錦州銀行股份有限公司
Bank of Jinzhou Co., Ltd.*

2020 年度報告
ANNUAL REPORT

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

Stock Code: 0416 Stock Code of Preference Shares: 4615

* Bank of Jinzhou Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

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Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Articles of Association"	the articles of association of the Bank, as amended from time to time
"Bank", "Bank of Jinzhou" or "Group"	Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司), a joint stock company incorporated in the PRC on 22 January 1997 with limited liability in accordance with PRC laws and, unless the context requires otherwise, includes its subsidiaries, branches, sub-branches and special institutions
"Board" or "Board of Directors"	the board of Directors of the Bank
"Board of Supervisors"	the board of Supervisors of the Bank
"CBIRC"	China Banking and Insurance Regulatory Commission, which was formed after the duty restructuring of China Banking Regulatory Commission (the "Former CBRC") and China Insurance Regulatory Commission
"Former CBRC Liaoning Bureau"	the former China Banking Regulatory Commission Liaoning Bureau (中國銀行業監督管理委員會遼寧監管局), now renamed as China Banking and Insurance Regulatory Commission Liaoning Bureau (中國銀行保險監督管理委員會遼寧監管局)
"Chengfang Huida"	Beijing Chengfang Huida Enterprise Management Co., Ltd. (北京成方匯達企業管理有限公司)
"Company Law"	the Company Law of the People's Republic of China
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"CSRC"	China Securities Regulatory Commission
"Debt Instrument Subscription"	the subscription by the Bank of a directional debt instrument issued by Jinzhou Jinyin Enterprise Management Partnership (LLP) (錦州錦銀企業管理合夥企業(有限合夥))
"Disposal"	the disposal of certain credit assets and other assets by the Bank in 2020 which constituted a very substantial disposal of the Bank
"Director(s)"	the director(s) of the Bank
"Domestic Share(s)"	the ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi by PRC nationals and/or PRC corporate entities
"H Share(s)"	the ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is/are subscribed for and traded in HK dollars and listed on the Main Board of the Hong Kong Stock Exchange
"HK$" or "HK dollars"	the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"ICBC"	Industrial and Commercial Bank of China Limited
"Latest Practicable Date"	29 March 2021, being the latest practicable date prior to the printing of this annual report for ascertaining certain information in this report
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Liaoning Financial Holding"	Liaoning Financial Holding Group Co., Ltd. (遼寧金融控股集團有限公司)
"Offshore Preference Share(s)"	non-cumulative perpetual offshore preference shares for the amount of US$1,496,000,000 with a dividend rate of 5.50% issued by the Bank on 27 October 2017 and listed on the Hong Kong Stock Exchange (stock code: 4615)
"PBOC"	the People's Bank of China
"PRC" or "China"	the People's Republic of China, for the purposes of this annual report only, refers to the territory of the People's Republic of China, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan region of the PRC
"Proposed Private Placement"	the private placement of not more than 6.2 billion new Domestic Shares by the Bank in 2020 under a specific mandate
"Reporting Period"	the year ended 31 December 2020
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shareholder(s)" or "Ordinary Shareholder(s)"	the holder(s) of the share(s) of the Bank
"Share(s)" or "Ordinary Share(s)"	the Domestic Share(s) and the H Share(s) of the Bank, excluding the Offshore Preference Share(s)
"Supervisor(s)"	the supervisor(s) of the Bank
"US$" or "US dollars"	the lawful currency of the United States of America

Chapter 1 Company Profile

I. Basic Information about the Company

Legal Chinese Name and Abbreviation	:	錦州銀行股份有限公司(abbreviated as "錦州銀行")
Legal English Name and Abbreviation	:	BANK OF JINZHOU CO., LTD. (abbreviated as "BANK OF JINZHOU")
Legal Representative	:	Mr. Wei Xuekun
Authorised Representatives	:	Mr. Wei Xuekun, Mr. Guo Wenfeng
Secretary to the Board of Directors	:	Mr. Yu Jun (whose qualification is subject to the approval of the regulatory authorities)
Joint Company Secretaries	:	Mr. Yu Jun, Ms. Leung Wing Han Sharon
Registered and Office Address	:	No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC
Postal Code	:	121013
Telephone	:	+86-416-3220002
Fax	:	+86-416-3220003
Company Website	:	www.jinzhoubank.com
Email Address	:	webmaster@jinzhoubank.com
Customer Service Hotline	:	+86-400-66-96178
Principal Place of Business in Hong Kong	:	40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Accounting Firm	:	Crowe (HK) CPA Limited
PRC Legal Advisor	:	King & Wood Mallesons
Hong Kong Legal Advisor	:	King & Wood Mallesons

Custodian of Domestic Shares	:	China Securities Depository and Clearing Corporation Limited
H Share Registrar	:	Computershare Hong Kong Investor Services Limited
Listing Place of Stock, Stock Name and Stock Code	:	H Shares: Hong Kong Stock Exchange; BANKOFJINZHOU; 0416 Offshore Preference Shares: Hong Kong Stock Exchange; BOJZ 17USDPREF; 4615
Uniform Social Credit Code of Corporation	:	912107002426682145
Finance License No. of Institution	:	B0127H221070001
Website of the Hong Kong Stock Exchange where this annual report is published	:	www.hkexnews.hk
Place where the annual report is maintained	:	Office of the Board of Directors of the Bank

II. Company Profile

Bank of Jinzhou was incorporated, with the approval of the PBOC, on 22 January 1997, and headquartered in Jinzhou City, Liaoning Province, the PRC. The Bank established 15 branches in Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi, Yingkou and Jinzhou, the PRC and promoted and established seven village and township banks, namely Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司), Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司) and Liaoning Huanren Jinyin Village and Township Bank Co., Ltd. (遼寧桓仁錦銀村鎮銀行股份有限公司). Bank of Jinzhou also promoted and established Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司). As at the end of the Reporting Period, the Bank had 242 branches in aggregate.

As at the end of the Reporting Period, the Bank had registered capital of RMB13,981,615,684, total assets of RMB777.992 billion, loans and advances balances released of RMB496.750 billion and balance of deposits of RMB439.224 billion.

The businesses scope of the Bank includes absorption of public deposit, publishment of short-term, medium-term and long-term loans, domestic and overseas settlement, issue of financial bonds and inter-bank borrowing. The H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0416) on 7 December 2015. On 27 October 2017, the Bank successfully issued US$1.496 billion of Offshore Preference Shares which were listed on the Hong Kong Stock Exchange with stock code 4615.

III. Awards in 2020

In February 2020, the Bank was awarded the 2019 Excellent Promotion Contribution for China UnionPay Card Product (2019年銀聯卡產品推廣突出貢獻獎).

In July 2020, the Bank was awarded the 2019 Exemplary Organization in Credit System Data Quality by the PBOC.

In November 2020, the Bank was awarded the Best Credit Card Cross-industry Cooperation (年度最佳信用卡跨界合作獎) in the first session of 2020 Top Financial Digital Development hosted by the Financial Digital Development Alliance.

In December 2020, the Bank was awarded the 2020 Best Mobile Banking Growth Award (2020年最佳手機銀行成長獎) at the 2020 Banking Digital Ecology and Inclusive Finance Summit and the 16th China Electronic Banking Annual Ceremony held by the China Financial Certification Center.

In December 2020, the Bank was awarded as Jinzhou City's Meritorious Enterprise in 2018-2019 (錦州市2018-2019年度功勛企業) by the CPC Jinzhou Municipal Committee and Jinzhou Municipal People's Government.

I. Financial Data

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2020	2019	2020 vs 2019	2018	2017	2016
Operating Results			**Change (%)**			
Interest income	**37,344,545**	47,820,476	(21.9)	46,002,674	39,943,533	27,897,191
Interest expense	**(28,045,398)**	(28,475,443)	(1.5)	(26,901,602)	(21,410,609)	(12,448,982)
Net interest income	**9,299,147**	19,345,033	(51.9)	19,101,072	18,532,924	15,448,209
Net fee and commission income	**174,690**	231,714	(24.6)	757,528	736,674	809,265
Net trading (losses)/gains	**(118,122)**	3,372,617	(103.5)	1,491,100	(278,264)	49,948
Dividend income	**1,440**	1,200	20.0	880	640	895
Net gains arising from investment securities	**1,721**	240,556	(99.3)	100,234	30,796	10,348
Net foreign exchange (losses)/gains	**(78,105)**	(42,008)	85.9	(183,660)	(239,637)	53,724
Other net operating income	**28,522**	20,587	38.5	16,045	22,859	41,460
Operating income	**9,309,293**	23,169,699	(59.8)	21,283,199	18,805,992	16,413,849
Operating expenses	**(3,318,583)**	(3,761,683)	(11.8)	(3,586,646)	(3,308,138)	(2,758,039)
Operating profit before impairment	**5,990,710**	19,408,016	(69.1)	17,696,553	15,497,854	13,655,810
Impairment losses on assets	**(5,662,563)**	(20,846,120)	(72.8)	(23,683,718)	(3,444,523)	(2,784,895)
Profit/(loss) before taxation	**328,147**	(1,438,104)	(122.8)	(5,987,165)	12,053,331	10,870,915
Income tax (expense)/credit	**(174,620)**	327,858	(153.3)	1,449,054	(2,963,273)	(2,671,469)
Net profit/(loss)	**153,527**	(1,110,246)	(113.8)	(4,538,111)	9,090,058	8,199,446
Net profit/(loss) attributable to equity shareholders of the parent company	**404,569**	(958,545)	(142.2)	(4,593,447)	8,976,990	8,129,590
Calculated on a Per Share Basis (RMB)			**Change**			
Basic and diluted (loss)/earnings per share	**(0.02)**	(0.12)	0.10	(0.77)	1.32	1.40

