,568,415
– Loans and advances measured at fair value through comprehensive income	**16,168**	(54,036)
Financial investment		
– Debt investments	**3,443,605**	718,798
– Other debt investments	**4,754**	(427)
Placements with banks and other financial institutions	**(51,028)**	104,856
Credit commitments	**1,013,212**	649,323
Others	**(370,856)**	348,920
Subtotal of ECL	**38,875,894**	36,335,849
Allowances for impairment losses on other assets	**44,758**	103,275
Total	**38,920,652**	36,439,124

39. Gains/(losses) from disposal of non-current assets

	2020	2019
Gains from disposal of non-current assets		
– Gains from disposal of fixed assets	**34,423**	56,904
– Gains from disposal of repossessed assets	**25,073**	14,904
– Gains from disposal of intangible assets	**–**	127
Losses from disposal of non-current assets		
– Losses from disposal of fixed assets	**(3,035)**	(3,207)
– Losses from disposal of repossessed assets	**(1,296)**	(1,326)
Total	**55,165**	67,402

VII Notes to Financial Statements (continued)

40. Other income

	2020	2019
The government subsidies related to income	**123,319**	116,085

41. Non-operating income

	2020	2019
Penalty and overdue fine	**38,956**	26,038
The government subsidies unrelated to daily activities	**7,041**	14,792
Write back of dormant accounts	**10,533**	7,783
Write back of long-term payables	**2,652**	5,423
Others	**51,191**	52,839
Total	**110,373**	106,875

42. Non-operating expenses

	2020	2019
Charge of litigation provision	**(108,422)**	337,024
Contribution	**62,520**	10,708
Employment security fund for the disabled	**26,920**	28,510
Penalty and compensation	**24,923**	143,805
Others	**45,204**	121,028
Total	**51,145**	641,075

VII Notes to Financial Statements (continued)

43. Income tax expenses

(1) Income tax for the relevant periods:

	2020	2019
Income tax for the year		
– Mainland China	**4,505,413**	2,691,159
– Overseas	**16,965**	23,357
Sub-total	**4,522,378**	2,714,516
Deferred tax (Note VII.11)	**(710,698)**	(372,732)
Adjustment for prior years	**(45,947)**	217
Income tax expenses	**3,765,733**	2,342,001

(2) Reconciliation between income tax expenses and income tax calculated at statutory tax rate:

	2020	2019
Profit before tax	**17,577,744**	14,922,925
Expected income tax expenses at statutory tax rate of 25%	**4,394,436**	3,730,731
Non-deductible expenses (i)	**2,308,696**	1,396,498
Income tax adjustment for non-taxable income (ii)	**(2,845,710)**	(2,807,831)
Adjustment for prior years	**(45,947)**	217
Others	**(45,742)**	22,386
Income tax expenses	**3,765,733**	2,342,001

(i) These amounts primarily represent staff costs in excess of the statutory deductible threshold, non-deductible entertainment expenses and impairment losses not expected to be approved by the tax authorities.

(ii) These amounts primarily represent interest income from PRC Treasury bonds and local government bonds.

VII Notes to Financial Statements (continued)

44. Other comprehensive income

Accrual amount of other comprehensive income

	2020	2019
Items that may not be reclassified subsequently to profit and loss		
Changes in fair value of other equity investments	**(190,840)**	(25,884)
Income tax effect	**47,710**	6,471
Sub-total	**(143,130)**	(19,413)
Items that are or may be reclassified subsequently to profit and loss		
Change in the fair value of other debt investments	**(2,623,055)**	1,008,752
Net amount transferred to profit or loss on disposal	**297,527**	(58,027)
Income tax effect	**581,382**	(237,681)
	(1,744,146)	713,044
Allowance for credit loss of other debt investments	**217**	655
Income tax effect	**(54)**	(164)
	163	491
Change in the fair value of loans and advances at fair value through other comprehensive income	**(58,907)**	21,013
Income tax effect	**14,727**	(5,253)
	(44,180)	15,760
Allowance for credit losses on loans and advances at fair value through other comprehensive income	**16,168**	(54,036)
Income tax effect	**(4,042)**	13,509
	12,126	(40,527)
Exchanges differences on translation of foreign financial statements	**(24,671)**	(26,350)
Sub-total	**(1,800,708)**	662,418
Total	**(1,943,838)**	643,005

VII Notes to Financial Statements (continued)

45. Supplement to the cash flow statement

(1) Reconciliation of net profit to cash flows from operating activities:

	2020	2019
Net profit	**13,812,011**	12,580,924
Add: Provision for asset impairment losses	**38,920,652**	36,439,124
Depreciation of fixed assets and amortisation of intangible assets and long-term deferred expenses	**1,905,387**	2,095,521
Net gains on disposal of fixed assets and intangible assets	**(31,388)**	(53,824)
Interest income from Investments	**(20,785,183)**	(17,885,980)
Investment gains	**(4,828,734)**	(3,910,460)
Share of gains of an Associate	**(459)**	–
Net gains on changes in fair Value	**(771,545)**	(3,252,091)
(Gains)/Losses on changes in fair value of foreign currency derivatives	**(467,436)**	230,338
Interest expenses on bonds issued	**5,199,336**	4,897,148
Net increase of deferred tax Assets	**(710,698)**	(372,732)
Increase in operating receivables	**(292,693,384)**	(293,468,536)
Increase in operating payables	**301,549,664**	233,556,526
Net cash inflow from operating activities	**41,098,223**	(29,144,042)

(2) Change in cash and cash equivalents:

	2020	2019
Cash and cash equivalents at the end of the year	**218,602,402**	184,957,309
Less: Cash and cash equivalents at the beginning of the year	**(184,957,309)**	(198,438,147)
Net increase in cash and cash equivalents	**33,645,093**	(13,480,838)

VII Notes to Financial Statements (continued)

45. Supplement to the cash flow statement (continued)

(3) Analysis of cash and cash equivalents:

	2020	2019
Cash	**3,548,742**	3,098,555
Surplus deposit reserve with central banks	**79,938,386**	67,833,955
With original maturity with or within 3 months:		
– Due from banks and other financial institutions	**10,529,022**	13,991,068
– Placements with banks and other financial institutions	**17,278,779**	34,927,825
– Financial assets under resale agreements	**107,307,473**	65,105,906
Total	**218,602,402**	184,957,309

VIII Commitments and Contingent Liabilities

1. Credit commitments

Facilities, including unused loan facilities and unused overdraft limit of credit cards, committed by the Bank for designated customers may be drawn on request. The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon.

The Bank provides financial guarantees and letters of credit to ensure customers fulfil their obligations to the third parties. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the facilities may expire without being drawn upon, the total of the contractual amounts set out in the following table is not representative of expected future cash outflows.

VIII Commitments and Contingent Liabilities (continued)

1. Credit commitments (continued)

	2020	2019
Loan commitments	**19,849,038**	10,906,661
Credit card unused overdraft limit	**700,836,850**	645,225,188
Sub-total	**720,685,888**	656,131,849
Bank acceptances	**346,144,738**	240,208,599
Letters of credit	**49,772,430**	47,378,219
Financing guarantees	**14,007,227**	11,677,033
Non-financing guarantees	**28,452,993**	24,985,613
Sub-total	**438,377,388**	324,249,464
Total contract value	**1,159,063,276**	980,381,313

Credit risk-weighted amount

	2020	2019
Contingent liabilities and commitments	**311,570,402**	279,634,453

The credit risk-weighted amount refers to the amount calculated in accordance with the "Regulation Governing Capital of Commercial Banks (provisional)". The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights used range from 0% to 100% for credit commitments.

2. Operating lease commitments

The Bank leases certain properties, vehicles and electronic equipment under operating leases, which typically run for an initial period of one to twenty years and may include an option to renew the lease when all terms are renegotiated. As at the end of the relevant periods, the Bank's future minimum lease payments under non-cancellable operating leases for properties, vehicles and electronic equipment were as follows:

	2020	2019
Within one year (inclusive)	**1,783,308**	1,962,269
After one year but within two years (inclusive)	**1,395,344**	1,666,354
After two years but within three years (inclusive)	**1,036,985**	1,339,432
After three years but within five years (inclusive)	**1,335,490**	1,653,437
After five years	**813,458**	1,100,023
Total	**6,364,585**	7,721,515

VIII Commitments and Contingent Liabilities (continued)

3. Capital commitments

The Bank had the following authorised capital commitments for purchasing fixed assets and intangible assets, and making leasehold improvements at the end of the relevant periods:

	2020	2019
Contracted for	**3,211,040**	2,872,833
Authorised but not contracted for	**2,441,888**	793,739
Total	**5,652,928**	3,666,572

4. Securities redemption obligations

As an underwriting agent of PRC government bonds, the Bank has the responsibility to buy back those bonds should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date.

The redemption obligations below represent the nominal value of PRC government bonds underwritten and sold by the Bank but not yet matured at the end of the relevant periods:

	2020	2019
Redemption obligations	**4,479,622**	3,734,478

5. Litigations and disputes

Note VII.21 sets out the gross amount of claims on the Bank and the related to litigation provision at the end of the relevant periods, arising from litigations whereby the Bank acted as defendants or the third party.

IX Transactions on Behalf of Customers

1. Entrusted loans business

The Bank provides entrusted loans business services to government agencies and corporations. All entrusted loans are made under the instruction or at the direction of these entities and are funded by entrusted funds from them. Income related to these services is included in the income statement as fee income.

Entrust assets and the corresponding liabilities are not assets and liabilities of the Bank and are not recognised in the the balance sheet.

At the end of the relevant periods, the entrusted loans and entrusted loan funds were as follows:

	2020	2019
Entrusted loans	**49,658,337**	39,028,286
Entrusted loan funds	**(49,658,337)**	(39,028,286)

2. Wealth management

The Bank's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers. The funds obtained from wealth management services are invested in investment products, including government bonds, PBOC bills, notes issued by policy banks, short-dated corporate notes, entrusted loans and asset management plan. The investment risk associated with these products are borne by the customers who invest in these products. The Bank only earns commission which represents the charges on customers in relation to the provision of custody, sales and management services. The income is recognised in the income statement as fee and commission income.

At the end of the relevant periods, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which were sponsored by the Bank were as follows:

	2020	2019
Funds received from customers under wealth management services	**179,502,529**	259,548,916

X Pledged Assets

1. Assets pledged as collateral

Financial assets of the Bank including bonds and bills have been pledged as collateral for liabilities or contingent liabilities, mainly the repurchase agreements, due to the central bank, the time deposits placed by Central Treasury in the commercial banks and bonds lending. As at 31 December 2020, the carrying value of the financial assets of the Bank pledged as security as follows:

(a) Carrying value of pledged assets analysed by asset type

	2020	2019
Government bonds	**157,076,936**	137,331,421
Commercial banks and other financial institutions bonds	**55,165,177**	43,696,836
Corporate bonds	**3,800,218**	542,310
Discounted bills	**15,471,005**	20,061,167
Total	**231,513,336**	201,631,734

(b) Carrying value of pledged assets analysed by balance sheet classification

	2020	2019
Debt investments	**138,239,837**	118,858,506
Other debt investments	**77,802,494**	62,712,061
Discounted bills	**15,471,005**	20,061,167
Total	**231,513,336**	201,631,734

2. Collateral accepted for financial assets held under resale agreements

The Bank conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. For the carrying amount of the financial assets held under resale agreements, please see Note VII.5. As at 31 December 2020, the Bank did not holds the collaterals for resale agreements which it was permitted to sell or repledge in the absence of default for the transactions. As at 31 December 2019, the Bank holds the collaterals for resale agreements which it was permitted to sell or repledge in the absence of default for the transactions, its fair value amounted to RMB 5,551 million (The amount used for repledged is RMB 1,950 million). The Bank is obligated to return the collaterals on the promissory resale date.

XI Related Parties and Transactions

1. Major shareholders and their group companies

The Bank has no controlling shareholders. According to the "Interim Measures for the Equity Management of Commercial Banks" (China Banking Regulatory Commission [2018] No.1), the Bank's major shareholder related parties refer to shareholders who hold more than 5% of the Bank's shares or a shareholder who has a total share of less than 5% but has a significant impact on the Bank's operations and management. Among them, major influences include, but are not limited to, the placement of directors, supervisors or senior management personnel with the Bank. As at 31 December 2020, the related parties of the Bank's major shareholders are as follows:

	Registered location	Registered capital	Proportion of the bank held by the Bank as at 31 December 2020	Business	The relationship with the bank	Legal form	Legal representative
China Life Insurance Company Ltd.	Beijing	RMB 28.265 billion	43.686%	Providing personal life insurance, group life insurance, accident insurance and health insurance products and services etc.	Shareholder	Joint-stock enterprise	Wang Bin
State Grid Yingda International Holdings Corporation, Ltd.	Beijing	RMB 19.9 billion	15.647%	Investment consultant, property management and custody, investment consulting and advisory, enterprise service etc.	Shareholder	Limited liability enterprise	Yang Dongwei
CITIC Trust Co. Ltd.	Beijing	RMB 11.276 billion	15.647%	Trust, funds investment, consultant, bonds underwrite, Inherent property application, other business permitted by the State Council of PRC etc.	Shareholder	Limited liability enterprise	Chen Yisong
Jiangxi Provincial Expressway Investment Group Co., Ltd.	Nanchang	RMB 9.505 billion	8.184%	Investment, construction and operation of expressway infrastructure, operation of expressway service area and construction of transportation infrastructure etc.	Shareholder	Limited liability enterprise	Wang Jiangjun
Guangdong Yuecai Investment Holdings Co., Ltd.	Guangzhou	RMB 35.14 billion	1.614%	Capital operation management, asset trust management and investment project management, etc.	Shareholder	Limited liability enterprise	Jin Shenghong
Jiangsu Suzhou Steel Group Co., Ltd.	Suzhou	RMB 1.017 billion	1.132%	Pig iron processing pig iron, steel (including cold-rolled ribbed steel), lease of own assets	Shareholder	Limited liability enterprise	Chen Jiyou

As at 31 December 2020, Brilliance Automotive Group Holding Co., Ltd. held 1.136% of the Bank (2019:1.136%); The Bank has held its 2019 Annual General Meeting on June 23, 2020, and completed the change of the Board of Supervisors. Brilliance Automotive Group Holding Co., Ltd. no longer accompanies any supervisors to the Bank, and therefore no longer acts as a major shareholder of the Bank.

XI Related Parties and Transactions (continued)

1. Major shareholders and their group companies (continued)

The change of proportion of the Bank held by the shareholders

Name of related parties	At 31 December 2020		At 31 December 2019	
	Amount RMB	Ratio (%)	Amount RMB	Ratio (%)
China Life Insurance Company Ltd.	8,600,631,426	43.686	8,600,631,426	43.686
State Grid Yingda International Holdings Corporation, Ltd.	3,080,479,452	15.647	3,080,479,452	15.647
CITIC Trust Co., Ltd.	3,080,479,452	15.647	3,080,479,452	15.647
Jiangxi Provincial Expressway Investment Group Co., Ltd	1,611,255,772	8.184	1,611,255,772	8.184
Guangdong Yuecai Investment Holdings Co., Ltd.	317,757,229	1.614	317,757,229	1.614
Jiangsu Suzhou Steel Group Co., Ltd.	222,777,231	1.132	222,777,231	1.132

The transactions and balances with major shareholders and the subsidiaries of shareholders' group are summarised in Note XI.5.

The subsidiaries of major shareholders' group of the Bank include the companies controlled or jointly controlled by the Bank's major shareholders, the parents of the Bank's major shareholders and the companies controlled or jointly controlled by the parents.

2. Associate

The information of the associate of the Bank is disclosed in Note VII.8.

The transactions and balances with associate are summarised in Note XI.5.

3. Other related parties

Other related parties include companies directly or indirectly controlled and jointly controlled by the Bank's directors, supervisors, senior management personnel and close family members, or companies in which the Bank's directors, supervisors, senior management personnel and close family members serve as their directors or senior management personnel and joint ventures and subsidiaries of enterprises exerting significant influence on the bank.

4. Related natural persons

(1) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of The Bank, directly or indirectly, including directors, supervisors and executive officers.

(2) Close family members of the key management personnel stated above.

XI Related Parties and Transactions (continued)

5. Transactions with related parties

The material transactions and balances with major shareholders' group and other related parties are summarised as follows:

	China Life Insurance Company Ltd.	State Grid Yingda International Holdings Corporation, Ltd.	CITIC Trust Co., Ltd.	Jiangxi Provincial Expressway Investment Group Co., Ltd	Guangdong Yuecai Investment Holdings Co., Ltd.	Jiangsu Suzhou Steel Group Co., Ltd.	Other related parties	Total	Percentage
Transactions with related parties or year ended 31 December 2020:									
Interest income	15,011	–	48,211	1,772	–	–	16,069	81,063	0.06%
Fee and commission income	339,400	735	26,370	320	36,286	–	537	403,648	2.55%
Investment gains	759,934	1,279	40,475	–	81,506	–	–	883,194	17.36%
Other operating income	1,826	–	–	–	–	–	–	1,826	2.23%
Non-operating income	1,472	–	–	–	–	–	–	1,472	1.33%
Interest expenses	(3,148,013)	(366)	(31,074)	(13,183)	(5,292)	–	(886)	(3,198,814)	4.92%
Fee and commission expenses	(10,258)	–	–	–	–	–	–	(10,258)	0.23%
Operating expenses	(178,261)	(7,064)	–	–	–	–	(36)	(185,361)	0.80%
Balances with related parties as at 31 December 2020:									
Placements with banks and other financial institutions	–	–	1,300,048	–	–	–	–	1,300,048	1.33%
Financial assets held for trading	26,846,063	3,512,450	2,089,316	–	2,256,401	–	–	34,704,230	23.64%
Derivative financial assets	–	–	676,623	–	–	–	–	676,623	2.36%
Financial assets held under resale agreements	2,693,115	–	4,013,297	–	–	–	–	6,706,412	6.27%
Loans and advances to customers	432,269	–	5,027,509	350,387	–	–	296,466	6,106,631	0.35%
Debt investments	–	–	888,645	–	–	–	–	888,645	0.27%
Other Debt investments	–	11,241	855,252	–	–	–	–	866,493	0.36%
Other assets	176,367	96	5,704	329	203,533	–	125	386,154	2.31%
Due to banks and other financial institutions	(4,952,356)	(476,257)	(673,270)	(1,150,870)	(4,528,112)	–	(3,882,419)	(15,663,284)	3.37%
Derivative financial liabilities	–	–	(702,025)	–	–	–	–	(702,025)	2.51%
Financial assets sold under repurchase agreements	–	–	(16,917,029)	–	–	–	–	(16,917,029)	19.87%
Customers deposits	(79,171,207)	(29,437)	(63)	(25,643)	(328,160)	(41)	(158,784)	(79,713,335)	4.30%
Bonds issued	–	–	(1,145,474)	–	–	–	–	(1,145,474)	0.53%
Other liabilities	(3,876)	–	–	–	–	–	–	(3,876)	0.03%

XI Related Parties and Transactions (continued)

5. Transactions with related parties (continued)

	China Life Insurance Company Ltd.	State Grid Yingda International Holdings Corporation, Ltd.	CITIC Trust Co., Ltd.	Jiangxi Provincial Expressway Investment Group Co., Ltd	Guangdong Yuecai Investment Holdings Co., Ltd.	Brilliance Auto Group Holdings Co., Ltd	Jiangsu Suzhou Steel Group Co., Ltd.	Other related parties	Total	Percentage
Transactions with related parties or year ended 31 December 2019:										
Interest income	48,671	–	37,836	–	–	12,161	–	336	99,004	0.08%
Fee and commission income	329,760	10,117	64,312	210	30,682	–	–	1,231	436,312	3.13%
Investment gains	513,546	549	29,499	–	77,075	–	–	–	620,669	16.99%
Other operating income	2,871	–	–	–	–	–	–	–	2,871	5.67%
Non-operating income	155	1	–	–	–	–	–	–	156	0.15%
Interest expenses	(2,712,355)	(2,794)	(36,966)	(914)	(576)	(5,751)	(1)	(526)	(2,759,883)	4.55%
Fee and commission expenses	(3,392)	–	–	–	–	–	–	–	(3,392)	0.07%
Operating expenses	(135,565)	(4,575)	–	–	–	–	–	–	(140,140)	0.60%
Balances with related parties as at 31 December 2019:										
Placements with banks and other financial institutions	–	–	3,500,277	–	–	–	–	–	3,500,277	3.91%
Financial assets held for trading	30,312,390	599,314	2,675,112	177,329	2,213,015	–	–	–	35,977,160	27.82%
Derivative financial assets	–	–	314,054	–	–	–	–	1,838	315,892	1.25%
Financial assets held under resale agreements	2,517,484	–	1,079,860	–	–	–	–	–	3,597,344	5.38%
Loans and advances to customers	548,245	–	355,251	–	–	454,255	–	10,008	1,367,759	0.09%
Debt investments	–	105,270	–	–	–	–	–	–	105,270	0.03%
Other Debt investments	1,124,883	11,420	1,319,459	–	–	–	–	–	2,455,762	1.28%
Other assets	33,099	11,439	25,027	–	2,096	–	–	99	71,760	0.73%
Due to banks and other financial institutions	(2,701,017)	(108,643)	(5,575,071)	(302,140)	(4,078,842)	–	–	(717,734)	(13,483,447)	3.24%
Derivative financial liabilities	–	–	(257,219)	–	–	–	–	(21,182)	(278,401)	1.15%
Financial assets sold under repurchase agreements	–	(58,004)	(200)	–	–	(269,967)	–	(6,147)	(334,318)	0.32%
Customers deposits	(65,499,241)	(19,003)	(20)	(13,566)	(169,622)	(395,059)	(16)	(70,201)	(66,166,728)	4.13%
Bonds issued	–	–	(1,200,000)	–	–	–	–	(50,000)	(1,250,000)	0.85%

Excluding the above balances, the Bank has no other amounts refer to shareholders having 5% or more of the Bank's equity or holding less than 5% of the total shares but has a significant impact on the Bank's operation and management. The directors are of the opinion that the Bank's material related-party transactions (including terms of receive and pay) were all entered into on normal commercial terms.

The Bank's transactions with related natural persons and other related parties are conducted in accordance with normal commercial transaction conditions, on the basis of general transaction prices, and in accordance with normal business procedures. Except for the transactions with other related parties disclosed in Note XI. 5, other transactions between the Bank and related natural persons and other related parties are not significant. Therefore, the Bank does not disclose other related transactions.

XI Related Parties and Transactions (continued)

6. Transactions with key management personnel

The remuneration of directors and key members of management during the relevant periods were as follows:

	2020	2019
Key management personnel remuneration (Note)	**25 million**	31 million

The total compensation package for these key management personnel for the year ended 31 December 2020 has not yet been finalised in accordance with regulations of the PRC relevant authorities. But it is not expected to have significant impact on the financial statements for the year ended 31 December 2020.

Note: The final remuneration for above key management personnel for the year ended 31 December 2019 as been restated according to actual confirmed figures in 2020.

During 2020 and 2019, there were no amounts paid or payable by the Bank to the Directors, Supervisors or Senior Management as an inducement to join or upon joining the Bank or as a compensation for loss of office. There was no arrangement under which a director, supervisor or senior management has waived or agreed to waive any emoluments during 2020 and 2019.

7. Annuity

During the year 2020, the Bank made annuity contributions of RMB 385 million. The payment amount of the Bank and the employees are RMB 325 million and RMB 60 million. (2019: RMB 284 million, the payment amount of the Bank and the employees are RMB 239 million and RMB 45 million). The annuity scheme is managed by China Life Pension Company Limited.

XII Segment Report

1. Operating segments

The Bank manages its business by business lines and geographical areas. The Bank has presented the operating segments in a manner consistent with the way in which information is reported internally to the Bank's chief operating decision maker for the purposes of resource allocation and performance assessment. The Bank defines reporting segments based on the following business operating segments:

Corporate banking business

The corporate banking business segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans, trade financing, deposit services, agency services, cash management services, finance consulting and advisory services, remittance and settlement services, custody services and guarantee services.

Retail banking and Credit Card business

This segment provides financial products and services to individual customers. The range of products and services includes loans, deposit services, wealth management services, remittance services, securities agency services and credit cards services, etc.

Treasury operations and other business

Treasury operations cover inter-bank money market transactions, repurchase transactions, debt security investments, derivatives, custody services, asset management, equity investments, foreign currency trading and segments that could not be listed separately or could not be divided by any reasonable benchmark. It also covers the management of the Bank's overall liquidity position, including the issuance of debts.

Measurement of segment assets and liabilities and segment income and expenses is based on the Bank's accounting policies. Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expenses earned from third parties are referred to as "external interest income/(expenses)". Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/(expenses)".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets, and liabilities are determined before intra-bank balances and intra-bank transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the relevant periods to acquire fixed assets, intangible assets, other long-term assets and new construction in process.

XII Segment Report (continued)

1. Operating segments (continued)

	2020			
	Corporate Banking Business	Retail Banking and Credit Card Business	Treasury operations and other Business	Total
External net interest income/(expenses)	7,667,273	49,691,776	5,488,250	62,847,299
Inter-segment net interest income/(expenses)	15,345,826	(18,892,476)	3,546,650	–
Net interest income	23,013,099	30,799,300	9,034,900	62,847,299
Net fee and commission income	1,019,335	9,457,217	825,402	11,301,954
Investment gains	–	260,779	4,825,854	5,086,633
Gains arising from changes in fair value	–	–	771,545	771,545
Foreign exchange gains	–	–	257,558	257,558
Other operating income	5,653	2,907	73,346	81,906
Gains from disposal of non-current assets	3,807	1,958	49,400	55,165
Other income	8,511	4,375	110,433	123,319
Operating income	24,050,405	40,526,536	15,948,438	80,525,379
Taxes and surcharges	(276,995)	(492,617)	(200,063)	(969,675)
Operating and administrative expenses	(7,881,710)	(13,681,729)	(1,512,598)	(23,076,037)
Impairment losses on assets	(14,248,725)	(21,337,148)	(3,334,779)	(38,920,652)
Credit impairment losses	(14,230,750)	(21,310,365)	(3,334,779)	(38,875,894)
Other asset impairment losses	(17,975)	(26,783)	–	(44,758)
Other operating expenses	(10,471)	(19,089)	(10,939)	(40,499)
Operating expenses	(22,417,901)	(35,530,583)	(5,058,379)	(63,006,863)
Operating profit	1,632,504	4,995,953	10,890,059	17,518,516
Add: Non-operating income	837	1,390	108,146	110,373
Less: Non-operating expenses	(4,490)	(13,931)	(32,724)	(51,145)
Segment profit before tax	1,628,851	4,983,412	10,965,481	17,577,744
Segment assets	924,720,033	807,614,281	1,295,637,683	3,027,971,997
Segment liabilities	(1,484,025,314)	(378,281,149)	(947,515,893)	(2,809,822,356)
Supplementary information:				
Credit commitments	458,226,426	700,836,850	–	1,159,063,276
Depreciation and amortisation	583,952	508,021	813,414	1,905,387
Capital expenditure	715,363	624,770	1,002,303	2,342,436

XII Segment Report (continued)