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020	2019	2020 vs 2019	2018	2017	2016
Assets/Liabilities			**Change (%)**			
Total assets	**777,992,324**	836,694,191	(7.0)	845,922,748	723,417,650	539,059,522
Of which: net loans and advances to customers	**495,464,197**	452,695,511	9.4	349,110,123	209,084,947	121,930,761
Total liabilities	**706,750,144**	777,188,742	(9.1)	785,159,604	663,252,922	496,165,210
Of which: deposits from customers	**439,223,670**	407,112,779	7.9	445,576,089	342,264,228	262,969,211
Share capital	**13,981,616**	7,781,616	79.7	7,781,616	6,781,616	6,781,616
Total equity attributable to equity shareholders of the parent company	**67,659,191**	55,671,418	21.5	56,777,412	56,230,555	39,035,430
Total equity	**71,242,180**	59,505,449	19.7	60,763,144	60,164,728	42,894,312

II. Financial Indicators

	For the year ended 31 December					
	2020	2019	2020 vs 2019	2018	2017	2016
Profitability Indicators (%)			**Change**			
Return on average total assets [1]	**0.02**	(0.13)	0.15	(0.58)	1.44	1.82
Return on average equity [2]	**0.78**	(2.07)	2.85	(9.86)	21.03	25.16
Net interest spread [3]	**1.68**	2.29	(0.61)	1.93	2.58	3.41
Net interest margin [4]	**1.42**	2.48	(1.06)	2.46	2.88	3.67
Net fee and commission income to operating income ratio	**1.88**	1.00	0.88	3.56	3.92	4.93
Cost-to-income ratio [5]	**32.35**	15.02	17.33	15.91	15.71	14.83

	As at 31 December					
	2020	2019	2020 vs 2019	2018	2017	2016
Assets Quality Indicators (%)			**Change**			
Non-performing loan ratio [6]	**2.07**	7.70	(5.63)	4.99	1.04	1.14
Provision coverage ratio [7]	**198.67**	115.01	83.66	123.75	268.64	336.30
Provision to loans ratio [8]	**4.11**	8.86	(4.75)	6.18	2.81	3.84
Capital Adequacy Indicators (%)			**Change**			
Core tier-one capital adequacy ratio [9]	**8.23**	5.15	3.08	6.07	8.44	9.79
Tier-one capital adequacy ratio [10]	**9.65**	6.47	3.18	7.43	10.24	9.80
Capital adequacy ratio	**11.76**	8.09	3.67	9.12	11.67	11.62
Total equity to total assets	**9.16**	7.11	2.05	7.18	8.32	7.96

Notes:

(1) Represents the net profit for the year as a percentage of the average balance of total assets at the beginning and the end of that year.

(2) Represents the Bank's net profit attributable to the parent company for the year as a percentage of the average balance of net assets attributable to shareholders of ordinary shares of the parent company at the beginning and at the end of that year.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(4) Calculated by dividing net interest income by average interest-earning assets, which was calculated based on the daily average of the interest-earning assets.

(5) Cost-to-income ratio = operating expenses (excluding tax and surcharges)/operating income.

(6) Non-performing loan ratio = total non-performing loans/total loans and advances to customers.

(7) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans.

(8) Provision-to-loans ratio = provision for impairment losses on loans/total loans and advances to customers.

(9) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.

(10) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.

Chapter 3 Chairman's Statement

2020 was an extraordinary year in the development of Jinzhou Bank. Over the past year, under the care and guidance of the party committees and government at all levels, the PBOC, the CBIRC and other regulatory authorities, with the full support of the Shareholders and all sectors of our society, and with the hard work of all the staff of the Bank, we have made every effort in epidemic prevention and control, the resumption in the provision of financial services and businesses, implemented reform and reorganisation, supported the development of the local economy, maintained a steady operation, achieved recovery and commenced a new journey of high-quality development.

Over the past year, our reform and reorganisation have achieved milestones and our business development has revitalized. Adhering to the fundamental principles of marketization and rule of law, we pushed ahead with the reform and reorganisation, completed the capital injection and share capital expansion and the disposal of assets, and explored a new path to resolve the financial risks of city commercial banks through a market-based approach. The investment by two state-owned Shareholders, Chengfang Huida and Liaoning Financial Holding, has enhanced the development, boosted market confidence and laid a solid foundation for high-quality development. At the end of the Reporting Period, total assets of the Bank amounted to RMB777.992 billion, total loans and advances amounted to RMB496.750 billion, up by RMB7,633 million from the end of the previous year; the balance of deposits amounted to RMB439.224 billion, up by RMB32,111 million from the end of the previous year; and net profit was RMB154 million during the Reporting Period.

Over the past year, we have taken actions and initiatives to shoulder the responsibility of serving the local economy. Since the outbreak of the COVID-19 Epidemic, we have fully supported the prevention and control of the Epidemic, actively fulfilled our social responsibilities, insisted on prioritising the safety of our employees and customers, and coordinated the promotion, prevention and control of the Epidemic and business development. We have donated for the Epidemic, innovated financial products and services, actively promoted the implementation of the "Chunjin Plan" (春錦計劃) and undertook the "Double Thousand Project" (雙千工程), created customised credit products in accordance with the local economy and actual development of enterprises, and efficiently connected with the industrial layout and major projects of the local government. The Bank has also continued to strengthen its financial services protection, assisted enterprises in preventing and fighting against the Epidemic and resuming work and production, and accelerated the local economy.

Over the past year, we have adhered to our strategic leadership and pushed forward our transformation and development. We scientifically planned our strategic development plan for 2020 to 2022, clarified our strategic vision of "building a city commercial bank with high-quality intensive development", strengthened our original intention of "serving the local economy, private small and micro enterprises and urban and rural residents", and put forward our new development concept of "compliance, innovation, coordination and quality" to unify the business actions of the whole Bank with the new strategy. We strengthened the support for the integration of financial technology to key businesses and key areas, and actively promoted the research and development of products and innovation of channels. We carried out data governance in an orderly manner and continuously improved the quality of data in various professional areas, promoted the implementation of institutional reform and reshaped the organizational structure.

Over the past year, we have continued to improve our corporate governance and consolidated the foundation of governance. We focused on improving the construction of corporate governance systems and mechanisms, absorbing the latest regulatory policies and requirements for the management of state-owned financial capital, promoting the organic integration of party building and corporate governance, and strengthening the compliance and efficient operation. We built an authorization management system to improve the efficiency of decision-making and operational management, implemented the procedures for the pre-study of major issues by the party committee, and strengthened the closed-loop management of decision-making, implementation, tracking and feedback. All Directors and Supervisors were diligent and responsible and actively offered suggestions, carried out research and training activities, and effectively played a supervisory role in decision-making.

Over the past year, we have comprehensively strengthened the construction of risk compliance and enhanced our risk control capabilities. We reshaped the overall risk management mechanism, built a comprehensive risk management organization, improved the risk strategy and risk appetite transmission mechanism, and enhanced the timeliness and foresight of risk control. We promoted the event in the commencement of Jinzhou Bank's compliance reshaping, improved the system of rules and regulations, strengthened internal control and compliance management, and fostered a compliance culture. The Bank focused on asset quality control and increased the non-performing asset collection and disposal. As at the end of the Reporting Period, the non-performing loan ratio was 2.07%, representing a decrease of 5.63 percentage points year-on-year, the provision coverage ratio was 198.67% and the capital adequacy ratio was 11.76%, representing and enhancement in our abilities to resist risk.

2021 is the starting year of the 14th Five-Year Plan, and it is also a key year for Jinzhou Bank to implement its three-year strategic development plan. The new historical coordinate gives 2021 an unusual significance. With responsibilities of serving in the frontline and commitment and determination, we will adhere to our original intention of "serving the local economy, private micro and small enterprises, and urban and rural residents", the Bank will improve its standard of corporate governance, promote business transformation and upgrade, advance the integration of technology and business, strengthen risk and internal control management, improve the long-term mechanism of incentive protection to give back to our customers, Shareholders, employees and society and make every effort to build a city commercial bank with high-quality development.

Chairman Wei Xuekun

29 March 2021

Chapter 4 President's Statement

Under the appropriate leadership of the party committees, governments and regulatory authorities at all levels, with the strong support of our Shareholders, customers and all sectors of society, the Bank followed the objective principles of stability, reform and development, and successfully completed the reform and reorganization while ensuring overall stability, thereby welcomed an important milestone in the development history of the Bank of Jinzhou in 2020. Standing at a new starting point, we pushed forward reforms and restructuring, business operation and transformation and development, and gathered the potential to nurture new opportunities in the crisis and create new landscapes in the changing situation. The overall operation and management work showed a steady and progressive trend.

Focusing on the implementation of reform and reorganization. With reform measures such as the disposal of risk assets, capital injection and share capital expansion, our capital strength has been enhanced, our ownership structure has been optimized, with sustaining stable operation, and connotative high-quality development has been practiced. At the end of the Reporting Period, the Bank had total assets of RMB777.992 billion and total liabilities of RMB706.750 billion. The Bank achieved a net profit of RMB154 million during the Reporting Period. As at the end of the Reporting Period, the capital adequacy ratio was 11.76%, representing an increase of 3.67 percentage points year-on-year, which was in line with the overall expectation.

Focusing on key points and keeping stable operation. The Bank expanded its sources of funds through multiple channels, improved its debt structure, implemented projects to expand its customer base, consolidated its deposit base, and adjusted its deposit term and structure. As at the end of the Reporting Period, the balance of deposits from customers amounted to RMB439.224 billion, representing a year-on-year increase of 7.9%. The Bank also strengthened the maintenance and development of interbank customers, significantly enhanced the stability of interbank liabilities and further restored interbank confidence. Funds were allocated and applied flexibly, and the operation of the Bank was improved continuously.

Conquering essential points and controlling asset quality. The Bank carried out a comprehensive review of its existing assets, formulated risk management and control plans, implemented customised measures for each customer, strengthened asset collection and disposal against key customers, and explored market-oriented disposal methods of risk assets to reduce and derisked in an orderly manner. As at the end of the Reporting Period, the non-performing loan ratio was 2.07% and the provision coverage ratio was 198.67%. At the same time, the Bank further improved its risk management structure, reshaped its credit management system, enhanced the efficiency of credit risk management and control, and enhanced the risk control for new businesses.

Developing operation highlights to serve the real economy. Returning to the origin of finance, the Bank vigorously carried out the "Chunjin Plan" (春錦計劃), and assisted enterprises in resuming work and production and fulfilled their social responsibilities with the mode of "specific period, specific mechanism, specific policy, specific product and specific scale". The Bank increased its support for small and micro enterprises, and fully achieved the goal of "two increases and two controls" in inclusive finance. By implementing the "big retail" strategy, the Bank upgraded its credit card business, leading to a significant increase in the number of cards issued , and launched various installment plans to comprehensively promote its retail finance optimization and upgrading.

Solidifying branches to strengthen internal governance. The Bank completed the institutional reform and established a hierarchical management mode for branches. The Bank managed its key links to strengthen asset and liability management and overall risk management, increased the effort in revenue enhancement and expense reduction to achieve its profit target, and carried out financial data control in an orderly manner and effectively improved data quality in professional fields. The Bank shaped its internal control and compliance system, improved its rules and regulations, and strengthened case prevention management. The Bank also initiated its reform of operation standardization to standardize its business processes. The "535" talent project has formally commenced to upgrade the professional sequence management system and consolidate of the talent base.

Keeping up with development focus to make digital transformation. The Bank continuously improved the management standard of financial technology, established top-level planning of science and technology to improve the science and technology management level. The Bank facilitated the implementation of business innovation plan to practice mobility and promote the construction of functions and experience optimization of online platform. The Bank also focused on the construction on Jinzhoutong (錦州通) smart city to work with the government to build a smart scene, support the One Network Office Service (一網通辦) to empower the integrated development of "finance + ecology" and "data + intelligence" of the city.

The grass and trees are sprawling and the spring mountains is being seen. 2021 is the first year to implement the 14th Five-Year Plan and to start a new journey of building a socialist modernized country in an all-round way. It is also the centenary of the Communist Party of China, and Bank of Jinzhou will continue to implement the national work deployment and regulatory requirements, follow the initial mission of "three services", implement the new development concept of "compliance, innovation, coordination and quality", and with the direction of the "three-year strategic development plan", the Bank will further take the advantages of state-controlled city commercial bank and consolidate the foundation for development, further strengthen its transformation, steadily carry out its business, enhance its capacity of financial services, serve the real economy solidly, and thus contribute its financial strength to the regional economic development.

President Guo Wenfeng
29 March 2021

Chapter 5 Management Discussion and Analysis

I. Environment and Business Review

The COVID-19 epidemic (“**Epidemic**”) has brought the world into a period of accelerated evolvement unprecedented in the past century. The international environment has become increasingly complex and led economic globalization to a standstill. However, peace and development remain a current topic and win-win cooperation remains the latest trend. Affected by the Epidemic, China has imposed social distancing measures, which slowed down economic activities, exerted pressure on the economy from both the consumption and the production perspectives, and affected the financial development sector. Our country has successively introduced and implemented a series of policy measures to scientifically fight against the Epidemic, resumed work and production, boosted the economy, and the economy has shown a stable recovery quarter by quarter, but the foundation of domestic economic recovery remains unsolid and the problem of unbalanced and insufficient development remains insistent. The Fifth Plenary Session of the 19th Central Committee of the Party systematically planned and deployed the economic and social development work in the 14th Five-Year Plan period and scientifically drew the development blueprint for 2035, which provided the fundamental bases for the financial works in a new era. China has migrated to a stage of high-quality development. The foundation for a stable and long-term economic upturn remain unchanged with the economy persisting with the fundamental characteristics of sufficient potential, strong resilience, larger room for maneuver and abundant policy tools. Our country's economy is returning to normal, its internal vitality is gradually enhanced, and the overall macro situation is improving and actively creating a new dual-cycle development pattern. Prudent monetary policies will be more flexible, precise, reasonable and moderate, and the supply-side reforms in the financial sector will be further advanced to support the real economy effectively, enhance the efficiency of financial resource allocations, continue to prevent and defuse financial risks, improve standards of financial services, and provide strong financial support for accelerating the construction of a new development pattern.

During the Reporting Period, the Epidemic has caused the Bank to face challenges such as disruption of offline business and exerted pressure on our credit risk, and it has also impacted the operation ability of some of the Bank's credit customers and caused phenomena such as liquidity difficulties, resulting in operational difficulties in some of our customers. In order to ease the pressure on our credit customers to repay the principal and interest as a result of the Epidemic, the Bank, under the guidance of the PBOC and the CBIRC Liaoning Bureau, implemented a phased deferment of principal and interest repayment for qualifying loan customers, taking into account the impact of the Epidemic on the enterprises and their business conditions. In the medium to long term, it is more beneficial to resolve the risks formed by the impact of the Epidemic by continuously improving risk management capabilities and increasing financial support for small and medium-sized enterprises.

On the other hand, the new industries emerging from the Epidemic have guided the Bank to adjust its business composition. The Bank actively responded to the Epidemic and turned it into an opportunity by coordinating the prevention and control of the Epidemic, promoted financial services and business development, strengthened the comprehensive leadership of the party, enhanced level of corporate governance, and formulated a three-year strategic development plan to pursue strategic transformation. The Bank implemented reform and reorganization to enhance its capital strength, optimize its capital structure and strengthen its ability to resist risks. The Bank also focused on its main responsibilities and main businesses, implemented the original mission of “three services” by launching the “Chunjin Plan”(春錦計劃), supported enterprises in resuming work and production, provided precise support to major projects and key enterprises affected by the Epidemic, focused on inclusive finance, continuously increased financial services protection, and supported regional economic development. The Bank implemented institutional reform, reshaped its credit management system, carried out data governance in an orderly manner, improved internal control compliance gradually and consolidated the foundation of internal management effectively. By accelerating online and offline integration, commencing digitalisation at the backdrop of smart city scene construction. The Bank strived to mitigate the impact of the Epidemic by taking a series of measures and has laid a solid foundation for its sustainable future development.

During the Reporting Period, the Bank's operating income was RMB9.309 billion, representing a year-on-year decrease of 59.8%, and net profit was RMB154 million. As at the end of the Reporting Period, the Bank's total assets amounted to RMB777.992 billion, representing a year-on-year decrease of 7.0%; net amount of loans and advances granted amounted to RMB495.464 billion, representing a year-on-year increase of 9.4%, and the non-performing loan ratio was 2.07%; the balance of deposits amounted to RMB439.224 billion, representing a year-on-year increase of 7.9%. As at the end of the Reporting Period, the Bank's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 11.76%, 9.65% and 8.23%, respectively.

II. Development Strategies

2021 is the 100th anniversary of the founding of the Chinese Communist Party and the beginning of the "14th Five-Year Plan" period. The international economic and financial situation remains complicated and severe with the situation of Epidemic changing constantly both at home and abroad, and there are many uncertainties in the external environment. China will adhere to the guidance of Xi Jinping's thoughts on Socialism with Chinese Characteristics for a New Era, fully implement the spirit of the Fifth Plenary Session of the 19th Central Committee of the Party and the Central Economic Work Conference, and adhere to the general tone of seeking progress while maintaining stability. To implement a new development concept, build a new development pattern, consolidate and expand the results of Epidemic prevention and control and economic and social development, maintain policy continuity, stability, and sustainability, and continue to do a good job in the "six stability" and "six securities", and build an institutional mechanism for finance to support the real economy effectively. We also firmly hold the bottom line of avoiding systemic financial risks, drive development with innovation, and accelerate the formation of a new development pattern in which domestic and international cycles are the mainstay and the domestic and international dual cycles promote each other.

In 2020, with the strong support from the party and the central government, the Bank seized the hard-won opportunity of reform and reorganisation and formulated the strategic development plan for the new period. In 2021, the Bank will continue to be guided by Xi Jinping's Thoughts on Socialism with Chinese Characteristics for a New Era, and the Bank's development strategy is to adhere to and strengthen leadership over financial work. With the strong support from the party and different levels of the country, and under the "dual circulation" national development strategy and the emerging trend of financial technologies in China, the Bank implemented the new development concept of "compliance, innovation, coordination and quality" in line with our actual situation and long-term development. We adhere to our corporate mission of creating value for shareholders, wealth for customers, welfare for employees and contribution to society, and will continue to take the "three services" positioning of serving the local economy, private small and micro enterprises and urban and rural residents to support the development of the real economy. We will further clarify our development orientation of "rooted in Jinzhou, based in Liaoning, facing northeast China, expanding into Beijing, Tianjin and Hebei, and support the development of key national regions". The Bank takes differentiated and distinctive products and services as the two directions of its development strategy. Driven by financial technology and supported by talent development, the Bank took the path of inherent high quality development and insisted on "leading by party building and scientific governance" as the center, steadily promote the six initiatives of "business transformation and structure optimization", "building a solid foundation by legal compliance and risk control","revitalizing the Bank through technology empowerment", "incentive protection and sustainable development", "cost reduction and efficiency enhancement to improve management", "leveraging on the momentum and shareholder empowerment" to fully enhance the Bank's core competitiveness, create a comprehensive financial service model for the achievement of a steady and sustained trend of business operation.