1. Operating segments (continued)

	2019			
	Corporate Banking Business	Retail Banking and Credit Card Business	Treasury operations and other Business	Total
External net interest income/(expenses)	5,830,534	54,585,478	(836,563)	59,579,449
Inter-segment net interest income/(expenses)	12,786,039	(23,549,540)	10,763,501	–
Net interest income	18,616,573	31,035,938	9,926,938	59,579,449
Net fee and commission income	925,405	7,504,227	747,941	9,177,573
Investment gains	–	123,289	3,528,951	3,652,240
Gains arising from changes in fair value	–	–	3,252,091	3,252,091
Foreign exchange gains	–	–	417,015	417,015
Other operating income	7,056	13,110	30,460	50,626
Gains from disposal of non-current assets	9,394	17,454	40,554	67,402
Other income	17,961	33,371	64,753	116,085
Operating income	19,576,389	38,727,389	18,008,703	76,312,481
Taxes and surcharges	(224,512)	(500,562)	(175,861)	(900,935)
Operating and administrative expenses	(7,618,496)	(13,745,253)	(2,131,735)	(23,495,484)
Impairment losses on assets	(18,717,051)	(16,785,729)	(936,344)	(36,439,124)
Credit impairment losses	(18,614,681)	(16,784,824)	(936,344)	(36,335,849)
Other asset impairment losses	(102,370)	(905)	–	(103,275)
Other operating expenses	(4,409)	(9,857)	(5,547)	(19,813)
Operating expenses	(26,564,468)	(31,041,401)	(3,249,487)	(60,855,356)
Operating profit	(6,988,079)	7,685,988	14,759,216	15,457,125
Add: Non-operating income	55,532	33,997	17,346	106,875
Less: Non-operating expenses	(164,453)	(52,487)	(424,135)	(641,075)
Segment profit before tax	(7,097,000)	7,667,498	14,352,427	14,922,925
Segment assets	711,594,385	806,912,092	1,114,291,369	2,632,797,846
Segment liabilities	(1,316,520,944)	(301,666,918)	(805,045,759)	(2,423,233,621)
Supplementary information:				
Credit commitments	335,156,125	645,225,188	–	980,381,313
Depreciation and amortisation	574,978	629,016	891,527	2,095,521
Capital expenditure	458,523	518,874	717,628	1,695,025

XII Segment Report (continued)

2. Geographical information

The Bank operates principally in Mainland China. Except for the Head Office, it has 46 direct branches in Beijing, Shanghai, Dalian, Shenyang, Zhengzhou, Nanjing, Hangzhou, Kunming, Guangzhou, Shenzhen, Dongguan, Zhuhai, Shantou, Meizhou, Huizhou, Shaoguan, Qingyuan, Zhongshan, Foshan, Jiangmen, Zhaoqing, Yangjiang, Zhanjiang, Wuhan, Maoming, Heyuan, Changsha, Tianjin, Harbin, Jinan, Urumqi, Chengdu, Fuzhou, Ningbo, Suzhou, Hefei, Chongqing, Xi'an, Shijiazhuang, Nanchang, Nanning, Taiyuan, Changchun, Guiyang, Macao Special Administrative Region of the People's Republic of China("Macau") and the Hong Kong Special Administrative Region of the People's Republic of China("Hong Kong") respectively.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches that generate the income. Segment assets, non-current assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical areas which are based on the location of the Bank's branches, as defined for management reporting purposes, are as follows:

"Yangtze River Delta"	refers to the following areas serviced by branches of the Bank: Shanghai Municipality, Jiangsu Province and Zhejiang Province;
"Pearl River Delta"	refers to the following areas serviced by branches of the Bank: Guangdong Province and Fujian Province;
"Bohai Rim"	refers to the following areas serviced by branches of the Bank: Beijing Municipality, Tianjin Municipality, Liaoning Province, Heilongjiang Province, Jilin Province, Shandong Province and Hebei Province;
"Central and Western"	refers to the following areas serviced by branches of the Bank: Henan Province, Hubei Province, Hunan Province, Yunnan Province, Sichuan Province, Guizhou Province, Anhui Province, Shaanxi Province, Chongqing Municipality, Guangxi Zhuang Autonomous Region, Jiangxi Province, Shanxi Province and Xinjiang Uygur Autonomous Region;
"Head Office"	refers to Head Office and Credit Card Center;
Overseas.	

XII Segment Report (continued)

2. Geographical information (continued)

	2020						
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central and Western	Head Office	Overseas	Total
External net interest income/(expenses)	6,476,761	1,154,581	(3,755,583)	7,983,002	50,839,528	149,010	62,847,299
Inter-segment net interest income/(expenses)	1,574,116	11,191,250	9,907,480	(28,919)	(22,520,448)	(123,479)	-
Net interest income	8,050,877	12,345,831	6,151,897	7,954,083	28,319,080	25,531	62,847,299
Net fee and commission income	527,445	740,861	676,742	426,541	8,829,712	100,653	11,301,954
Investment gains	-	-	-	-	5,018,257	68,376	5,086,633
Gains/(losses) arising from changes in fair value	(4,642)	(316)	28,086	259	759,148	(10,990)	771,545
Foreign exchange gains/(losses)	35,172	80,187	122,641	21,385	6,959	(8,786)	257,558
Other operating income	8,086	24,742	27,924	14,035	7,119	-	81,906
Gains/(losses) from disposal of non-current assets	21,341	34,119	(343)	5	43	-	55,165
Other income	10,859	4,585	63,092	23,303	21,480	-	123,319
Operating income	8,649,138	13,230,009	7,070,039	8,439,611	42,961,798	174,784	80,525,379
Taxes and surcharges	(175,478)	(167,931)	(108,006)	(134,258)	(383,065)	(937)	(969,675)
Operating and administrative expenses	(2,446,031)	(4,961,338)	(3,233,470)	(2,910,523)	(9,376,608)	(148,067)	(23,076,037)
Impairment losses on assets	(6,224,188)	(4,066,143)	(3,447,587)	(4,763,698)	(20,389,554)	(29,482)	(38,920,652)
Credit impairment losses	(6,214,681)	(4,037,505)	(3,447,530)	(4,762,973)	(20,383,723)	(29,482)	(38,875,894)
Other asset impairment losses	(9,507)	(28,638)	(57)	(725)	(5,831)	-	(44,758)
Other operating expenses	(14,960)	(24,591)	(3,610)	(5,782)	8,444	-	(40,499)
Operating expenses	(8,860,657)	(9,220,003)	(6,792,673)	(7,814,261)	(30,140,783)	(178,486)	(63,006,863)
Operating profit	(211,519)	4,010,006	277,366	625,350	12,821,015	(3,702)	17,518,516
Add: Non-operating income	11,074	69,204	11,324	15,439	3,263	69	110,373
Less: Non-operating expenses	(18,102)	73,735	(17,379)	(32,457)	(57,158)	216	(51,145)
Segment profit before tax	(218,547)	4,152,945	271,311	608,332	12,767,120	(3,417)	17,577,744

	2020						
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central and Western	Head Office	Overseas	Total
Segment assets	402,490,531	788,513,000	498,627,295	370,216,746	1,705,119,057	22,813,662	3,787,780,291
Elimination							(759,808,294)
Total assets							3,027,971,997
Segment liabilities	(402,860,395)	(784,298,025)	(499,154,716)	(370,025,274)	(1,491,269,933)	(22,022,307)	(3,569,630,650)
Elimination							759,808,294
Total liabilities							(2,809,822,356)
Supplementary information							
Credit commitments	122,182,676	91,097,755	93,819,086	147,833,885	700,836,850	3,293,024	1,159,063,276
Depreciation and amortisation	136,631	280,179	160,699	198,634	1,122,511	6,733	1,905,387
Capital expenditure	103,437	142,980	63,102	228,540	1,775,110	29,267	2,342,436
Non-current assets (i)	1,524,902	2,373,495	1,413,806	1,875,511	7,932,256	59,007	15,178,977

(i) Fixed assets and Intangible assets are included in “Non-current assets”.

XII Segment Report (continued)

2. Geographical information (continued)

	2019						
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central and Western	Head Office	Overseas	Total
External net interest income/(expenses)	7,064,075	1,228,589	(4,272,987)	5,743,300	49,580,371	236,101	59,579,449
Inter-segment net interest income/(expenses)	(152,621)	9,487,798	9,337,782	14,754	(18,700,300)	12,587	–
Net interest income	6,911,454	10,716,387	5,064,795	5,758,054	30,880,071	248,688	59,579,449
Net fee and commission income	470,368	669,300	636,489	355,022	6,943,876	102,518	9,177,573
Investment gains	–	–	–	–	3,651,499	741	3,652,240
Gains/(losses) arising from changes in fair value	(3,225)	(9,552)	30,688	(3,667)	3,234,510	3,337	3,252,091
Foreign exchange gains/(losses)	33,681	99,653	135,183	27,853	141,257	(20,612)	417,015
Other operating income	5,410	24,603	8,705	8,025	3,831	52	50,626
Gains/(losses) from disposal of non-current assets	14,874	11,197	(1,785)	43,609	(493)	–	67,402
Other income	13,110	2,925	57,969	8,921	33,160	–	116,085
Operating income	7,445,672	11,514,513	5,932,044	6,197,817	44,887,711	334,724	76,312,481
Taxes and surcharges	(159,792)	(167,597)	(101,174)	(120,661)	(351,535)	(176)	(900,935)
Operating and administrative expenses	(2,557,958)	(5,118,167)	(3,201,452)	(2,912,061)	(9,603,792)	(102,054)	(23,495,484)
Impairment losses on assets	(4,064,068)	(3,937,150)	(8,633,603)	(4,533,124)	(15,251,554)	(19,625)	(36,439,124)
Credit impairment losses	(4,062,548)	(3,835,395)	(8,633,603)	(4,533,124)	(15,251,554)	(19,625)	(36,335,849)
Other asset impairment losses	(1,520)	(101,755)	–	–	–	–	(103,275)
Other operating expenses	(5,118)	(10,377)	(2,161)	(2,157)	–	–	(19,813)
Operating expenses	(6,786,936)	(9,233,291)	(11,938,390)	(7,568,003)	(25,206,881)	(121,855)	(60,855,356)
Operating profit	658,736	2,281,222	(6,006,346)	(1,370,186)	19,680,830	212,869	15,457,125
Add: Non-operating income	10,621	69,038	11,669	6,639	8,902	6	106,875
Less: Non-operating expenses	(34,028)	(421,632)	(37,372)	(29,068)	(118,971)	(4)	(641,075)
Segment profit before tax	635,329	1,928,628	(6,032,049)	(1,392,615)	19,570,761	212,871	14,922,925

	2019						
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central and Western	Head Office	Overseas	Total
Segment assets	272,440,510	326,852,390	196,317,298	261,468,192	1,856,702,377	27,885,747	2,941,666,514
Elimination							(308,868,668)
Total assets							2,632,797,846
Segment liabilities	(273,799,978)	(327,314,808)	(206,547,979)	(264,689,399)	(1,632,528,757)	(27,221,368)	(2,732,102,289)
Elimination							308,868,668
Total liabilities							(2,423,233,621)
Supplementary information							
Credit commitments	93,727,842	49,892,704	80,249,520	107,784,791	645,225,188	3,501,268	980,381,313
Depreciation and amortisation	144,314	301,072	178,065	205,863	1,261,460	4,747	2,095,521
Capital expenditure	64,761	150,318	108,022	216,245	1,146,824	8,855	1,695,025
Non-current assets (i)	1,582,220	2,287,139	1,472,559	1,843,658	7,295,401	38,958	14,519,935

(i) Fixed assets and Intangible assets are included in “Non-current assets”.

XIII Risk Management

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risks, and the Bank's management of capital.

Risk management framework

The board of directors has overall responsibility for the Bank's risk management, and is responsible for determining the Bank's risk preference, risk tolerance; evaluating and discussing the Bank's objectives, strategies, policies and process towards risk management. The Risk Management Committee has been established under the board of directors, and it is responsible for evaluating and discussing the Bank's risk management policies, supervising the implementation of internal control establishment, inspecting of the Bank's overall strategies towards risk management and undertaking the responsibility for risk management strategies of credit risk, market risk, liquidity risk, operational risk and reputation risk. The senior management authorised to set up the Internal Control Compliance and Risk Management Committee and Assets and Liabilities Management Committee under the management, to formulate the strategies, guidelines and policies of managing credit risk, market risk, banking book interest risk, liquidity risk, operational risk and national risk; evaluate the effectiveness of the internal control policies; supervise the implementation of the policies; identify deficiencies and sort out follow-up solutions.

As a leading department, the Risk Management department was responsible for the Bank's overall risk management. The Risk Management Department, Credit Management Department, Retail Credit Department and Asset Management and Security Department are responsible for the enactment, implementation and management of the Bank's internal control policies on credit risk. The Risk Management department is responsible for the enactment, implementation and management of the Bank's internal control policies on market risk, operational risk and country risk. The Assets and Liabilities Management Department is responsible for the enactment, implementation and management of the Bank's internal control policies on liquidity risk and interest rate risk of bank account. The Legal and Compliance Department is responsible for enactment, implementation, inspection and management of the Bank's compliance risk and information technology risk policies; while the Internal Auditing Department and the Regional Auditing Center are responsible for inspection, supervision and evaluation of the Bank's business operation and risk control independently.

XIII Risk Management (continued)

1 Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor to meet its obligation or commitment to the Bank. It arises primarily from the Bank's credit asset portfolios.

The Bank classifies the loans into five categories based on their credit risk, which are pass, special mention, substandard, doubtful and loss; and loans in the substandard, doubtful and loss categories are considered as non-performing loans. The definitions of these five categories are as follows:

Pass:	The debtors can honour their obligations under the loan contract. There is no reason to doubt their ability to repay the principal and interest in full on a timely basis.
Special mention:	The debtors are able to service their loans currently. However there are adverse factors by which repayment may be adversely affected.
Substandard:	The debtors' abilities to service their loans are in question, and they are unable to repay the principal and interest in full with the operating income generated from the normal course of business. Losses may incur even when the guarantees are invoked.
Doubtful:	The debtors cannot repay the principal and interest in full and significant losses will incur even when the guarantees are invoked.
Loss:	Only a small portion of or none of the principal and interest can be recovered even after taking all possible measures and exhausting all legal remedies.

Concentration of credit risk: When a certain number of customers conduct the same operating activities, are situated in the same geographical location or their industries have similar economic characteristics, their ability to honour their contracts would be influenced by the same economic change. Concentration of credit risk reflects the sensitivity of the Bank's results to a specific industry or geographical location. The Bank formulates credit risk asset portfolio limits from the dimensions of region, industry, customer, product, and maturity based on the principle of credit risk assets portfolio management. The principal place of business of the Bank is Mainland China. However, Mainland China covers a wide range of land with specific characteristics developed for the economy of each region (e.g. some regions are designated by the central government as special economic zones to attract investment). As a result, the risks among regions differ.

To identify, evaluate and monitor credit risk, the Bank designs reporting structure, credit policies and processes required for effective credit risk management and implements systematic control procedures. As approved by the board of directors, the Bank optimises its credit approval process, in which both management and control of credit risks are reinforced while function and responsibilities of credit approval section are further specified. The Vice President in charge of risk is responsible for all the operations regarding the Bank's risk management, and also leading relevant departments to formulate the credit policies and standards from time to time, to analyse the development of lending businesses and the level of risk management, and to approve loans with amounts not exceeding the authorised limit in accordance with relevant rules, regulations and monetary policies in the PRC and the Bank's business strategy.