III. Benefits of the Significant Asset Reorganization

In order to improve the assets quality and internal delicacy-management level of the assets of the Bank, improve capital adequacy ratio and liquidity, and enhance the momentum of sustainable development, the Bank implemented a significant asset reorganization during the Reporting Period, including the Proposed Private Placement, the Disposal and the Debt Instrument Subscription. Since the Disposal and the Debt Instrument Subscription have been completed on 27 July 2020, the relevant credit assets and other assets have been fully disposed of and are no longer accounted for in the combined financial statements of the Bank. On 30 September 2020, the Proposed Private Placement was completed and the relevant registration of changes in Shareholders has also been completed. Therefore, the significant asset reorganization of the Bank has been completed during the Reporting Period.

Through the above significant asset reorganization, the Bank has introduced strong strategic investors which optimize its shareholding structure, supplemented its capital strength, improved its capital adequacy ratio, further optimized its asset structure, improved its ability to resist risks, enhanced development momentum, profitability and comprehensive competitiveness, thus provided guarantee for the overall sound operation and achieved stable, healthy and sustainable development.

IV. Financial Review

(I) Analysis of the income statement

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2020	2019	Change in amount	Rate of change (%)
Interest income	**37,344,545**	47,820,476	(10,475,931)	(21.9)
Interest expense	**(28,045,398)**	(28,475,443)	430,045	(1.5)
Net interest income	**9,299,147**	19,345,033	(10,045,886)	(51.9)
Net fee and commission income	**174,690**	231,714	(57,024)	(24.6)
Net trading (losses)/gains	**(118,122)**	3,372,617	(3,490,739)	(103.5)
Dividend income	**1,440**	1,200	240	20.0
Net gains arising from investment securities	**1,721**	240,556	(238,835)	(99.3)
Net foreign exchange losses	**(78,105)**	(42,008)	(36,097)	85.9
Other net operating income	**28,522**	20,587	7,935	38.5
Operating income	**9,309,293**	23,169,699	(13,860,406)	(59.8)
Operating expenses	**(3,318,583)**	(3,761,683)	443,100	(11.8)
Operating profit before impairment	**5,990,710**	19,408,016	(13,417,306)	(69.1)
Impairment losses on assets	**(5,662,563)**	(20,846,120)	15,183,557	(72.8)
Profit/(loss) before tax	**328,147**	(1,438,104)	1,766,251	(122.8)
Income tax (expense)/credit	**(174,620)**	327,858	(502,478)	(153.3)
Net profit/(loss) for the year	**153,527**	(1,110,246)	1,263,773	(113.8)

During the Reporting Period, the Bank's profit before tax was RMB328 million and net profit was RMB154 million. Net interest income was RMB9,299 million, representing a decrease of RMB10,046 million or 51.9% as compared with that for the year ended 31 December 2019, primarily because the completion of the Disposal by the Bank led to the decrease in average balance of interest-earning assets and the average yields of interest-earning assets.

1. **Net interest income**

Net interest income accounted for the largest portion of the Bank's operating income, representing 99.9% and 83.5% of operating income for the Reporting Period and the year ended 31 December 2019, respectively. The following table sets forth, for the years indicated, the interest income, interest expense and net interest income of the Bank:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2020	2019	Change in amount	Rate of change (%)
Interest income	**37,344,545**	47,820,476	(10,475,931)	(21.9)
Interest expense	**(28,045,398)**	(28,475,443)	430,045	(1.5)
Net interest income	**9,299,147**	19,345,033	(10,045,886)	(51.9)

The following table sets forth, for the years indicated, the average balance of interest-earning assets and interest-bearing liabilities, the relevant interest income or expense and relevant average yield on interest-earning assets or relevant average cost on interest-bearing liabilities of the Bank:

	For the year ended 31 December					
	2020			2019		
(Expressed in thousands of Renminbi, unless otherwise stated)	**Average balance**	**Interest income/ expense**	**Average yield/ cost (%)**	Average balance	Interest income/ expense	Average yield/ cost (%)
Interest-earning Assets						
Loans and advances to customers	**420,041,875**	**27,013,583**	**6.43**	418,970,194	28,744,866	6.86
Investment securities and other financial assets	**161,189,488**	**8,769,075**	**5.44**	280,344,064	16,918,411	6.03
Deposits with the central bank	**45,808,596**	**704,814**	**1.54**	50,658,032	783,992	1.55
Deposits with banks and other financial institutions	**7,616,576**	**127,585**	**1.68**	12,112,058	274,390	2.27
Placements with banks and other financial institutions	**6,837,451**	**277,582**	**4.06**	6,241,180	378,505	6.06
Financial assets held under resale agreements	**7,164,898**	**134,629**	**1.88**	3,070,714	75,467	2.46
Finance lease receivables	**5,227,437**	**317,277**	**6.07**	8,257,890	644,845	7.81
Total interest-earning assets	**653,886,321**	**37,344,545**	**5.71**	779,654,132	47,820,476	6.13

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2020 Average balance	Interest income/ expense	Average yield/ cost (%)	2019 Average balance	Interest income/ expense	Average yield/ cost (%)
Interest-bearing Liabilities						
Deposits from customers	**396,057,927**	**14,904,522**	**3.76**	434,326,716	15,355,016	3.54
Deposits from banks and other financial institutions	**156,635,816**	**7,771,528**	**4.96**	150,091,537	7,239,261	4.82
Placements from banks and other financial institutions	**14,373,567**	**469,524**	**3.27**	27,939,865	1,175,230	4.21
Financial assets sold under repurchase agreements	**15,068,002**	**403,614**	**2.68**	26,950,768	757,419	2.81
Debt securities issued	**113,884,172**	**4,472,319**	**3.93**	86,494,834	3,282,233	3.79
Borrowing from the central bank	**568,576**	**23,891**	**4.20**	16,175,348	666,284	4.12
Total interest-bearing liabilities	**696,588,060**	**28,045,398**	**4.03**	741,979,068	28,475,443	3.84
Net interest income		**9,299,147**			19,345,033	
Net interest spread (1)			**1.68**			2.29
Net interest margin (2)			**1.42**			2.48

Notes:

(1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(2) Calculated by dividing net interest income by the average interest-earning assets (based on the daily average of the interest-earning assets).

The following table sets forth, for the years indicated, the changes in the Bank's interest income and interest expense attributable to changes in volume and interest rate. Changes in volume are measured by changes in the average balances of interest-earning assets and interest-bearing liabilities and changes in interest rate are measured by the average interest rates of the interest-earning assets and interest-bearing liabilities. Effect of changes caused by both volume and interest rate has been allocated to changes in net interest income.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2020 vs 2019 Increase/(decrease) factors		
	Volume(1)	Interest rate(2)	Net increase/ (decrease)(3)
Interest-earning Assets			
Loans and advances to customers	73,526	(1,804,809)	(1,731,283)
Investment securities and other financial assets	(7,190,829)	(958,507)	(8,149,336)
Deposits with the central bank	(75,051)	(4,127)	(79,178)
Deposits with banks and other financial institutions	(101,842)	(44,963)	(146,805)
Placements with banks and other financial institutions	36,162	(137,085)	(100,923)
Financial assets held under resale agreements	100,620	(41,458)	59,162
Finance lease receivables	(236,643)	(90,925)	(327,568)
Changes in interest income	(7,394,057)	(3,081,874)	(10,475,931)
Interest-bearing Liabilities			
Deposits from customers	(1,352,940)	902,446	(450,494)
Deposits from banks and other financial institutions	315,646	216,621	532,267
Placements from banks and other financial institutions	(570,637)	(135,069)	(705,706)
Financial assets sold under repurchase agreements	(333,951)	(19,854)	(353,805)
Debt securities issued	1,039,347	150,739	1,190,086
Borrowing from the central bank	(642,864)	471	(642,393)
Changes in interest expense	(1,545,399)	1,115,354	(430,045)
Changes in net interest income	(5,848,658)	(4,197,228)	(10,045,886)

Notes:

(1) Represents the average balance for the Reporting Period minus the average balance for the previous year, multiplied by the average yield/average cost for such previous year.

(2) Represents the average yield/average cost for the Reporting Period minus the average yield/average cost for the previous year, multiplied by the average balance for the year.

(3) Represents interest income or expense for the Reporting Period minus interest income or expense for the previous year.

2. Interest income

The following table sets forth, for the years indicated, the breakdown of the Bank's interest income:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2020		2019	
	Amount	**% of total**	Amount	% of total
Loans and advances to customers				
Corporate loans and advances	**26,344,475**	**70.6**	27,649,787	57.8
Personal loans	**417,313**	**1.1**	635,024	1.3
Discounted bills	**251,795**	**0.7**	460,055	1.0
Subtotal	**27,013,583**	**72.4**	28,744,866	60.1
Investment securities and other financial assets	**8,769,075**	**23.5**	16,918,411	35.4
Deposits with the central bank	**704,814**	**1.9**	783,992	1.6
Deposits with banks and other financial institutions	**127,585**	**0.3**	274,390	0.6
Financial assets held under resale agreements	**134,629**	**0.4**	75,467	0.2
Placements with banks and other financial institutions	**277,582**	**0.7**	378,505	0.8
Finance lease receivables	**317,277**	**0.8**	644,845	1.3
Total	**37,344,545**	**100.0**	47,820,476	100.0

The Bank's interest income decreased by 21.9% to RMB37,344,545,000 in the Reporting Period from RMB47,820,476,000 for the year ended 31 December 2019, which was mainly due to the downsize of the average daily size of interest-earning assets caused by the Disposal of the Bank and the decrease in the average yield of interest earning assets, resulting in the decrease of corresponding interest income.

(1) Interest income from loans and advances to customers

Interest income from loans and advances to customers constituted a large component of the Bank's interest income, representing 72.4% and 60.1% of the Bank's interest income in the Reporting Period and for the year ended 31 December 2019, respectively. The following table sets forth, for the years indicated, the average balance of loans and advances to customers, relevant interest income and average yield for loans and advances to customers:

	For the year ended 31 December					
	2020			2019		
(Expressed in thousands of Renminbi, unless otherwise stated)	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans and advances	**400,524,629**	**26,344,475**	**6.58**	401,362,964	27,649,787	6.89
Personal loans	**9,749,546**	**417,313**	**4.28**	10,826,579	635,024	5.87
Discounted bills	**9,767,700**	**251,795**	**2.58**	6,780,651	460,055	6.78
Total	**420,041,875**	**27,013,583**	**6.43**	418,970,194	28,744,866	6.86

Interest income from loans and advances to customers decreased by 6.0% from RMB28,744,866,000 for the year ended 31 December 2019, to RMB27,013,583,000 in the Reporting Period, primarily due to a decrease in the average yield on loans and advances, partially offset by an increase in interest income from higher average balances. The average balance of loans and advances to customers increased by 0.3% from RMB418,970,194,000 for the year ended 31 December 2019 to RMB420,041,875,000 in the Reporting Period, primarily because (i) the Bank reclassified the business type of certain beneficial interest transfer plan measured at amortised cost to loans; and (ii) the Bank appropriately increased the size of loans based on the development needs for the real economy and its own business development plans. The average yield decreased from 6.86% for the year ended 31 December 2019 to 6.43% in the Reporting Period, mainly due to that (i) the size of loans with higher yield downsized as a result of the Disposal; and (ii) the Bank actively implemented the national policy guidance to actively benefit the real economy and support enterprises affected by the Epidemic to resume work and production, which resulted in lower yields on newly granted loans.

(2) Interest income from investment securities and other financial assets

Interest income from investment securities and other financial assets decreased by 48.2% from RMB16,918,411,000 for the year ended 31 December 2019 to RMB8,769,075,000 in the Reporting Period, primarily due to the decreases in the average balance and average yield of investment securities and other financial assets. The average balance of investment securities and other financial assets decreased by 42.5% from RMB280,344,064,000 for the year ended 31 December 2019 to RMB161,189,488,000 in the Reporting Period, primarily due to (i) the Bank reclassified the business type of certain beneficial interest transfer plan measured at amortised cost to loans; and (ii) the decrease in the scale the beneficial interest transfer plans measured at the amortized cost due to the impact of the Disposal. The average yield decreased to 5.44% in the Reporting Period from 6.03% for the year ended 31 December 2019, mainly due to (i) the decrease in the beneficial rights transfer plan with higher yield measured as the result of the Disposal; and (ii) the RMB75.0 billion directional debt instrument with the yield of 2.25% held by the Bank under the major asset reorganization.

(3) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 10.1% from RMB783,992,000 for the year ended 31 December 2019 to RMB704,814,000 in the Reporting Period, primarily due to the decrease in the average balance of deposits with the central bank. The average balance of funds deposited with the central bank decreased by 9.6% from RMB50,658,032,000 for the year ended 31 December 2019 to RMB45,808,596,000 for the Reporting Period, mainly due to the decrease in the average daily balance of general deposits and the decrease in the average balance of funds deposited with the central bank as a result of the 0.5 percentage point reduction in the statutory deposit reserve ratio during the Reporting Period.

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

Interest income from deposits with banks and other financial institutions decreased by 53.5% from RMB274,390,000 for the year ended 31 December 2019 to RMB127,585,000 in the Reporting Period, mainly due to the decrease in average balance and average yield of the Bank's deposits with banks and other financial institutions, the average balance of the Bank's deposits with banks and other financial institutions decreased by 37.1% to RMB7,616,756,000 for the Reporting Period from RMB12,112,058,000 for the year ended 31 December 2019, which was mainly due to the adjustment of interbank asset structure of the Bank. The average yield decreased from 2.27% for the year ended 31 December 2019 to 1.68% in the Reporting Period, primarily because the Bank shortened the maturity of period deposits with interbank during the Reporting Period and market interest rates was decreased.

(5) Interest income from placements with banks and other financial institutions

Interest income from placements with banks and other financial institutions decreased by 26.7% from RMB378,505,000 for the year ended 31 December 2019 to RMB277,582,000 in the Reporting Period, primarily due to the decrease in the average yield of placements with banks and other financial institutions, partially offset by the increase in interest income due to the increase in the average balance. The average balance of placements with banks and other financial institutions increased by 9.6% from RMB6,241,180,000 for the year ended 31 December 2019 to RMB6,837,451,000 in the Reporting Period, which was mainly due to the increase in transaction volume of RMB business of placements with banks and other financial institutions; the average yield of placements with banks and other financial institutions decreased from 6.06% for the year ended 31 December 2019 to 4.06% in the Reporting Period.

(6) Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements increased by 78.4% to RMB134,629,000 in the Reporting Period from RMB75,467,000 for the year ended 31 December 2019, primarily due to the increase in interest income brought by the increase in average balance of financial assets held under resale agreements, partially offset by the decrease in interest income due to the decline in the average yield. The average balance of financial assets held under resale agreements increased by 133.3% to RMB7,164,898,000 in the Reporting Period from RMB3,070,714,000 for the year ended 31 December 2019, primarily because the Bank increased in size of financial assets held under resale agreements due to the need to balance gains and liquidity management. The average yield decreased from 2.46% for the year ended 31 December 2019 to 1.88% for the Reporting Period, mainly due to the decrease in interest rates in interbank capital market.

(7) Interest income from finance lease receivables

Interest income from finance lease receivables decreased by 50.8% to RMB317,277,000 in the Reporting Period from RMB644,845,000 for the year ended 31 December 2019, primarily due to the decrease in average balance and average yield of finance lease receivables. The average balance of finance lease receivables decreased by 36.7% from RMB8,257,890,000 for the year ended 31 December 2019 to RMB5,227,437,000 for the Reporting Period, mainly due to the increase in credit risks of certain industries and enterprises under the impact of the uncertainty of macroeconomy and the Epidemic, which put pressure on the investment in new projects, and the business recovery progress was accelerated while investment in the finance leasing business slow down. The average yield decreased from 7.81% for the year ended 31 December 2019 to 6.07% for the Reporting Period.

3. Interest expense

The following table sets forth, for the years indicated, the principal components of the Bank's interest expense:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2020		2019	
	Amount	% of total	Amount	% of total
Deposits from customers	14,904,522	53.2	15,355,016	54.0
Deposits from banks and other financial institutions	7,771,528	27.7	7,239,261	25.4
Placements from banks and other financial institutions	469,524	1.7	1,175,230	4.1
Financial assets sold under repurchase agreements	403,614	1.4	757,419	2.7
Debt securities issued	4,472,319	15.9	3,282,233	11.5
Borrowing from the central bank	23,891	0.1	666,284	2.3
Total	28,045,398	100.0	28,475,443	100.0

Interest expense of the Bank decreased by 1.5% from RMB28,475,443,000 for the year ended 31 December 2019 to RMB28,045,398,000 during the Reporting Period, mainly due to the decrease in average balance of interest-bearing liabilities.

(1) Interest expense on deposits from customers

The following table sets forth the average balance, interest expense and average cost for each component of the Bank's deposits from customers:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December					
	2020			2019		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Demand	40,208,710	553,518	1.38	41,345,975	549,778	1.33
Time	55,477,552	1,265,467	2.28	120,235,235	3,608,647	3.00
Subtotal	95,686,262	1,818,985	1.90	161,581,210	4,158,425	2.57
Personal deposits						
Demand	25,146,793	594,554	2.36	23,391,558	539,133	2.30
Time	275,224,872	12,490,983	4.54	249,353,948	10,657,458	4.27
Subtotal	300,371,665	13,085,537	4.36	272,745,506	11,196,591	4.11
Total deposits from customers	396,057,927	14,904,522	3.76	434,326,716	15,355,016	3.54

Interest expense on deposits from customers decreased by 2.9% to RMB14,904,522,000 in the Reporting Period from RMB15,355,016,000 for the year ended 31 December 2019, primarily due to the decrease in the average balance of the Bank's deposits from customers, partially offset by the increase in interest expense caused by the increase in average cost. The average balance of deposits from customers decreased by 8.8% from RMB434,326,716,000 for the year ended 31 December 2019 to RMB396,057,927,000 for the Reporting Period, which was mainly due to the decrease in average balance of the corporate deposits of the Bank during the Reporting Period.

(2) Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions increased by 7.4% to RMB7,771,528,000 in the Reporting Period from RMB7,239,261,000 for the year ended 31 December 2019, primarily due to the increase in the average balance of deposits from banks and other financial institutions. The average balance of deposits with interbank and other financial institutions increased by RMB6,544,279,000 from RMB150,091,537,000 for the year ended 31 December 2019 to RMB156,635,816,000 for the Reporting Period.

(3) Interest expense on placements from banks and other financial institutions

Interest expense on placements from banks and other financial institutions decreased by 60.0% to RMB469,524,000 in the Reporting Period from RMB1,175,230,000 for the year ended 31 December 2019, primarily due to the decrease in the average balance and the average cost of placements from banks and other financial institutions. The average balance of placements from banks and other financial institutions decreased by 48.6% to RMB14,373,567,000 in the Reporting Period from RMB27,939,865,000 for the year ended 31 December 2019, primarily due to the decrease of trade volume of foreign currency placements from banks and other financial institutions by the Bank. The average cost of placements from banks and other financial institutions decreased from 4.21% for the year ended 31 December 2019 to 3.27% in the Reporting Period, which was primarily due to the decrease in the average interest rate in the capital market during the Reporting Period.