XIII Risk Management (continued)

1 Credit risk (continued)

With respect to the credit risk management of corporate and institutional business, the Bank refines the industry-specific guideline and credit policy baseline for credit approval, improving policies of credit client acceptance and decline, and optimising its economic capital management and credit risk limit management, which facilitates the improvement in asset quality. The Bank manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitory.

With respect to the personal credit business, the Bank relies on credit assessment of applicants as the basis for loan approval. Assessment on the income level, credit history, and repayment ability of the applicant is required. The Bank monitors borrowers' repayment ability, the status of collateral and any changes to collateral's value. Once a loan becomes overdue, the Bank starts the recovery process according to standard personal loan recovery procedures.

To mitigate risks, where appropriate, the Bank requests customers to provide collateral and guarantees. It also sets guidelines as to the use and suitability of specific types of collateral. Collateral structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-disbursement loan management and collateral requirements as for loans and advances to customers.

The Bank has individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Bank's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Bank has specified acceptable types of collaterals, mainly including the following:

- Real estate and land use rights
- Financial instruments such as time deposits, debt securities and equities
- Account receivables and right to receive payments
- Inventory

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Bank will request for early loan repayment or seek additional collateral from counterparties, require additional guarantors.

XIII Risk Management (continued)

1 Credit risk (continued)

Credit risk measurement

Measurement of ECL

According to the changes of credit risk of financial instruments since the initial recognition, the Bank calculates the ECL by three stages:

Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;

Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

Stage 3: Financial assets with objective evidence of impairment at the balance sheet date are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the balance sheet date of the current period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Bank will measure the impairment allowance of the financial instruments on the balance sheet date of the current period according to the ECL in the next 12 months.

For purchased or originated credit-impaired financial assets, the Bank only recognises the lifetime cumulative change in ECL after initial recognition on the financial reporting date as impairment allowance. On each financial reporting date, the Bank recognises the amount of the changes in ECL as an impairment loss or gain in profit or loss.

The Bank shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- 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.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Bank shall consider the risk or probability that a credit loss occurs by reflecting the likelihood of a credit loss occurring and the likelihood that a credit loss will not occur, even if the likelihood of such a loss is extremely low.

XIII Risk Management (continued)

1. Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

The Bank conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Bank adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial assets
- Parameters for measuring ECL
- Forward-looking information
- Modification of contract cash flow

Criteria for judging significant increases in credit risk

The Bank assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Bank takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Bank and external credit risk rating. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Bank compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Bank determines whether the credit risk of financial instruments has changed significantly after initial recognition by setting quantitative and qualitative criteria. The judgment criteria mainly include overdue days exceeding 30 days, a significant decline in internal credit ratings, credit risk classification as Special mention, and other circumstances that indicates credit risk changes significantly.

The bank adheres to the estimate of substantial risk, taking into account the changes in the operating ability and debt paying ability of the borrower and the situation affected by the epidemic to assess whether the credit risk of the relevant financial instruments has increased significantly since the initial confirmation. For borrowers affected by the epidemic who take temporary credit support measures such as deferred repayment of principal and interest or deferred repayment, the Bank shall not consider such measures as temporary deferred repayment of principal and interest or deferred repayment as automatic triggers of significantly increased credit risks in accordance with the guidance of relevant regulatory authorities.

XIII Risk Management (continued)

1 Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL(continued)

Definition of credit-impaired financial asset

The standard adopted by the Bank to determine whether a credit impairment occurs under New Financial Instrument Standards is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Bank assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Be classified into Substandard, Doubtful or Loss category within five-tier loan classification
- The debtor leaves any of the principal, advances, interest or investments in corporate bonds of the Bank overdue for more than 90 days
- Internal credit rating is defaulted

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Bank measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of New Financial Instrument Standards, the Bank takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Bank's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Bank's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the difference of credit products, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure after the time of default, based on historical statistics, the loss rate may be different in various economic environments;
- EAD is the amount that the Bank should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

XIII Risk Management (continued)

1 Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Bank identifies the key economic indicators that affect the credit risk and ECL of various business types, such as GDP, Case-Shiller index.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Bank combined statistic model and experts' judgement in this process, according to the result of model and experts' judgement, the Bank predicts these economic indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, the Bank combines statistic model with experts' judgement to determine the weight of other possible scenarios. The Bank measures the weighted average ECL of 12 months (stage 1) or life time (stage 2 and stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

During the reporting period, the Bank updated forward-looking information such as key economic indicators based on changes in the current macroeconomic environment.

Management Superposition

For changes in the external macroeconomic environment like epidemic and supportive polices provided by the government that cannot be timely reflected by the model, the bank apply differentiated pressure and adjust it's management's superimposed impairment provisions for borrowers in high-risk regions, high-risk industries and specific loan portfolios, so as to further enhance its ability to compensate for risks.

Modification of contractual cash flows

A modification or re-negotiation of a contract between the Bank and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognized in profit and loss. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after modified, so that the assets are moved from Stage 3 or Stage 2 to Stage 1, and the impairment allowance is measured at an amount equal to the 12-month ECL instead of the lifetime ECL. As of December 31, 2020, the carrying amount of financial assets modified by such contractual cash flows is not significant.

XIII Risk Management (continued)

1 Credit risk (continued)

1.1 Maximum credit risk exposure

The maximum exposure to credit risk before collateral held or other credit enhancement is represented by the net carrying amount of each type of financial assets. The maximum exposure to credit risk in respect of these off balance sheet items as at the end of the year is disclosed in disclosed in Note VIII.1.

	2020				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Credit risk exposures relating to on-balance sheet financial assets are as follows					
Due from banks and other financial institutions	15,319,508	–	–	–	15,319,508
Due from central banks	245,658,528	–	–	–	245,658,528
Precious metals	–	–	–	2,133,639	2,133,639
Placements with banks and other financial institutions	97,805,897	–	179,000	–	97,984,897
Financial assets held for trading	–	–	–	54,376,999	54,376,999
Derivative financial assets	–	–	–	28,641,143	28,641,143
Financial assets held under resale agreements	107,044,659	–	–	–	107,044,659
Loans and advances to customers	1,715,177,897	28,109,421	11,286,086	–	1,754,573,404
Other Debt investments	243,737,130	–	62,480	–	243,799,610
Debt investments	326,599,846	3,266,897	2,534,479	–	332,401,222
Other assets	66,389	55,477	155,723	9,010,569	9,288,158
Sub-total	2,751,409,854	31,431,795	14,217,768	94,162,350	2,891,221,767

The carrying amount of financial instruments best represents the maximum exposure to credit risk on balance sheet.

XIII Risk Management (continued)

1 Credit risk (continued)

1.1 Maximum credit risk exposure (continued)

	2019				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Credit risk exposures relating to on-balance sheet financial assets are as follows					
Due from banks and other financial institutions	16,732,535	–	–	–	16,732,535
Due from central banks	229,192,230	–	–	–	229,192,230
Precious metals	–	–	–	1,363,121	1,363,121
Placements with banks and other financial institutions	89,299,634	–	179,000	–	89,478,634
Financial assets held for trading	–	–	–	34,141,192	34,141,192
Derivative financial assets	–	–	–	25,175,143	25,175,143
Financial assets held under resale agreements	66,849,357	–	–	–	66,849,357
Loans and advances to customers	1,477,870,105	37,305,723	16,134,731	–	1,531,310,559
Other Debt investments	192,080,796	–	66,801	–	192,147,597
Debt investments	302,085,770	3,037,562	2,377,553	–	307,500,885
Other assets	149,484	72,274	365,205	6,459,991	7,046,954
Sub-total	2,374,259,911	40,415,559	19,123,290	67,139,447	2,500,938,207

The carrying amount of financial instruments best represents the maximum exposure to credit risk on balance sheet.

XIII Risk Management (continued)

1 Credit risk (continued)

1.2 Financial assets analysed by credit quality are summarised as follows:

	2020				
	Loans and advances to customers	Due from/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments (i)	Others (ii)
Impaired					
Gross amount	34,606,831	379,000	403,313	6,586,855	556,546
Allowances for impairment losses	(23,320,745)	(200,000)	(403,313)	(4,036,193)	(331,368)
Sub-total	11,286,086	179,000	-	2,550,662	225,178
Overdue but not impaired gross amount					
Less than 3 months	5,274,074	-	-	-	121,866
Allowances for impairment losses	(1,674,319)	-	-	-	-
Sub-total	3,599,755	-	-	-	121,866
Neither overdue nor impaired					
Gross amount	1,764,100,513	113,254,440	107,044,659	628,833,183	11,074,753
Allowances for impairment losses	(24,412,950)	(129,035)	-	(806,014)	-
Sub-total	1,739,687,563	113,125,405	107,044,659	628,027,169	11,074,753
Book value	1,754,573,404	113,304,405	107,044,659	630,577,831	11,421,797

XIII Risk Management (continued)

1 Credit risk (continued)

1.2 Financial assets analysed by credit quality are summarised as follows (continued):

	2019				
	Loans and advances to customers	Due from/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments (i)	Others (ii)
Impaired					
Gross amount	39,086,247	379,000	403,313	6,518,276	1,163,939
Allowances for impairment losses	(22,951,516)	(200,000)	(403,313)	(4,073,922)	(735,131)
Sub-total	16,134,731	179,000	–	2,444,354	428,808
Overdue but not impaired gross amount					
Less than 3 months	8,375,959	–	–	169,088	221,758
Allowances for impairment losses	(3,102,492)	–	–	(2,550)	–
Sub-total	5,273,467	–	–	166,538	221,758
Neither overdue nor impaired					
Gross amount	1,525,800,812	106,212,911	66,849,383	531,584,859	7,759,509
Allowances for impairment losses	(15,898,451)	(180,742)	(26)	(406,077)	–
Sub-total	1,509,902,361	106,032,169	66,849,357	531,178,782	7,759,509
Book value	1,531,310,559	106,211,169	66,849,357	533,789,674	8,410,075

(i) Investments comprise financial assets held for trading, debt investments, other debt investments.

(ii) Others comprise interests receivable, receivables on transfer of credit assets, suspense account for clearing, continuing involvement in financial assets, other receivables and precious metals.

XIII Risk Management (continued)

1 Credit risk (continued)

1.3 Credit rating of debt securities

The Bank adopts a credit rating approach to manage the credit risk of the debt securities portfolio. Debt securities are rated with reference to Bloomberg Composite, or major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at each balance sheet date are as follows:

	2020
Impaired	
Gross amount of debt investments	62,480
Allowances for impairment losses	–
Sub-total	62,480
Neither overdue nor impaired	
Bloomberg Composite	
AA- to AA+	–
A- to A+	64,976,594
Lower than A-	4,235,143
	69,211,737
Other agency ratings	
AAA	262,624,350
AA- to AA+	1,345,083
A- to A+	80,077
	264,049,510
Unrated	173,831,661
Allowances for impairment losses	(26,480)
Sub-total	507,066,428
Total	507,128,908

XIII Risk Management (continued)

1 Credit risk (continued)

1.3 Credit rating of debt securities(continued)

	2019
Impaired	
Gross amount of debt investments	66,801
Allowances for impairment losses	–
Sub-total	66,801
Neither overdue nor impaired	
Bloomberg Composite	
AA- to AA+	724,016
A- to A+	48,111,838
Lower than A-	4,833,068
	53,668,922
Other agency ratings	
AAA	255,097,047
AA- to AA+	2,375,899
A- to A+	80,355
	257,553,301
Unrated	127,369,859
Allowances for impairment losses	(23,186)
Sub-total	438,568,896
Total	438,635,697

XIII Risk Management (continued)

2 Market risk

Market risk is the risk of potential loss for the Bank arising from adverse movements of market price (such as interest rates, foreign exchange rates, commodity price, stock price and other price). The market risk of the Bank primarily arises from the interest rate risk and exchange rate risk of the banking business.

The Bank has established a market risk management system framework according to the "Commercial Bank Market Risk Management Guidance" and other relevant policies. With the approval of the board of directors, the Bank has established Risk Management Committee to lead the market risk management of the Bank. The Internal Control Compliance and Risk Management Committee has been established under the Vice President and it is responsible for periodically establish review and monitor policies, procedures and detailed operational regulations of credit management, supervise and evaluate comprehensive market risk management. The Risk Management Department is responsible for managing and monitoring market risk, and reporting to senior management and the board of directors independently.

The Bank's risk control methods includes, to identify, measure and monitor market risk through duration monitoring, exposure analysis, sensitivity analysis, and scenario analysis; to set up market risk limiting system for the Financial Market Department, which mainly consists of value at risk and sensitivity indicators, and to monitor the usage status of market risk limits. By performing deliberation procedures on new products and complicated transactional business, the Bank will ensure that market risks of new business will be identified and assessed as early as possible. The Bank has executed the stress test for market risk under prudent condition. The Bank's market risk and capital management system can quantitatively manage and monitor the Bank's market risk and the liquidity risk and interest rate risk of bank account management system can provide auxiliary support for market risk management of bank account business.

2.1 Interest rate risk

Interest rate risk is the likelihood of loss that may arise from movements in market interest rate. The Bank predicts interest rate risk exposure by studying future interest rate movements with various macroeconomic indicators, and predicts future funding movements and trends within the Bank by referring to the Bank's funding costs, capital adequacy ratios, growth of loans and deposits and other factors, so as to study the interest rate risk appetite of the Bank.

The Bank mainly manages interest rate risks with asset portfolio. Asset portfolio aims at diversifying risks and improves profitability with diversification of assets.

At present the Renminbi interest rate risk mainly represents risk arising from interest rate policy fluctuations and the mismatch of interest sensitive assets and liabilities. The Renminbi interest rate risk management of the Bank mainly includes:

(i) Interest rate trend expectation. The Bank closely reviews the interest rate policies to identify the interest rate risks in order to justify interest rate risk limit and the control of risk exposure;

(ii) Constraint of investment trade by risk benchmark. This is followed by regular reassessment;

(iii) Modification of investment portfolio and financing structure on the market expectation;

(iv) Establishment of authorisation limit on Renminbi deposit and loan interest rate system;

(v) Establishment of assets and liabilities management and internal transfer pricing system and control interest rate risk exposure by various financial tools.