(4) Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements decreased by 46.7% to RMB403,614,000 in the Reporting Period from RMB757,419,000 for the year ended 31 December 2019, primarily due to the decrease in average balance and the decline in average cost. The average balance of financial assets sold under repurchase agreements decreased by 44.1% to RMB15,068,002,000 in the Reporting Period from RMB26,950,768,000 for the year ended 31 December 2019, mainly due to the reduction in the transaction volume of financial assets sold under repurchase by the Bank. The average cost of financial assets sold under repurchase agreements decreased to 2.68% in the Reporting Period from 2.81% for the year ended 31 December 2019, primarily due to the decline in the average interest rate in the capital market during the Reporting Period.

(5) Interest expense on debt securities issued

Interest expense on debts securities issued increased by 36.3% to RMB4,472,319,000 in the Reporting Period from RMB3,282,233,000 for the year ended 31 December 2019, which was mainly due to the increase in the average balance of debt securities issued by the Bank and the average cost. The average balance of debt securities issued by the Bank increased by 31.7% to RMB113,884,172,000 in the Reporting Period from RMB86,494,834,000 for the year ended 31 December 2019, which was mainly due to the increase in issuance of interbank certificates of deposit by the Bank. The average cost increased to 3.93% in the Reporting Period from 3.79% for the year ended 31 December 2019, which was mainly due to the increase in the average cost of interbank certificates of deposit.

(6) Interest expense on borrowing from the central bank

During the Reporting Period, the Bank's interest expense on borrowing from the central bank decreased by 96.4% to RMB23,891,000 in the Reporting Period from RMB666,284,000 for the year ended 31 December 2019, primarily due to the decrease in the average balance of borrowing from the central bank. The average balance of borrowings from the central bank decreased by 96.5% from RMB16,175,348,000 for the year ended 31 December 2019 to RMB568,576,000 for the Reporting Period, mainly due to the decrease in the average balance for payment of central bank borrowings as a result of the improvement in liquidity after the completion of the Bank's major asset reorganisation during the Reporting Period.

4. Net interest spread and net interest margin

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

The net interest spread of the Bank decreased to 1.68% in the Reporting Period as compared to 2.29% for the year ended 31 December 2019 and the net interest margin decreased to 1.42% in the Reporting Period as compared to 2.48% for the year ended 31 December 2019, primarily due to the decrease in the average yield of the Bank's interest-earning assets and the increase in the average cost of the interest-bearing liabilities.

5. **Non-interest income**

(1) Net fee and commission income

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December **2020**	2019	Change	Rate of change (%)
Fee and commission income				
Agency services fees	**18,309**	56,579	(38,270)	(67.6)
Settlement and clearing fees	**56,341**	84,912	(28,571)	(33.6)
Wealth management service fees	**129,090**	172,926	(43,836)	(25.3)
Underwriting and advisory fees	**19,209**	49,422	(30,213)	(61.1)
Bank card service fees	**13,922**	11,683	2,239	19.2
Others	**6,882**	46,770	(39,888)	(85.3)
Subtotal	**243,753**	422,292	(178,539)	(42.3)
Fee and commission expense				
Settlement and clearing fees	**34,546**	41,826	(7,280)	(17.4)
Others	**34,517**	148,752	(114,235)	(76.8)
Subtotal	**69,063**	190,578	(121,515)	(63.8)
Net fee and commission income	**174,690**	231,714	(57,024)	(24.6)

The fee and commission income decreased by 42.3% to RMB243,753,000 in the Reporting Period as compared to RMB422,292,000 for the year ended 31 December 2019, primarily due to the decrease in the wealth management service fees of the Bank. The wealth management service fees decreased by 25.3% from RMB172,926,000 for the year ended 31 December 2019 to RMB129,090,000 for the Reporting Period.

Fee and commission expense primarily consists of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense decreased by 63.8% to RMB69,063,000 in the Reporting Period as compared to RMB190,578,000 for the year ended 31 December 2019.

(2) Net trading (losses)/gains

Net trading (losses)/gains primarily comprise net gains or losses from trading financial instruments and financial assets and liabilities designated at fair value through profit or loss. During the Reporting Period, the Bank incurred a net trading loss of RMB118 million and a net trading gain of RMB3,373 million for the year ended 31 December 2019, primarily due to (i) the decrease in the scale of investment business designated at fair value through profit or loss as a result of the Disposal; (ii) the decreased investment size corresponding to the decrease in structured deposit products; and (iii) the price volatility in the bond market.

(3) Dividend income

Dividend income increased by 20.0% to RMB1,440,000 in the Reporting Period from RMB1,200,000 for the year ended 31 December 2019.

(4) Net gains arising from investment securities

Net gains from investment securities decreased by 99.3% to RMB1,721,000 in the Reporting Period from RMB240,556,000 for the year ended 31 December 2019, which was mainly due to the decrease in the size of disposal of investment securities by the Bank during the Reporting Period.

(5) Net foreign exchange losses

Net foreign exchange losses increased by 85.9% to RMB78,105,000 in the Reporting Period from RMB42,008,000 for the year ended 31 December 2019, primarily due to the effect of the changes in the foreign exchange rates.

(6) Other net operating income

Other net operating income increased by 38.5% to RMB28,522,000 in the Reporting Period from RMB20,587,000 for the year ended 31 December 2019, which was mainly due to the addition of government subsidy income from the deferred support instrument for loans to inclusive micro and small enterprises of the Bank during the Reporting Period.

6. Operating expenses

During the Reporting Period, the Bank's operating expenses was RMB3,318,583,000, representing a decrease of RMB443,100,000 or 11.8% from the year ended 31 December 2019.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December **2020**	2019	Change	Rate of change (%)
Staff costs	**1,514,592**	1,857,441	(342,849)	(18.5)
General and administrative expenses	**920,317**	994,043	(73,726)	(7.4)
Tax and surcharges	**307,338**	281,934	25,404	9.0
Depreciation and amortisation	**560,545**	556,207	4,338	0.8
Others	**15,791**	72,058	(56,267)	(78.1)
Total operating expenses	**3,318,583**	3,761,683	(443,100)	(11.8)

(1) Staff costs

The following table sets forth, for the years indicated, the principal components of the Bank's staff costs:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2020	2019	Change	Rate of change (%)
Salaries and bonuses	**1,140,689**	1,350,363	(209,674)	(15.5)
Social insurance	**106,324**	262,470	(156,146)	(59.5)
Housing allowances	**119,959**	110,868	9,091	8.2
Staff welfare	**61,328**	54,435	6,893	12.7
Supplementary retirement benefit	**24,391**	2,425	21,966	905.8
Other long-term staff welfare	**16,199**	24,032	(7,833)	(32.6)
Others	**45,702**	52,848	(7,146)	(13.5)
Total staff costs	**1,514,592**	1,857,441	(342,849)	(18.5)

During the Reporting Period, the staff costs of the Bank were RMB1,514,592,000, representing a decrease of RMB342,849,000 or 18.5% as compared with that for the year ended 31 December 2019, which was mainly due to the decrease in human resource costs resulting from the decreased remuneration of employees of the Bank and the reduction of state social insurance premiums paid during the Epidemic.

(2) General and administrative expenses

General and administrative expenses decreased by 7.4% to RMB920,317,000 in the Reporting Period as compared to RMB994,043,000 for the year ended 31 December 2019, primarily because the Bank enhanced cost control.

(3) Tax and surcharges

The Bank's tax and surcharges increased by 9.0% to RMB307,338,000 in the Reporting Period from RMB281,934,000 for the year ended 31 December 2019.

(4) Depreciation and amortisation

Depreciation and amortisation increased by 0.8% to RMB560,545,000 in the Reporting Period from RMB556,207,000 for the year ended 31 December 2019, primarily because the Bank promoted its financial technology-led innovation strategy, and increased investment in the technology during the Reporting Period, which resulted in an increase in the corresponding amortization amount of the assets.

(5) Others

Other operating expense of the Bank decreased by 78.1% to RMB15,791,000 in the Reporting Period from RMB72,058,000 for the year ended 31 December 2019.

7. Impairment losses on assets

The following table sets forth, for the years indicated, the principal components of the Bank's impairment losses on assets:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2020	2019
Loans and advances to customers	**5,690,829**	21,182,057
Deposits and placements with banks and other financial institutions	**(110,757)**	366,436
Financial assets at fair value through other comprehensive income	**104,985**	(4,717)
Financial assets measured at amortised cost	**(510,109)**	3,879
Finance lease receivables	**428,219**	401,341
Credit commitments	**(203,029)**	(1,117,372)
Other assets	**262,425**	14,496
Total	**5,662,563**	20,846,120

Impairment losses on assets decreased by 72.8% to RMB5,662,563,000 in the Reporting Period from RMB20,846,120,000 for the year ended 31 December 2019, mainly due to a decrease in impairment loss on assets for the Reporting Period as a result of the decrease in non-performing loans of the Bank benefiting from the Disposal.

8. Income tax (expense)/credit

During the Reporting Period, the Bank's income tax expense was RMB174,620,000, and the income tax credit was RMB327,858,000 for the year ended 31 December 2019.

(II) Analysis of the statement of financial position

1. Assets

As at the end of the Reporting Period, the Bank had total assets of RMB777,992,324,000, decreased by 7.0% from RMB836,694,191,000 as at 31 December 2019. The principal components of the assets as at the end of the Reporting Period were (i) loans and advances to customers; (ii) investment securities and other financial assets; and (iii) cash and deposits with the central bank, accounting for 63.7%, 23.2% and 7.2% of the Bank's total assets as at the end of the Reporting Period, respectively. The table below sets forth balances of the principal components of the Bank's total assets as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020 Amount	% of total	As at 31 December 2019 Amount	% of total
Assets				
Total loans and advances to customers	**496,749,748**	**63.8**	489,116,947	58.5
Interests receivable on loans and advances to customers	**19,147,848**	**2.5**	6,916,601	0.8
Provision for impairment losses on loans and advances to customers	**(20,433,399)**	**(2.6)**	(43,338,037)	(5.2)
Net loans and advances to customers	**495,464,197**	**63.7**	452,695,511	54.1
Net investments securities and other financial assets(1)	**180,701,450**	**23.2**	232,866,405	27.8
Cash and deposits with the central bank	**55,826,576**	**7.2**	105,176,537	12.6
Deposits with banks and other financial institutions	**4,748,291**	**0.6**	8,301,592	1.0
Financial assets held under resale agreements	**4,273,751**	**0.5**	–	–
Placements with banks and other financial institutions	**6,062,898**	**0.8**	5,643,864	0.6
Finance lease receivables	**3,248,825**	**0.4**	6,408,314	0.8
Other assets(2)	**27,666,336**	**3.6**	25,601,968	3.1
Total assets	**777,992,324**	**100.0**	836,694,191	100.0

Notes:

(1) Include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

(2) Includes property and equipment, deferred income tax assets, derivative financial assets, right-of-use assets and others.

(1) Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers were RMB496,749,748,000, representing an increase of 1.6% as compared to that as at 31 December 2019. Total loans and advances to customers at the end of the Reporting Period accounted for 63.8% of the Bank's total assets, representing an increase of 5.3 percentage points as compared to that as at 31 December 2019.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Corporate loans and advances	**467,387,803**	**94.1**	478,058,240	97.7
Personal loans	**10,129,459**	**2.0**	10,832,280	2.2
Discounted bills	**19,232,486**	**3.9**	226,427	0.1
Total loans and advances to customers	**496,749,748**	**100.0**	489,116,947	100.0

The Bank's total loans and advances to customers primarily comprise corporate loans and advances, personal loans and discounted bills. Corporate loans and advances are the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as at 31 December 2019, the Bank's corporate loans and advances amounted to RMB467,387,803,000 and RMB478,058,240,000, accounting for 94.1% and 97.7% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans and advances decreased by 2.2% from RMB478,058,240,000 as at 31 December 2019 to RMB467,387,803,000 as at the end of the Reporting Period. The Bank's personal loans mainly comprise personal business loans, personal consumption loans, residential and commercial mortgage loans, credit card overdrafts and other personal loans. At the end of the Reporting Period, the balance of personal loans amounted to RMB10,129,459,000 (accounting for 2.0% of the total loans and advances to customers), representing a decrease of RMB702,821,000 or 6.5% as compared to that as at 31 December 2019, which was mainly due to the Bank's restructuring of its loan business in accordance with its risk management strategy, which resulted in a decrease in large personal business loans.

A. Loans by collateral

As at the end of the Reporting Period and as at 31 December 2019, collateralised loans, pledged loans or guaranteed loans of the Bank represented, in aggregate, 89.9% and 96.5%, respectively, of the Bank's total loans and advances to customers. If a loan is secured by more than one form of security interest, the entire amount of such loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2020**		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Unsecured loans	**49,932,378**	**10.1**	17,138,867	3.5
Guaranteed loans	**247,673,798**	**49.8**	260,445,235	53.2
Collateralised loans	**122,970,446**	**24.8**	147,589,293	30.2
Pledged loans	**76,173,126**	**15.3**	63,943,552	13.1
Total loans and advances to customers	**496,749,748**	**100.0**	489,116,947	100.0

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB199,143,572,000 (accounting for 40.1% of the total loans and advances to customers), representing a decrease of RMB12,389,273,000 or 5.9% as compared to that as at 31 December 2019. The balance of unsecured and guaranteed loans was RMB297,606,176,000 (accounting for 59.9% of the total loans and advances to customers), representing an increase of RMB20,022,074,000 or 7.2% as compared to that as at 31 December 2019.

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

(i) Changes of provision for impairment losses on loans and advances to customers measured at amortised cost for the Reporting Period are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2020 ECL over the next 12 months	Lifetime ECL -not credit-impaired loans	Lifetime ECL -Credit-impaired loans	Total
As at 1 January 2020	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)
Transferred：				
– to the expected credit loss ("**ECL**") over the next 12 months	(244,198)	150,564	93,634	–
– to lifetime ECL- not credit-impaired loans	676,165	(865,055)	188,890	–
– to lifetime ECL- credit-impaired loans	224,062	263,763	(487,825)	–
Net charge for the year	(855,369)	(1,890,762)	(2,944,698)	(5,690,829)
Write-offs	477,089	3,497,640	24,620,738	28,595,467
As at 31 December 2020	**(11,873,361)**	**(3,157,902)**	**(5,402,136)**	**(20,433,399)**

(ii) Changes of provision for impairment losses on loans and advances to customers at fair value through other comprehensive income for the Reporting Period are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2020 ECL over the next 12 months	Lifetime ECL -not credit-impaired loans	Lifetime ECL -Credit-impaired loans	Total
As at 1 January 2020	(5,134)	–	–	(5,134)
Net charge for the year	(937)	–	–	(937)
As at 31 December 2020	**(6,071)**	**–**	**–**	**(6,071)**

(iii) Changes of provision for impairment losses on loans and advances to customers at amortised cost for the year ended 31 December 2019 are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2019 ECL over the next 12 months	Lifetime ECL -not credit- impaired loans	Lifetime ECL -Credit- impaired loans	Total
As at 1 January 2019	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
Transferred：				
– to ECL over the next 12 months	(4,182,527)	3,342,190	840,337	–
– to lifetime ECL- not credit- impaired loans	113,521	(3,826,601)	3,713,080	–
– to lifetime ECL- credit- impaired loans	345,649	1,186,374	(1,532,023)	–
Net (charge)/release for the year	(2,756,326)	1,268,789	(19,694,520)	(21,182,057)
Write-offs	–	–	736,095	736,095
As at 31 December 2019	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)

(iv) Changes of provision for impairment losses on loans and advances to customers at fair value through other comprehensive income for the year ended 31 December 2019 are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2019 ECL over the next 12 months	Lifetime ECL -not credit- impaired loans	Lifetime ECL -Credit- impaired loans	Total
As at 1 January 2019	(11,586)	–	–	(11,586)
Net release for the year	6,452	–	–	6,452
As at 31 December 2019	(5,134)	–	–	(5,134)

Provision for impairment losses on loans decreased by 52.8% from RMB43,343,171,000 as at 31 December 2019 to RMB20,439,470,000 as at the end of the Reporting Period, primarily due to a decrease in provision for impairment losses on loans disposed of as a result of the Disposal.

(2) Investment securities and other financial assets

Investment securities and other financial assets consist of debt investments, equity investments, investments in wealth management products and financial assets measured at amortised cost. As at the end of the Reporting Period and as at 31 December 2019, the Bank had net investment securities and other financial assets of RMB180,701,450,000 and RMB232,866,405,000, accounting for 23.2% and 27.8% of the Bank's total assets at the time, respectively.

The following table sets out the composition of investment securities and other financial assets (interests receivable not included) as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Debt investments	**122,968,905**	**70.7**	65,047,599	28.4
Financial assets at fair value through profit or loss	23,012,083	13.2	48,869,919	21.3
Financial assets at fair value through other comprehensive income	20,354,654	11.7	11,196,501	4.9
Financial assets measured at amortised cost	79,613,015	45.8	4,993,287	2.2
Provision for impairment losses on debt investments	(10,847)	0.0	(12,108)	0.0
Equity investments	**1,322,180**	**0.8**	1,231,496	0.5
Financial assets at fair value through other comprehensive income	1,322,180	0.8	1,231,496	0.5
Wealth management products investments	**8,024**	**0.0**	6,287,252	2.7
Financial assets at amortised cost (other than debt investments)	**49,600,186**	**28.5**	156,778,573	68.4
Beneficial interest transfer plans	54,575,270	31.4	165,999,362	72.4
Provision for impairment losses on financial assets measured at amortised cost (other than debt investments)	(4,975,084)	(2.9)	(9,220,789)	(4.0)
Net investments	**173,899,295**	**100.0**	229,344,920	100.0

As at the end of the Reporting Period, the Bank's net investment securities and other financial assets (interests receivable not included) amounted to RMB173,899,295,000, representing a decrease of 24.2% from RMB229,344,920,000 as at 31 December 2019, which was mainly attributable to (i) a decrease in the size of beneficial interest transfer plans measured at amortised cost and debt investments at fair value through profit or loss as a result of the Disposal; (ii) the Bank's reclassification of the business type of certain beneficial interest transfer plans measured at amortised cost to loans; and (iii) the decreased investment size in wealth management products.

2. Liabilities

As at the end of the Reporting Period and as at 31 December 2019, the Bank's total liabilities amounted to RMB706,750,144,000 and RMB777,188,742,000, respectively. The Bank's liabilities mainly comprise (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities issued, accounting for 62.1%, 19.1% and 10.1%, respectively, of the Bank's total liabilities as at the end of the Reporting Period.

The following table sets forth the compositions of the Bank's total liabilities as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2020**		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Deposits from customers	**439,223,670**	**62.1**	407,112,779	52.4
Deposits from banks and other financial institutions	**135,044,341**	**19.1**	178,117,754	22.9
Financial assets sold under repurchase agreements	**35,102,853**	**5.0**	10,106,602	1.3
Debt securities issued	**71,270,006**	**10.1**	110,108,837	14.2
Placements from banks and other financial institutions	**22,645,854**	**3.2**	27,731,363	3.6
Financial liabilities at fair value through profit or loss	**7,822**	**0.0**	6,282,210	0.8
Other liabilities (1)	**3,455,598**	**0.5**	37,729,197	4.8
Total	**706,750,144**	**100.0**	777,188,742	100.0

Note:

(1) Includes borrowings from the central bank, negative fair value of derivatives, accrued staff costs, taxes payable, lease liabilities, provisions and other liabilities.