XIII Risk Management (continued)

2 Market risk (continued)

2.1 Interest rate risk (continued)

The interest rate risk management of the Bank mainly includes:

(i) Interest rate risk measurement. Currently, the Bank has realised the precise measurement of interest rate risk for assets and liabilities. The independent middle office of market risk management has commenced timely monitoring on open interest rate risk. The interest rate risk management system for deposit and loans accounts, i.e. Liquidity Risk and Banking Account Interest Rate Risk Management System is already in use;

(ii) Ascertaining the interest rate risk limit, i.e. adopting the appropriate interest rate exposure according to the business development and the appetite of the Bank;

The Bank uses sensitivity analysis to measure the potential effect of changes in interest rates on the Bank's net interest income and equity. The following table sets forth the results of the Bank's interest rate sensitivity analysis on Bank's net interest income and equity with an assumption that all other variables held constant.

	Sensitivity of net interest income	
	2020	2019
Change in basis points		
+100	**(2,743,667)**	(1,402,488)
– 100	**2,743,667**	1,402,488

	Sensitivity of equity	
	2020	2019
Change in basis points		
+100	**(6,187,016)**	(4,292,162)
– 100	**6,698,942**	4,614,235

XIII Risk Management (continued)

2 Market risk (continued)

2.1 Interest rate risk (continued)

This sensitivity analysis is based on a static interest rate risk profile of assets and liabilities. The analysis measures only the impact of changes in the interest rates within a year, as reflected by the repricing of the Bank's assets and liabilities within a year, on annualised net profit and equity. The analysis is based on the following assumptions:

(i) All assets and liabilities that reprice or are due within one year reprice or are due at the beginning of the respective periods;

(ii) There is a parallel shift in the yield curve and in interest rates;

(iii) There are no other changes to the portfolio.

The sensitivity of the net interest income is the effect of the assumed changes in interest rates on the net interest income, based on the financial assets and financial liabilities held at year end subject to re-pricing within the coming year.

The sensitivity of equity is calculated by revaluing fixed rate other debt investments at year end for the effects of the assumed changes in interest rates.

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net profit and equity based on the projected yield curve scenarios and the Bank's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of this interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net profit and equity of some rates changing while others remain unchanged.

Based on the above assumptions, actual changes in the Bank's net interest income and equity resulting from increase or decrease in interest rates may differ from the results of this sensitivity analysis.

XIII Risk Management (continued)

2 Market risk (continued)

2.1 Interest rate risk (continued)

The following tables indicate the effective interest rates for the respective year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities as at the end of the relevant periods.

	2020						
	(i) Effective interest rate	Non-interest bearing	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Assets							
Cash and due from central banks	1.42%	5,702,989	243,590,015	-	-	-	249,293,004
Due from and placements with banks and other financial institutions	2.26%	497,332	61,956,209	45,117,890	5,732,974	-	113,304,405
Financial assets held under resale agreements	2.01%	140,499	106,904,160	-	-	-	107,044,659
Loans and advances to customers	5.86%	6,301,086	653,672,864	815,823,874	248,902,616	29,872,964	1,754,573,404
Investments (ii)	3.57%	121,231,124	73,991,902	90,822,199	251,848,565	187,860,816	725,754,606
Others		78,001,919	-	-	-	-	78,001,919
Total assets		211,874,949	1,140,115,150	951,763,963	506,484,155	217,733,780	3,027,971,997
Liabilities							
Due to central banks	3.19%	(1,321,962)	(23,500,000)	(68,300,000)	-	-	(93,121,962)
Due to and placements from banks and other financial institutions	2.39%	(2,138,187)	(409,724,852)	(69,722,101)	-	-	(481,585,140)
Financial assets sold under repurchase agreements	1.86%	(7,830)	(80,157,355)	(4,959,150)	-	-	(85,124,335)
Customer deposits	2.55%	(23,036,964)	(1,097,763,510)	(270,696,041)	(459,816,517)	(1,242,432)	(1,852,555,464)
Bonds issued	2.91%	(979,075)	(67,606,170)	(115,341,233)	(34,490,280)	(3,499,941)	(221,916,699)
Others		(75,518,756)	-	-	-	-	(75,518,756)
Total liabilities		(103,002,774)	(1,678,751,887)	(529,018,525)	(494,306,797)	(4,742,373)	(2,809,822,356)
Asset-liability gap		108,872,175	(538,636,737)	422,745,438	12,177,358	212,991,407	218,149,641

(i) Effective interest rate represents the ratio of interest income/expenses to average interest bearing assets/liabilities.

(ii) Investments comprise financial assets held for trading, debt investments, other debt investments and other equity investments.

XIII Risk Management (continued)

2 Market risk (continued)

2.1 Interest rate risk (continued)

	2019						
	(i) Effective interest rate	Non-interest bearing	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Assets							
Cash and due from central banks	1.48%	5,317,012	226,963,644	97,277	–	–	232,377,933
Due from and placements with banks and other financial institutions	2.72%	337,867	69,439,453	33,701,183	2,732,666	–	106,211,169
Financial assets held under resale agreements	2.56%	118,978	66,730,379	–	–	–	66,849,357
Loans and advances to customers	6.52%	6,849,523	695,135,066	645,278,854	167,570,366	16,476,750	1,531,310,559
Investments (ii)	3.67%	119,369,885	31,924,653	92,981,942	256,304,814	130,521,793	631,103,087
Others		64,945,741	–	–	–	–	64,945,741
Total assets		196,939,006	1,090,193,195	772,059,256	426,607,846	146,998,543	2,632,797,846
Liabilities							
Due to central banks	3.27%	(1,174,342)	(11,200,000)	(52,400,000)	–	–	(64,774,342)
Due to and placements from banks and other financial institutions	2.77%	(1,390,104)	(400,075,310)	(43,013,466)	–	–	(444,478,880)
Financial assets sold under repurchase agreements	2.34%	(25,557)	(101,087,888)	(3,629,379)	–	–	(104,742,824)
Customer deposits	2.66%	(17,570,130)	(824,747,528)	(411,717,211)	(329,660,951)	(16,474,321)	(1,600,170,141)
Bonds issued	3.66%	(1,147,209)	(65,605,056)	(46,638,757)	(34,473,461)	–	(147,864,483)
Others		(61,202,951)	–	–	–	–	(61,202,951)
Total liabilities		(82,510,293)	(1,402,715,782)	(557,398,813)	(364,134,412)	(16,474,321)	(2,423,233,621)
Asset-liability gap		114,428,713	(312,522,587)	214,660,443	62,473,434	130,524,222	209,564,225

(i) Effective interest rate represents the ratio of interest income/expenses to average interest bearing assets/liabilities.

(ii) Investments comprise financial assets held for trading, debt investments, other debt investments and other equity investments.

XIII Risk Management (continued)

2 Market risk (continued)

2.2 Foreign currency risk

The Bank's transactions are mainly conducted in Renminbi. In foreign exchange market are mainly U.S. dollar and Hong Kong dollars, while in few other currencies. The Bank's foreign currency risk comprises exposures that arise from foreign currency portfolio originated from daily treasury business and loans and advances to customers, balances from financial institutions, investments and customer deposits.

The foreign currency risk of the trading book include the risks arising from foreign currency transactions on behalf of the customers and the corresponding squared transactions, as well as proprietary foreign currency transactions. The Bank manages the foreign currency risk mainly by imposing quota on the transaction (including the quota on the exposure and stop loss). The Bank evaluates the currency risk with pressure test. The retail foreign currency businesses are operated on an automated trading system and the Bank can monitor the exposure timely. The market risk management system of the Bank is able to measure and monitor the currency position created by various transactions included in the Bank's market risk management. Besides, the Bank manages its foreign currency risk through spot foreign exchange and derivative transactions, and manages its foreign currency assets liabilities portfolio and structured position with using derivative appropriately such as foreign swap contracts and cross-currency swap contracts.

The Bank uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Bank's net profit. The following table sets forth the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on net profit.

	Sensitivity of net profit	
	2020	2019
Change in foreign currency exchange rate		
Appreciation against Renminbi by 1%	**20,332**	164,806
Depreciation against Renminbi by 1%	**(20,332)**	(164,806)

The analysis is based on the following assumptions:

(i) foreign currency sensitivity refers to the gains and losses caused by the one percent change of the closing rate (mid rate) of the different foreign currencies against Renminbi at the end of the relevant periods;

(ii) the exchange rates against Renminbi for all foreign currencies change in the same direction simultaneously;

(iii) the foreign currency exposures calculated include both spot foreign currency exposures and forward foreign currency exposures.

Sensitivity analysis is based on the static structure of exchange rate of assets and liabilities as above, but it is not taken into account that the Bank might adopt strategies of eliminating negative effects on profits from foreign currency position. Therefore, the estimation of above may be different with the actual situation.

XIII Risk Management (continued)

2 Market risk (continued)

2.2 Foreign currency risk (continued)

The Bank's currency exposure at the end of the relevant periods was as follows:

	2020				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets (excluding derivative financial assets)					
Cash and due from central banks	246,659,129	1,662,436	454,641	516,798	249,293,004
Due from and placements with banks and other financial institutions	99,863,512	10,521,416	1,853,215	1,066,262	113,304,405
Financial assets held under resale agreements	107,044,659	–	–	–	107,044,659
Loans and advances to customers	1,725,208,132	21,884,777	4,575,427	2,905,068	1,754,573,404
Investments (i)	717,771,607	6,663,354	–	1,319,645	725,754,606
Others	46,649,872	414,029	90,469	2,206,406	49,360,776
Total assets	2,943,196,911	41,146,012	6,973,752	8,014,179	2,999,330,854
Liabilities (excluding derivative financial liabilities)					
Due to central banks	(93,121,962)	–	–	–	(93,121,962)
Due to and placements from banks and other financial institutions	(474,823,783)	(6,133,378)	(81,016)	(546,963)	(481,585,140)
Financial assets sold under repurchase agreements	(85,124,335)	–	–	–	(85,124,335)
Customer deposits	(1,817,614,512)	(19,572,354)	(11,017,979)	(4,350,619)	(1,852,555,464)
Bonds issued	(221,916,699)	–	–	–	(221,916,699)
Others	(28,062,588)	(4,770,389)	(173,427)	(14,511,797)	(47,518,201)
Total liabilities	(2,720,663,879)	(30,476,121)	(11,272,422)	(19,409,379)	(2,781,821,801)
Net position of assets/(liabilities)	222,533,032	10,669,891	(4,298,670)	(11,395,200)	217,509,053
Off-balance sheet position:					
Credit commitments	1,133,496,421	20,505,119	487,837	4,573,899	1,159,063,276
Derivative financial instruments (ii)	16,454,739	(12,130,284)	2,513,648	10,036,159	16,874,262

(i) Investments comprise Financial assets held for trading, debt investments, other debt investments and other equity investments.

(ii) Derivative financial instruments reflect the net contractual amounts of derivatives

XIII Risk Management (continued)

2 Market risk (continued)

2.2 Foreign currency risk (continued)

	2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets (excluding derivative financial assets)					
Cash and due from central banks	229,858,188	1,820,353	200,772	498,620	232,377,933
Due from and placements with banks and other financial institutions	72,855,854	29,084,703	1,649,236	2,621,376	106,211,169
Financial assets held under resale agreements	66,849,357	–	–	–	66,849,357
Loans and advances to customers	1,506,356,382	20,131,715	2,751,912	2,070,550	1,531,310,559
Investments (i)	620,763,985	9,349,877	–	989,225	631,103,087
Others	29,547,757	769,398	5,491,616	3,961,827	39,770,598
Total assets	2,526,231,523	61,156,046	10,093,536	10,141,598	2,607,622,703
Liabilities (excluding derivative financial liabilities)					
Due to central banks	(64,774,342)	–	–	–	(64,774,342)
Due to and placements from banks and other financial institutions	(420,812,893)	(17,011,957)	(460,016)	(6,194,014)	(444,478,880)
Financial assets sold under repurchase agreements	(104,742,824)	–	–	–	(104,742,824)
Customer deposits	(1,545,283,334)	(39,062,746)	(9,879,538)	(5,944,523)	(1,600,170,141)
Bonds issued	(147,864,483)	–	–	–	(147,864,483)
Others	(23,363,900)	(9,430,761)	(136,889)	(3,988,496)	(36,920,046)
Total liabilities	(2,306,841,776)	(65,505,464)	(10,476,443)	(16,127,033)	(2,398,950,716)
Net position of assets/(liabilities)	219,389,747	(4,349,418)	(382,907)	(5,985,435)	208,671,987
Off-balance sheet position:					
Credit commitments	953,460,891	21,809,032	107,338	5,004,052	980,381,313
Derivative financial instruments (ii)	(19,105,132)	14,749,623	(5,032,159)	8,920,287	(467,381)

(i) Investments comprise Financial assets held for trading, debt investments, other debt investments and other equity investments.

(ii) Derivative financial instruments reflect the net contractual amounts of derivatives.

XIII Risk Management (continued)

3 Liquidity risk

Liquidity risk is the risk that the Bank can not obtain sufficient funds timely with reasonable cost to meet due obligations and other payment obligations and satisfy other funding demands for daily operation.

In accordance with the principle of separation of policy formulation, implementation and supervision functions, the Bank has established a governance structure for liquidity risk management. It defines the function, responsibilities and reporting lines of the board of directors, the board of supervisors, the senior management, the assets and liabilities management committee and relevant departments to improve the effectiveness of liquidity risk management.

The Assets and Liabilities Management Department is responsible for liquidity risk management. It's mainly responsibilities are adjusting the total assets and liabilities and structure dynamically to ensure the safety of liquidity of the Bank, identifying, measuring and monitoring liquidity risk involved in assets, liabilities and the matching management of assets and liabilities, controlling each liquidity risk index by means of plan control, active liability and internal capital transfer pricing, conducting regular stress tests to analyze the ability to withstand short term, medium-term and long-term stress scenarios, developing liquidity contingency plan and conducting liquidity emergency drills regularly in case of liquidity crisis.

3.1 Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Bank based on the remaining periods to repayment at the end of the relevant periods:

	2020							
	Indefinite	Overdue/ repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	More than 5 years	Total
Assets:								
Cash and due from central banks	165,720,142	83,487,128	-	85,734	-	-	-	249,293,004
Due from and placements with banks and other financial institutions	-	10,708,823	26,152,546	25,431,037	45,279,025	5,732,974	-	113,304,405
Financial assets held under resale agreements	-	-	107,044,659	-	-	-	-	107,044,659
Loans and advances to customers (i)	12,088,695	277,005,279	85,361,853	150,969,821	492,426,062	358,802,405	377,919,289	1,754,573,404
Investments (ii)	2,743,903	115,296,174	18,344,527	52,667,128	94,626,748	252,769,340	189,306,786	725,754,606
Others	35,278,380	540,352	9,638,632	5,272,092	13,978,143	12,499,133	795,187	78,001,919
Total assets	215,831,120	487,037,756	246,542,217	234,425,812	646,309,978	629,803,852	568,021,262	3,027,971,997

(i) For loans and advances to customers, the "indefinite" period represents the balance being impaired or not impaired and overdue for more than one month. The balance not impaired and overdue within one month is included in "overdue/repayable on demand". They are disclosed with net value measured at cost less impairment.

(ii) Investments comprise financial assets held for trading, debt investments, other debt investments and other equity investments.

XIII Risk Management (continued)

3 Liquidity risk (continued)

3.1 Maturity analysis (continued)

	2020							
	Indefinite	Overdue/ repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	More than 5 years	Total
Liabilities:								
Due to central banks	-	-	(21,854,898)	(2,364,199)	(68,902,865)	-	-	(93,121,962)
Due to and placements from banks and other financial institutions	-	(95,223,606)	(49,296,790)	(267,059,029)	(70,005,715)	-	-	(481,585,140)
Financial assets sold under repurchase agreements	-	-	(75,003,046)	(5,162,139)	(4,959,150)	-	-	(85,124,335)
Customer deposits	-	(785,474,869)	(153,709,921)	(167,648,824)	(274,971,480)	(469,498,614)	(1,251,756)	(1,852,555,464)
Bonds issued	-	-	(9,357,366)	(58,673,328)	(115,895,784)	(34,490,280)	(3,499,941)	(221,916,699)
Others	(8,838,488)	(5,173,439)	(5,421,252)	(14,342,904)	(27,141,524)	(13,767,265)	(833,884)	(75,518,756)
Total liabilities	(8,838,488)	(885,871,914)	(314,643,273)	(515,250,423)	(561,876,518)	(517,756,159)	(5,585,581)	(2,809,822,356)
Long/(short) position	206,992,632	(398,834,158)	(68,101,056)	(280,824,611)	84,433,460	112,047,693	562,435,681	218,149,641
Notional amounts of derivative								
– Foreign currency contracts	-	8,830,038	165,414,053	230,799,459	335,951,262	16,750,826	-	757,745,638
– Interest rate instruments	-	-	86,370,000	136,730,000	484,592,000	1,549,567,000	280,000	2,257,539,000
– Other derivatives	-	-	58,562,624	67,526,622	82,230,383	1,020,453	-	209,340,082
Total	-	8,830,038	310,346,677	435,056,081	902,773,645	1,567,338,279	280,000	3,224,624,720

XIII Risk Management (continued)

3 Liquidity risk (continued)

3.1 Maturity analysis (continued)

	2019							
	Indefinite	Overdue/ repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	More than 5 years	Total
Assets:								
Cash and due from central banks	161,358,275	70,932,510	–	87,141	7	–	–	232,377,933
Due from and placements with banks and other financial institutions	–	14,170,736	37,935,047	17,584,065	33,788,655	2,732,666	–	106,211,169
Financial assets held under resale agreements	–	–	63,674,167	3,175,190	–	–	–	66,849,357
Loans and advances to customers (i)	16,654,201	309,120,953	88,757,285	138,539,609	427,683,834	270,375,442	280,179,235	1,531,310,559
Investments (ii)	2,150,319	111,288,866	13,948,839	16,982,653	95,611,886	258,040,170	133,080,354	631,103,087
Others	32,909,115	1,390,036	4,463,157	4,928,419	8,227,213	12,244,254	783,547	64,945,741
Total assets	213,071,910	506,903,101	208,778,495	181,297,077	565,311,595	543,392,532	414,043,136	2,632,797,846

(i) For loans and advances to customers, the "indefinite" period represents the balance being impaired or not impaired and overdue for more than one month. The balance not impaired and overdue within one month is included in "overdue/repayable on demand". They are disclosed with net value measured at cost less impairment.

(ii) Investments comprise financial assets held for trading, debt investments, other debt investments and other equity investments.

XIII Risk Management (continued)

3 Liquidity risk (continued)

3.1 Maturity analysis (continued)

	2019							
	Indefinite	Overdue/ repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	More than 5 years	Total
Liabilities:								
Due to central banks	–	–	(11,536,140)	–	(53,238,202)	–	–	(64,774,342)
Due to and placements from banks and other financial institutions	–	(68,949,175)	(85,061,969)	(247,140,142)	(43,327,594)	–	–	(444,478,880)
Financial assets sold under repurchase agreements	–	–	(93,300,870)	(7,812,575)	(3,629,379)	–	–	(104,742,824)
Customer deposits	–	(602,135,954)	(107,063,019)	(124,236,773)	(416,423,527)	(332,943,735)	(17,367,133)	(1,600,170,141)
Bonds issued	–	–	(649,615)	(65,379,765)	(47,361,642)	(34,473,461)	–	(147,864,483)
Others	(8,357,824)	(5,880,918)	(3,716,976)	(8,679,581)	(19,554,760)	(14,241,968)	(770,924)	(61,202,951)
Total liabilities	(8,357,824)	(676,966,047)	(301,328,589)	(453,248,836)	(583,535,104)	(381,659,164)	(18,138,057)	(2,423,233,621)
Long/(short) position	204,714,086	(170,062,946)	(92,550,094)	(271,951,759)	(18,223,509)	161,733,368	395,905,079	209,564,225
Notional amounts of derivative								
– Foreign currency contracts	–	4,713,859	294,607,332	384,665,908	575,580,335	22,715,064	–	1,282,282,498
– Interest rate instruments	–	–	103,070,000	202,915,000	1,183,576,000	1,684,565,000	240,000	3,174,366,000
– Other derivatives	–	–	22,690,079	27,621,776	34,517,555	10,146,770	–	94,976,180
Total	–	4,713,859	420,367,411	615,202,684	1,793,673,890	1,717,426,834	240,000	4,551,624,678

XIII Risk Management (continued)

3 Liquidity risk (continued)

3.2 Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the financial assets and liabilities, loans commitments and credit card commitments of the Bank at the end of the relevant periods. The Bank's expected cash flows on these instruments may vary significantly from this analysis.

	2020								
	Gross Carrying amount	Contractual undiscounted cash flow	Indefinite	Overdue/ repayment on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	More than 5 years
Non-derivative financial assets:									
Cash and due from central banks	249,293,004	249,293,004	165,720,142	83,487,128	-	85,734	-	-	-
Due from and placements with banks and other financial institutions	113,304,405	114,494,825	-	10,708,823	26,166,899	25,820,560	45,978,784	5,819,759	-
Financial assets held under resale agreements	107,044,659	107,093,832	-	-	107,093,832	-	-	-	-
Loans and advances to customers	1,754,573,404	2,020,984,877	12,630,554	277,005,279	85,441,971	151,408,767	502,459,508	410,542,869	581,495,929
Investments (i)	725,754,606	813,947,430	2,743,903	115,296,174	18,832,350	54,551,234	105,897,239	297,741,235	218,885,295
Other financial assets(ii)	15,829,081	15,829,081	2,321,122	506,335	6,572,780	139,133	5,314,502	187,713	787,496
Total	2,965,799,159	3,321,643,049	183,415,721	487,003,739	244,107,832	232,005,428	659,650,033	714,291,576	801,168,720

(i) Investments comprise financial assets held for trading, debt investments, other debt investments and other equity investments.

(ii) Other financial assets comprise precious metals, long term equity investments, suspense account for clearing, continuing involvement in financial assets, disbursement fee and other receivables.

XIII Risk Management (continued)

3 Liquidity risk (continued)

3.2 Contractual undiscounted cash flow (continued)

	2020								
	Gross Carrying amount	Contractual undiscounted cash flow	Indefinite	Overdue/ repayment on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	More than 5 years
Non-derivative financial liabilities:									
Due to central banks	(93,121,962)	(94,605,588)	-	-	(21,889,097)	(2,373,658)	(70,342,833)	-	-
Due to and placements from banks and other financial institutions	(481,585,140)	(461,764,275)	-	(95,223,606)	(49,367,927)	(268,564,079)	(48,608,663)	-	-
Financial assets sold under repurchase agreements	(85,124,335)	(85,198,067)	-	-	(75,022,565)	(5,180,124)	(4,995,378)	-	-
Customer deposits	(1,852,555,464)	(1,894,089,141)	-	(785,474,869)	(155,816,161)	(171,177,765)	(286,615,112)	(493,593,727)	(1,411,507)
Bonds issued	(221,916,699)	(223,739,075)	-	-	(9,370,000)	(58,874,524)	(117,494,551)	(34,500,000)	(3,500,000)
Other financial liabilities	(20,123,473)	(20,123,473)	(107,651)	(1,043,916)	(1,201,086)	(5,701,282)	(10,371,668)	(921,222)	(776,648)
Total	(2,754,427,073)	(2,779,519,619)	(107,651)	(881,742,391)	(312,666,836)	(511,871,432)	(538,428,205)	(529,014,949)	(5,688,155)
Credit commitments		1,159,063,276	41,543	709,028,396	52,556,012	120,043,607	242,966,604	16,683,649	17,743,465
Derivative financial instruments									
settled on gross basis of which									
– Total inflow		673,011,805	-	8,830,037	152,167,667	171,352,137	325,526,863	15,135,101	-
– Total outflow		(718,995,339)	-	(7,754,419)	(189,453,944)	(172,969,513)	(334,224,436)	(14,593,027)	-
Derivative financial instruments settled on net basis		90,821	-	-	19,785	5,674	21,551	44,286	(475)
Total		(45,892,713)	-	1,075,618	(37,266,492)	(1,611,702)	(8,676,022)	586,360	(475)

XIII Risk Management (continued)

3 Liquidity risk (continued)

3.2 Contractual undiscounted cash flow (continued)

	2019								
	Gross Carrying amount	Contractual undiscounted cash flow	Indefinite	Overdue/ repayment on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	More than 5 years
Non-derivative financial assets:									
Cash and due from central banks	232,377,933	232,377,933	161,358,275	70,932,510	–	87,141	7	–	–
Due from and placements with banks and other financial institutions	106,211,169	107,266,300	–	14,170,736	37,952,241	17,910,200	34,422,286	2,810,837	–
Financial assets held under resale agreements	66,849,357	66,901,772	–	–	63,709,153	3,192,619	–	–	–
Loans and advances to customers	1,531,310,559	1,744,205,501	17,266,502	309,124,701	88,856,413	139,158,923	436,999,014	310,071,900	442,728,048
Investments (i)	631,103,087	700,149,725	2,150,319	111,288,866	14,313,054	18,112,666	105,888,376	298,037,517	150,358,927
Other financial assets(ii)	7,838,074	7,838,074	1,528,208	1,353,182	2,292,229	276,300	1,324,442	287,275	776,438
Total	2,575,690,179	2,858,739,305	182,303,304	506,869,995	207,123,090	178,737,849	578,634,125	611,207,529	593,863,413

(i) Investments comprise financial assets held for trading, debt investments, other debt investments and other equity investments.

(ii) Other financial assets comprise precious metals, long term equity investments, suspense account for clearing, continuing involvement in financial assets, disbursement fee and other receivables.

XIII Risk Management (continued)

3 Liquidity risk (continued)

3.2 Contractual undiscounted cash flow (continued)

	2019								
	Gross Carrying amount	Contractual undiscounted cash flow	Indefinite	Overdue/ repayment on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	More than 5 years
Non-derivative financial liabilities:									
Due to central banks	(64,774,342)	(65,677,138)	–	–	(11,557,700)	–	(54,119,438)	–	–
Due to and placements from banks and other financial institutions	(444,478,880)	(451,133,763)	–	(68,949,175)	(85,115,700)	(248,460,225)	(48,608,663)	–	–
Financial assets sold under repurchase agreements	(104,742,824)	(104,824,305)	–	–	(93,326,786)	(7,840,815)	(3,656,704)	–	–
Customer deposits	(1,600,170,141)	(1,638,944,683)	–	(602,135,954)	(109,156,315)	(127,910,737)	(427,564,183)	(352,500,920)	(19,676,574)
Bonds issued	(147,864,483)	(148,857,209)	–	–	(710,000)	(65,794,324)	(47,852,885)	(34,500,000)	–
Other financial liabilities	(10,927,726)	(10,927,726)	–	(1,962,473)	(1,132,678)	(1,829,846)	(3,384,821)	(1,854,894)	(763,014)
Total	(2,372,958,396)	(2,420,364,824)	–	(673,047,602)	(300,999,179)	(451,835,947)	(585,186,694)	(388,855,814)	(20,439,588)
Credit commitments		980,381,313	–	652,559,052	43,015,461	78,710,838	188,848,464	10,996,137	6,251,361
Derivative financial instruments									
settled on gross basis of which									
– Total inflow		834,918,417	–	4,713,859	173,299,898	188,076,661	446,994,217	21,833,782	–
– Total outflow		(843,128,837)	–	(8,408,835)	(173,291,154)	(188,865,608)	(450,696,806)	(21,866,434)	–
Derivative financial instruments settled on net basis		(18,529)	–	–	10,702	(3,697)	(25,143)	(391)	–
Total		(8,228,949)	–	(3,694,976)	19,446	(792,644)	(3,727,732)	(33,043)	–

4 Operational risk

Operational risk includes the risk of direct or indirect loss due to an event or action causing failure of technology, processes, infrastructure and personnel, and other risks having an operational impact.

The Bank manages this risk through an internal control-based environment by establishing a series of policies and procedures in order to identify, assess, control, manage and report risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer system applications and management, safeguarding of assets and legal affairs. The Bank relies on the above to identify and monitor the inherent operational risk in all key products, activities, processes and systems.

XIII Risk Management (continued)

5 Capital management

The Bank's objectives on capital management are:

- Maintaining reasonable capital adequacy ratio to continue to meet regulatory rules and policy requirement on capital, and keeping stable capital base to ensure the Bank's business growth and the implementation of its business development and strategic plan and to achieve comprehensive, coordinated and sustainable development;

- Complying with laws and regulations regarding capital, gradually adopting the advanced capital measurement approach, improving the internal assessment procedures for capital adequacy, disclosing information on capital management, covering all types of risks, and ensuring the secure operation of the Bank;

- Applying quantified results of various risks, establishing a bank value management system centering around economic capital, improving the policy, process and application management system, strengthening the capital constraint and incentive mechanism, enhancing the Bank's product pricing and decision-making capabilities, and improving the capital allocation efficiency; and

- Making reasonable use of various capital instruments, continuously enhancing capital strength, refining capital structure, improving capital quality, reducing capital cost, and generating maximum return to shareholders.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust its profit distribution policy, issue or redeem own shares, other tier-one capital instruments, qualifying tier-two capital instruments and convertible bonds, etc.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management based on regulations issued by CBIRC.

On 1 January 2013, the Bank started computing the capital adequacy ratios in accordance with Regulation Governing Capital of Commercial Banks (provisional) and other relevant regulations.

The Banks are required to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Regulation Governing Capital of Commercial Banks (provisional). For systemically important banks, each bank is required to maintain the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio not below the minimum of 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their local banking supervisors. There are certain differences in the capital adequacy ratio requirements of different countries.

XIII Risk Management (continued)

5 Capital management (continued)

Risk-weighted assets included credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets. Credit risk-weighted assets included on-balance sheet risk-weighted assets, off-balance sheet risk-weighted assets and counterparty credit risk-weighted assets. The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The counterparty credit risk-weighted assets included counterparty credit risk assets arising from OTC derivatives financial instruments, securities financing transactions and transactions with central counterparties. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Bank are computed in accordance with the statutory financial statements of the Bank prepared under PRC GAAP. As at 31 December 2020 and 31 December 2019. the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks fully complies with relevant regulatory requirements.

The Bank calculates the capital adequacy ratios in accordance with Regulation Governing Capital of Commercial Banks (provisional) and relevant requirements as follows:

	2020	2019
Core tier-one capital	**173,158,570**	164,573,409
Core tier-one capital deductions	**(2,150,807)**	(1,775,352)
– Other intangible assets (other than land use rights) net of related deferred tax liability	**(2,150,807)**	(1,775,352)
Net core tier-one capital	**171,007,763**	162,798,057
Other tier-one capital	**44,991,071**	44,990,816
Net tier-one capital	**215,998,834**	207,788,873
Tier-two capital	**58,189,621**	37,189,981
Net capital base	**274,188,455**	244,978,854
Total risk-weighted assets	**2,192,860,460**	1,950,827,666
– Credit risk-weighted assets	**2,021,170,667**	1,790,818,830
– Market risk-weighted assets	**38,050,399**	45,551,140
– Operational risk-weighted assets	**133,639,394**	114,457,696
Core tier-one capital adequacy ratio	**7.80%**	8.35%
Tier-one capital adequacy ratio	**9.85%**	10.65%
Capital adequacy ratio	**12.50%**	12.56%

XIV Fair Value of Financial Instruments

1 Methods for fair value measurement

The Bank's financial assets and liabilities mainly include cash and due from central banks, due from banks and other financial institutions, placements with banks and other financial institutions, financial assets and liabilities at fair value through profit or loss, derivative financial instruments, financial assets held under resale agreements, loans and advances to customers, financial assets at amortised cost, financial assets at fair value through other comprehensive income, due to central banks, due to banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, customer deposits and bonds issued.

(i) Financial assets including cash and due from central banks, due from banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, and financial liabilities including borrowings from central banks, due to banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying values approximate the fair value.

(ii) Financial assets and liabilities at fair value through profit or loss, derivative financial instruments and financial assets at fair value through other comprehensive income are stated at fair value unless the fair value is unable to be measured. For the financial instruments in active open market, the Bank adopts market price or market rate as the best estimate for their fair value. For the financial instruments without market price or market rate, the Bank determines the fair value of these financial assets and financial liabilities by discounted cash flow or other valuation methods.

(iii) The fair value of financial assets at amortised cost and bonds issued are usually determined with reference to the available market value or quoted from brokers or agents. If the relevant market information cannot be obtained,the bank will refer to the yield of the product with similar characteristics such as credit risk and maturity, to estimate the fair value based on pricing model or discounted cash flow.

(iv) Loans and advances to customers are listed at the net amount after deducting impairment allowances. Most loans and advances are priced at floating rates similar to the PBOC interest rate. Therefore, the carrying amounts of these loans and advances approximate their fair values.

(v) Customers deposits are mostly current account or saving deposits within one year, priced at floating rates or short-term rates approximating PBOC rates. Accordingly, the carrying values approximate the fair value.

XIV Fair Value of Financial Instruments (continued)

2 Financial instruments carried at other than fair value

As at the end of the relevant periods, the carrying amounts and the fair value of the financial assets and the financial liabilities of the Bank have no significant difference except following items.

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Debt investments	332,401,222	330,522,437	307,500,885	306,978,034
Financial liability				
Bonds issued	221,916,699	216,685,696	147,864,483	147,043,749

3 Financial instruments carried at fair value

(1) Fair value hierarchy

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Bank's assets and liabilities which are measured at fair value at the end of each relevant period on a recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels of inputs are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities.

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities.

Valuation techniques based on observable inputs, either directly (i.e., quoted prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique is not based on observable data and unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

XIV Fair Value of Financial Instruments (continued)

3 Financial instruments carried at fair value (continued)

(1) Fair value hierarchy (continued)

	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
As at 31 December 2020				
Recurring fair value measurement				
Asset				
Precious metals	2,133,639	–	–	2,133,639
Financial assets held for trading	–	146,809,871	–	146,809,871
Derivative financial assets	–	28,641,143	–	28,641,143
Loans and advances to customers	–	198,965,469	–	198,965,469
Other debt investments	5,542,146	238,257,464	–	243,799,610
Other equity investments	799,991	–	1,943,912	2,743,903
Total assets measured at fair value on a recurring basis	8,475,776	612,673,947	1,943,912	623,093,635
Liabilities				
Financial liabilities held for trading	(15,304,567)	(676,230)	–	(15,980,797)
Derivative financial liabilities	–	(28,000,555)	–	(28,000,555)
Total liabilities measured at fair value on a recurring basis	(15,304,567)	(28,676,785)	–	(43,981,352)

XIV Fair Value of Financial Instruments (continued)

3 Financial instruments carried at fair value (continued)

(1) Fair value hierarchy (continued)

	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
As at 31 December 2019				
Recurring fair value measurement				
Asset				
Precious metals	1,363,121	–	–	1,363,121
Financial assets held for trading	–	129,304,286	–	129,304,286
Derivative financial assets	–	25,175,143	–	25,175,143
Loans and advances to customers	–	132,414,749	–	132,414,749
Other debt investments	7,340,154	184,807,443	–	192,147,597
Other equity investments	832,542	–	1,317,777	2,150,319
Total assets measured at fair value on a recurring basis	9,535,817	471,701,621	1,317,777	482,555,215
Liabilities				
Financial liabilities held for trading	(3,805,129)	(690,859)	–	(4,495,988)
Derivative financial liabilities	–	(24,282,905)	–	(24,282,905)
Total liabilities measured at fair value on a recurring basis	(3,805,129)	(24,973,764)	–	(28,778,893)

(i) There was no significant transfer between level 1 and level 2 of the Bank's above financial instruments which are measured at fair value on a recurring basis.

XIV Fair Value of Financial Instruments (continued)

3 Financial instruments carried at fair value (continued)

(1) Fair value hierarchy (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy in 2020:

	Other equity investments
As at 1 January 2020	**1,317,777**
Gross amounts of gains and losses	
Recognized in other comprehensive income	**(168,528)**
Addition	**794,663**
As at 31 December 2020	**1,943,912**

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy in 2019:

	Other equity investments
As at 1 January 2019	1,427,966
Gross amounts of gains and losses	
Recognized in other comprehensive income	(231,905)
Addition	121,716
As at 31 December 2019	1,317,777

(2) Fair value hierarchy level 2

A majority of financial assets measured at fair value classified as level 2 are RMB bonds and discounted bills. Among them, the fair value of bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., the fair value of discounted bills are determined based on the discounted cash flow method by Shibor. All these two method are determined based on a valuation technique for which all significant inputs are observable market data. This level includes a majority of OTC derivative contracts. The valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like market forward price, rate curves and ChinaBond interbank yield curves are sourced from Bloomberg.

The above valuation technique for fair valued hierarchy level 2 has not changed in 2020.

(3) Fair value hierarchy level 3

The other equity investments classified as Level 3 are mainly unlisted shares held by the Bank. The valuation techniques used mainly include the market method and the discounted cash flow method. The unobservable parameters mainly involved P/S ratio, P/B ratio and discount rate.

XV Transfers of Financial Assets

Credit assets backed securitization

The Bank transfers credit assets to special purpose entities which in turn issue asset-backed securities or fund shares to investors. The Bank may acquire some asset-backed securities and fund shares at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Bank would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for derecognition, the Bank derecognised the transferred credit assets in their entirety. As at 31 December,2020, The Bank does not hold asset-backed securities investments in such credit asset securitization transactions (31 December 2019: RMB 15 million), which also approximates the Bank's maximum exposure to loss.

For those in which the Bank has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised on the the balance sheet to the extent of the Bank's continuing involvement. The carrying amount at the time of transfer of the original credit assets, which the Bank determined that it has continuing involvement through acquiring some tranches, was RMB 5,278 million as at 31 December 2020 (2019: RMB 12,968 million) and the carrying amount of assets that the Bank continues to recognise on the the balance sheet was RMB 735 million as at 31 December 2020 (31 December 2019: RMB 1,487 million).

Transfers of right to earnings or right to properties

The Bank enters into transfers of right to earnings or right to properties of credit assets transactions by which it transfers the right to structured entities which sell share of trust to investors. The Bank analyze and judge whether to derecognize relevant credit assets according to the degree of retention of risks and rewards. The Bank did not hold corresponding share in transfers of right to earnings and right to properties of credit assets transactions as at 31 December 2020 (2019:Nil), and the bank terminated the recognition of all transferred credit assets.

XVI Offset of Financial Assets and Financial Liabilities

The analysis of financial assets that are offset, subject to a general contract of net delivery or similar agreements is as follows:

				Amount not offset		
	Total amount of confirmed financial assets	Amount to be offset	Net amount listed in the accounting statements	Financial tool	Cash collateral received	Net amount
31 December 2020						
Derivative financial instruments	384,156	–	384,156	(222,339)	–	161,817
31 December 2019						
Derivative financial instruments	636,763	–	636,763	(45)	–	636,718

The analysis of financial liabilities that are offset, subject to a general contract of net delivery or similar agreements is as follows:

				Amount not offset		
	Total amount of confirmed financial liabilities	Amount to be offset	Net amount listed in the accounting statements	Financial tool	Cash collateral received	Net amount
31 December 2020						
Derivative financial instruments	222,339	–	222,339	(384,156)	(3,670,979)	(3,832,796)
31 December 2019						
Derivative financial instruments	45	–	45	(636,763)	(586,623)	(1,223,341)

When legally entitled to offset creditor's rights and debts and the statutory rights are currently enforceable, and the parties to the transaction are prepared to settle on a net basis, or at the same time settle assets and liabilities ("offset criteria"), the net amount of financial assets and liabilities after offsetting is presented in the balance sheet.

Derivatives that are included in the amount that is not offset are subject to the following conditions:

- The International Swap and Derivatives Association Master Agreement and the Global Netting Settlement Agreement between the counterparty and the Bank are only subject to default, insolvency or bankruptcy, or otherwise fail to meet the offsetting criteria. Sales;

- Cash has been collected/paid for the above transaction.

XVII The Unconsolidated Structured Entities (continued)

(a) Unconsolidated structured entities

The Bank is principally involved with structured entities through financial investments, asset management and credit assets transfers. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Bank determines whether or not to consolidate these structured entities depending on whether the Bank has control over them. The interests held by the Bank in the unconsolidated structured entities are set out as below:

Structured entities sponsored by other financial institutions

The Bank holds an interest in some wealth management products, investment management products and trust investment plans sponsored by third party institutions. The nature and purpose of the structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Bank as at 31 December 2020 and 31 December 2019 in the investments sponsored by third party institutions, as well as an analysis of the line items in the balance sheet in which relevant assets are recognised:

	2020			
	Carrying amount			
	Financial assets held for trading	Debt Investments	Total	Maximum loss exposure
Fund	92,432,872	–	92,432,872	92,432,872
Wealth management products	–	–	–	–
Investment management products	18,132,045	16,421,025	34,553,070	34,553,070
Trust investment plans	2,148,899	34,412,165	36,561,064	36,561,064
Debt financing plan	–	51,625,070	51,625,070	51,625,070
Total	112,713,816	102,458,260	215,172,076	215,172,076

	2019			
	Carrying amount			
	Financial assets held for trading	Debt Investments	Total	Maximum loss exposure
Fund	95,163,094	–	95,163,094	95,163,094
Wealth management products	816,517	–	816,517	816,517
Investment management products	14,621,028	5,654,885	20,275,913	20,275,913
Trust investment plans	–	51,299,895	51,299,895	51,299,895
Debt financing plan	–	22,069,262	22,069,262	22,069,262
Total	110,600,639	79,024,042	189,624,681	189,624,681

XVII The Unconsolidated Structured Entities (continued)

(a) Unconsolidated structured entities (continued)

Structured entities sponsored by the Bank

The types of unconsolidated structured entities sponsored by the Bank include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generated feeds from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interests held by the Bank are fees charged by providing management services. As the year end of 2020 and 2019, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Bank is disclosed in Note IX. 2. During the year ended 2020, fee and commission income received from the above mentioned structured entities by the Bank amounted to RMB 437 million (2019: RMB 368 million).

As at 31 December 2020, there was no transaction balance held under resale agreements between the bank and the non-guaranteed wealth management products by the Bank. (31 December 2019: RMB 24,260 million).

There was no credit assets transferred by the Bank into the structured entities established in the credit asset backed securitization transaction for the year ended 31 December 2020 (2019: RMB 5,588 million). Please refer to Note XV for relevant information of asset backed securities issued by the above structured entities held by the Bank.

The total carrying amount as at the transfer date of credit assets transferred by the Bank into the structured entities established in the transfer of right to earnings and right to property transaction was RMB 426 million for the year ended 31 December 2020 (2019: RMB 312 million). Please refer to Note XV for relevant information of above structured entities held by the Bank.

(b) Consolidated structured entities

The consolidated structured entities are guaranteed wealth management products issued by the Bank. The Bank provides principal guarantee commitments for its guaranteed wealth management products. The Bank's wealth management investments and corresponding funds are listed separately in the corresponding financial assets or financial liabilities according to the nature of the relevant assets or liabilities.

XVIII The Accountancy Handles After the Balance Sheet

The Bank held the first extraordinary general meeting of 2021 on January 20, 2021, and adopted the "Proposal on the Plan for 2020 Additional Issue of Shares of China Guangfa Bank Co., Ltd," ("Plan for Additional Issue of Shares"). The Bank intends to issue additional shares not exceeding RMB 40 billion in total to supplement the capital of the Bank. As of the date of the approval of this financial statement, the above plan of additional issuance of shares is still subject to the approval of the relevant regulatory authorities.

Besides the above event, as of the date of approval of the financial statements, there are no other significant events to be disclosed after the balance sheet date.

XIV Comparative Figures

The Bank has reclassified some comparative figures for disclosure purpose.

During the year, the Bank reclassified the installment repayment income of credit card holders from fee income to interest income, and reclassified the corresponding fee receivable income from other assets to loans and advances to customers. The comparative figures for the same period were adjusted accordingly.

XX Approval of the Financial Statements

The financial statements were approved by the Board of Directors on 2 March 2021.

Directory of Organizations

Head Office

Address: CGB Building, No. 713, Dongfengdong Road, Yuexiu District, Guangzhou City, Guangdong Province
Telephone: 020-87311722
Facsimile: 020-87311722
Post code: 510080
Quantity of institution: 1

Beijing Branch

Address: Unit 105, 1/F, No. 1 Caishikou Street, Xicheng District, Beijing City
Telephone: 010-65283775
Facsimile: 010-65266728
Post code: 100053
Quantity of institution: 53

Changchun Branch

Address: No. 105 and 106 Store of 1/F, 2/F, and 16-20/F, Shangdong International Tower A, No. 3000, Dongsheng Avenue, Erdao District, Changchun City, Jilin Province
Telephone: 0431-81135111
Facsimile: 0431-81135000
Post code: 130000
Quantity of institution: 3

Changsha Branch

Address: CGB Building, No. 195 Binjiang Road, Yuelu District, Changsha City, Hunan Province
Telephone: 0731-88335748
Facsimile: 0731-88335788
Post code: 410006
Quantity of institution: 26

Chengdu Branch

Address: 1-2, 17, 19-21/F, North Building, Sichuan Investment Building, No. 112 Tiantai Road, High-Tech Zone, Chengdu City, Sichuan Province
Telephone: 028-80587953
Facsimile: 028-85355943
Post code: 610041
Quantity of institution: 13

Chongqing Branch

Address: 1-2/F, Podium Building, Unit 1 & 30-43/F, CGB Building, Unit 2, No. 99 Wuyi Road, Yuzhong District, Chongqing City
Telephone: 023-63302266
Facsimile: 023-63329888
Post code: 400010
Quantity of institution: 8

Dalian Branch

Address: No. 3, Zhongshan Plaza, Zhongshan District, Dalian City, Liaoning Province
Telephone: 0411-82553259
Facsimile 0411-82553258
Post code: 116001
Quantity of institution: 22

Dongguan Branch

Address: Stores 101-103, 109, 110 and Office No. 207, 401-801, 902, CGB Financial Building, No. 3 Shizhu Road, Nancheng District, Dongguan City, Guangdong Province
Telephone: 0769-22477888
Facsimile: 0769-22456654
Post code: 523000
Quantity of institution: 50

Foshan Branch

Address: CGB Building, No. 29, Jihua 5th Road, Chancheng District, Foshan City, Guangdong Province
Telephone: 0757-83358832
Facsimile: 0757-83359356
Post code: 528000
Quantity of institution: 36

Fuzhou Branch

Address: 1/F & 4/F, Shenfa Mansion, No. 132 Shuguang Road, Taijiang District, Fuzhou, Fujian Province
Telephone: 0591-28083903
Facsimile: 0591-28083903
Post code: 350009
Quantity of institution: 21

Directory of Organizations

Guangzhou Branch

Address: 1/F & 24-28/F, Nanyazhonghe Plaza, No. 57, Linjiang Avenue, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province
Telephone: 020-38988800
Facsimile: 020-83503050
Post code: 510623
Quantity of institution: 58

Guiyang Branch

Address: "Guizhou China Life Plaza", north third tower, Zhongtian Financial City Business District (North District), Changling North Road, Guanshanhu District, Guiyang City, Guizhou Province
Telephone: 0851-82222420
Facsimile: 0851-82238782
Post code: 550081
Quantity of institution: 1

Harbin Branch

Address: No. 2688, Qunli Fifth Avenue, Daoli District, Harbin City, Heilongjiang Province
Telephone: 0451-85872981
Facsimile: –
Post code: 150010
Quantity of institution: 23

Hangzhou Branch

Address: No. 516 Yan'an Road, Hangzhou City, Zhejiang Province
Telephone: 0571-87019888 (switchboard)
Facsimile: 0571-87917852
Post code: 310006
Quantity of institution: 38

Hefei Branch

Address: 1, 42, 43/F, Block B, Anliang Dongyi Financial Plaza, No. 169 Funan Road, Luyang District, Hefei City
Telephone: 0551-65955600
Facsimile: 0551-65955600
Post code: 230061
Quantity of institution: 10

Heyuan Branch

Address: Youli Business Building, No. 19 Jianshe Avenue West, Heyuan City, Guangdong Province
Telephone: 0762-3168600 (switchboard)
Facsimile: 0762-3168604
Post code: 517000
Quantity of institution: 7

Huizhou Branch

Address: No. 19, Xiapu Avenue, Huizhou City, Guangdong Province
Telephone: 0752-2119885
Facsimile: 0752-2119888
Post code: 516001
Quantity of institution: 19

Jiangmen Branch

Address: No. 49-5 Jianshe Road, Jiangmen City, Guangdong Province
Telephone: 0750-3288388 (switchboard)
Facsimile: 0750-3354276
Post code: 529000
Quantity of institution: 20

Jinan Branch

Address: CGB Building, No. 15, Jingsi Road, Shizhong District, Jinan City, Shandong Province
Telephone: 0531-66669201
Facsimile: 0531-66669900
Post code: 250001
Quantity of institution: 21

Kunming Branch

Address: No. 488 Guangfu Road, Xishan District, Kunming City, Yunnan Province
Telephone: 0871-64192153
Facsimile: 0871-64177444
Post code: 650228
Quantity of institution: 26

Directory of Organizations

Maoming Branch

Address: No. 159, Yingbin 3rd Road, Maoming City, Guangdong Province
Telephone: 0668-3337007
Facsimile: 0668-2286313
Post code: 525000
Quantity of institution: 14

Meizhou Branch

Address: 1-3/F, Block MB11, Meiyuanxincun, South Section, Jiangnan Binfang Avenue, Meizhou City, Guangdong Province
Telephone: 0753-2313068
Facsimile: 0753-2243595
Post code: 514021
Quantity of institution: 10

Nanchang Branch

Address: No. 1669 Hongguzhong Avenue, Honggutan New District, Nanchang
Telephone: 0791-88550576
Facsimile: 0791-83895508
Post code: 330000
Quantity of institution: 7

Nanjing Branch

Address: No. 238, Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province
Telephone: 025-88812002 (switchboard)
Facsimile: 025-88812007
Post code: 210019
Quantity of institution: 37

Nanning Branch

Address: Block B, China-Asean International Trade and Logistics Center, No. 146 Minzu Avenue, Qingxiu District, Nanning City
Telephone: 0771-5579656
Facsimile: 0771-5579606
Post code: 530000
Quantity of institution: 7

Ningbo Branch

Address: No. Odd 11-27, Daqing South Road, Jiangbei District, Ningbo City, Zhejiang Province
Telephone: 0574-87289888
Facsimile: 0574-87191000
Post code: 315000
Quantity of institution: 17

Qingyuan Branch

Address: No. 01 Office, Floors 1-2, Building 38, City Garden, No. 55 Lianjiang Road, Qingcheng District, Qingyuan City, Guangdong Province
Telephone: 0763-3855018
Facsimile: 0763-3855010
Post code: 511500
Quantity of institution: 9

Shanghai Branch

Address: No. 88 Yincheng Road, Pudong New Disitrict, Shanghai City
Telephone: 021-63901033
Facsimile: 021-63901929
Post code: 200120
Quantity of institution: 33

Shantou Branch

Address: 1-4/F, Chaoshanxinghe Building, Jinhuan Road, Shantou City, Guangdong Province
Telephone: 0754-88262689
Facsimile: 0754-88262489
Post code: 515041
Quantity of institution: 26

Shaoguan Branch

Address: Building 41, Huimin South Road, Shaoguan City, Guangdong Province
Telephone: 0751-8177989
Facsimile: 0751-8763208
Post code: 512025
Quantity of institution: 3

Directory of Organizations

Shenyang Branch

Address: No. 197, Qingnian Acenue, Shenhe District, Shenyang City, Liaoning Province
Telephone: 024-81378153
Facsimile: 024-81378171
Post code: 110016
Quantity of institution: 24

Shenzhen Branch

Address: 11-19/F, Building A 1-2 (East), Dongfang Xintiandi Plaza, No. 1003, Shennan Road, Futian District, Shenzhen City, Guangdong Province
Telephone: 0755-88919857
Facsimile: 0755-88919021
Post code: 518000
Quantity of institution: 39

Shijiazhuang Branch

Address: 20-23/F, Units 0-101, 0-302A, 01, T1 & T2 Office Building, Zhongjiao Fortune Center, No. 118 Ziqiang Road, Qiaoxi District, Shijiazhuang City, Hebei Province
Telephone: 0311-89881000
Facsimile: 0311-89881280
Post code: 050000
Quantity of institution: 6

Suzhou Branch

Address: Block A, Building 24, China Life Financial Center, Huachi Street, Industrial Park, Suzhou City, Jiangsu province
Telephone: 0512-80987536
Facsimile: 0512-80987500
Post code: 215000
Quantity of institution: 9

Taiyuan Branch

Address: 1-6/F, Junwei International Financial Center, No. 89, Jinyang Street, Xiaodian District, Taiyuan City, Shanxi Province
Telephone: 0351-2302121
Facsimile: 0351-2302157
Post code: 030006
Quantity of institution: 4

Tianjin Branch

Address: Tianjin Mansion, Jiefang South Road, Hexi District, Tianjin City
Telephone: 022-58566111
Facsimile: 022-58566160
Post code: 300042
Quantity of institution: 12

Wuhan Branch

Address: CGB Building, No. 737 Jianshe Avenue, Jianghan District, Wuhan City, Hubei Province
Telephone: 027-85354783
Facsimile: 027-85354848
Post code: 430022
Quantity of institution: 28

Urumqi Branch

Address: No. 480 Renmin Road, Tianshan District, Urumqi City, Xinjiang Uygur Autonomous Region
Telephone: 0991-2953333
Facsimile: 0991-2953277
Post code: 830001
Quantity of institution: 11

Xi'an Branch

Address: 1, 2, 22, 23, 25/F, Linkai International, No. 38 Keji Road, Yanta District, Xi'an City
Telephone: 029-89568536
Facsimile: 029-89568558
Post code: 710075
Quantity of institution: 11

Yangjiang Branch

Address: Jinghu Comprehensive Building, No. 38 Dongfeng 3rd Road, Yangjiang City, Guangdong Province
Telephone: 0662-3367692
Facsimile: 0662-3367672
Post code: 529500
Quantity of institution: 6

Directory of Organizations

Zhaoqing Branch

Address: No. 75-1 Tianning North Road, Duanzhou District, Zhaoqing City, Guangdong Province
Telephone: 0758-2313023
Facsimile: 0758-2313013
Post code: 526040
Quantity of institution: 17

Zhanjiang Branch

Address: No. 22, Zhongshan 1st Road, Chikan District, Zhanjiang City, Guangdong Province
Telephone: 0759-3366558
Facsimile: 0759-3313285
Post code: 524032
Quantity of institution: 13

Zhengzhou Branch

Address: No. 10, CBD Commercial Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province
Telephone: 0371-68599907
Facsimile: 0371-68599908
Post code: 450046
Quantity of institution: 42

Zhongshan Branch

Address: No. 55 Huabai Road, Shiqi District, Zhongshan City, Guangdong Province
Telephone: 0760-88861998 (switchboard)
Facsimile: 0760-88861968
Post code: 528403
Quantity of institution: 15

Zhuhai Branch

Address: No. 68, Jida Jingshan Road, Xiangzhou District, Zhuhai City, Guangdong Province
Telephone: 0756-3250900
Facsimile: 0756-3250900
Post code: 519000
Quantity of institution:16

Macau Branch

Address: 18/F, Guanghui (Group) Commercial Center, No. 181-187, Alameda Dr. Carlos D'assumpcao Square, New Port, Macau
Telephone: 00853-28750328 (switchboard)
Facsimile: 00853-28750728
Quantity of institution: 5

Hong Kong Branch

Address: 12/F, Tower 1, Exchange Square, 8 Connaught Place, Central, Hong Kong
Telephone: 00852-38509800
Facsimile: 00852-25300123
Quantity of institution: 1

Credit Card Center

Address: 8, 9, 10, 11, 12, 13/F, No. 10, Jiangxi Road, Pearl River New Town, Tianhe District, Guangzhou City, Guangdong Province
Telephone: 020-38738888
Facsimile: 020-38738992
Post code: 510623
Quantity of institution: 5

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