(1) Deposits from customers

The Bank provides demand and time deposit products for corporate and personal customers. The table below sets forth deposits from customers and product types as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand	44,996,160	10.5	44,619,637	11.3
Time	56,239,340	13.1	74,517,612	18.8
Subtotal	101,235,500	23.6	119,137,249	30.1
Personal deposits				
Demand	25,422,058	5.9	24,407,499	6.2
Time	302,415,488	70.5	252,765,638	63.7
Subtotal	327,837,546	76.4	277,173,137	69.9
Total	429,073,046	100.0	396,310,386	100.0

As at the end of the Reporting Period, the Bank's total deposits from customers (interests payable not included) amounted to RMB429,073,046,000, representing an increase of RMB32,762,660,000 or 8.3% as compared to that as at 31 December 2019.

(2) Deposits from banks and other financial institutions

The counterparties of the Bank's deposits from the banks and other financial institutions mainly includes domestic banks and other financial institutions. The following table sets out the composition of the counterparties of the Bank's deposits from the banks and other financial institutions as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2020**		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Deposits in Mainland China				
– Banks	**14,206,220**	**10.6**	50,154,053	28.4
– Other financial institutions	**119,438,149**	**89.4**	126,524,695	71.6
Total	**133,644,369**	**100.0**	176,678,748	100.0

As at the end of the Reporting Period, the Bank's total deposits from the banks and other financial institutions (interests payable not included) amounted to RMB133,644,369,000, representing a decrease of RMB43,034,379,000 or 24.4% as compared to that as at 31 December 2019.

(3) Debt securities issued

Upon the approval of the Former CBRC and the PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of the Former CBRC and the PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

As at the end of the Reporting Period and as at 31 December 2019, the Bank issued 56 and 120 tranches of RMB negotiable certificates of deposit which were not matured, the balances of which were RMB64,623 million and RMB103,454 million, respectively.

3. Shareholders' equity

The following table sets forth the composition of the equity of the Shareholders of the Bank as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Share capital	**13,981,616**	**19.6**	7,781,616	13.1
Other equity instruments				
Including: offshore preference shares	**9,897,363**	**13.9**	9,897,363	16.6
Capital reserve	**26,493,374**	**37.2**	20,583,321	34.6
Surplus reserve	**3,056,744**	**4.3**	2,994,679	5.0
General reserve	**11,800,217**	**16.6**	11,800,217	19.8
Retained earnings	**2,429,877**	**3.4**	2,614,222	4.4
Total equity attributable to equity shareholders of the parent company	**67,659,191**	**95.0**	55,671,418	93.5
Non-controlling interests	**3,582,989**	**5.0**	3,834,031	6.5
Total equity	**71,242,180**	**100.0**	59,505,449	100.0

(III) Loans quality analysis

1. Breakdown of loans by the five-category classification

The Bank's non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at the end of the Reporting Period, the non-performing loans recorded by the Bank amounted to RMB10,287,901,000. The Bank's total provision for impairment losses on loans to customers measured at amortised cost and at fair value through other comprehensive income was RMB20,439,470,000. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Normal	**435,176,427**	**87.6**	376,304,315	76.9
Special mention	**51,285,420**	**10.3**	75,127,596	15.4
Substandard	**7,896,270**	**1.7**	28,725,027	5.8
Doubtful	**2,165,296**	**0.4**	8,171,797	1.7
Loss	**226,335**	**0.0**	788,212	0.2
Total loans and advances to customers	**496,749,748**	**100.0**	489,116,947	100.0
Non-performing loans	**10,287,901**	**2.07**	37,685,036	7.70

As at the end of Reporting Period and as at 31 December 2019, the non-performing loan ratios of the Bank were 2.07% and 7.70%, respectively. The Bank's non-performing loan ratio as at the end of Reporting Period is 5.63 percentage points lower than that as at 31 December 2019, primarily due to the decrease in the balance of non-performing loans after the completion of the Disposal during the Reporting Period.

2. Concentration of loans

(1) Concentration of loans by industry and non-performing loans

Loans consist of loans to customers in various industries. The table below sets forth the breakdown of loans of the Bank by industry and the non-performing loans as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020 Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)	As at 31 December 2019 Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans and advances								
Wholesale and retail trade	226,013,818	45.5	1,578,667	0.70	227,296,037	46.6	9,308,652	4.10
Manufacturing	102,602,634	20.7	1,457,915	1.42	97,315,189	19.9	8,821,596	9.06
Leasing and commercial services	35,403,695	7.1	82,920	0.23	43,653,896	8.9	4,704,812	10.78
Real estate	28,161,856	5.7	1,535,190	5.45	35,035,141	7.2	5,733,428	16.36
Transportation, storage and postal services	10,487,171	2.1	34,737	0.33	10,793,156	2.2	2,642,941	24.49
Construction	8,466,842	1.7	702,144	8.29	4,541,158	0.9	457,542	10.08
Education	6,492,654	1.3	–	–	7,197,553	1.5	4,160	0.06
Electricity, gas and water production and supply	5,153,481	1.0	244,445	4.74	6,600,856	1.3	668,710	10.13
Water, environment and public utility management	4,300,240	0.9	165,400	3.85	3,602,950	0.7	428,000	11.88
Public management and social organization	4,019,490	0.8	–	–	4,146,060	0.8	–	–
Scientific research and technical services	3,541,040	0.7	–	–	7,298,272	1.5	–	–
Mining	1,946,980	0.4	43,500	2.23	5,139,382	1.1	1,387,501	27.00
Agriculture, forestry, animal husbandry and fishery	1,040,773	0.2	590,807	56.77	1,166,923	0.2	366,780	31.43
Others	29,757,129	6.0	993,570	3.34	24,271,667	5.0	736,825	3.04
Subtotal	467,387,803	94.1	7,429,295	1.59	478,058,240	97.8	35,260,947	7.38
Discounted bills	19,232,486	3.9	–	–	226,427	0.0	–	–
Personal loan	10,129,459	2.0	2,858,606	28.22	10,832,280	2.2	2,424,089	22.38
Total	496,749,748	100.0	10,287,901	2.07	489,116,947	100.0	37,685,036	7.70

As at the end of the Reporting Period, loans and advances offered to customers in the industries of (i) wholesale and retail trade; (ii) manufacturing; and (iii) leasing and commercial services represented the largest components of the Bank's corporate loans and advances. As at the end of the Reporting Period and as at 31 December 2019, the balance of loans and advances provided to the corporate customers in the aforesaid three industries was RMB364,020,147,000 and RMB368,265,122,000 respectively, accounting for 73.3% and 75.4% of the total corporate loans and advances issued by the Bank, respectively. From the perspective of the structure of increased volume, the manufacturing industry experienced the largest increment, representing an increase of RMB5,287,445,000 or 5.4%. During the Reporting Period, the Bank gave full play to the active role of financial institutions in strategic transformation, adjusted its strategic positioning, comprehensively enhanced its ability to serve the real economy, focused on increasing support on strategic emerging industries, high-tech enterprises, industrial foundation projects and small and micro enterprises, especially focusing on key industries, key enterprises and key projects such as advanced equipment manufacturing in the province, continued to optimize the allocation of risky asset portfolios, and made dynamic adjustments to key industries such as the real estate industry, mining industry and key sunset industries.

In terms of changes in non-performing loans, the aforesaid three sectors recorded the highest decrease in non-performing loans, mainly due to the decrease in scale of non-performing loans as a result of the completion of the Disposal by the Bank during the Reporting Period. Meanwhile, the non-performing loans rate of agriculture, forestry, animal husbandry and fishery industries increased due to the double-edged impact of economic slowdown and the Epidemic.

(2) Borrower concentration

Loans to the ten largest single borrowers

The table below sets forth the borrowing amounts of the ten largest single borrowers of the Bank as at the end of the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)		As at 31 December 2020	
Customer	Industry involved	Amount	% of total
Customer A	Manufacturing	9,000,000	1.8
Customer B	Manufacturing	8,014,520	1.6
Customer C	Manufacturing	5,446,000	1.1
Customer D	Manufacturing	5,171,250	1.0
Customer E	Manufacturing	4,998,000	1.0
Customer F	Manufacturing	3,947,470	0.8
Customer G	Leasing and commercial services	3,761,600	0.8
Customer H	Manufacturing	3,665,030	0.7
Customer I	Real estate	3,468,000	0.7
Customer J	Wholesale and retail trade	3,294,000	0.7

(3) Distribution of non-performing loans by product type

The table below sets forth the loans and non-performing loans of the Bank by product type as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020 Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	As at 31 December 2019 Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans and advances						
Small enterprises and micro enterprises	**262,489,819**	**4,387,352**	**1.67**	233,027,838	18,850,264	8.09
Medium enterprises	**127,941,430**	**1,657,203**	**1.30**	138,812,040	8,513,635	6.13
Others	**76,956,554**	**1,384,740**	**1.80**	106,218,362	7,897,048	7.43
Subtotal	**467,387,803**	**7,429,295**	**1.59**	478,058,240	35,260,947	7.38
Discounted bills	**19,232,486**	**–**	**–**	226,427	–	–
Personal loans						
Personal business loans	**7,461,706**	**2,792,119**	**37.42**	8,844,841	2,362,879	26.71
Personal consumption loans	**345,922**	**22,915**	**6.62**	468,807	26,330	5.62
Residential and commercial properties mortgage loans	**2,085,147**	**38,474**	**1.85**	1,349,141	31,013	2.30
Credit card overdrafts	**236,472**	**4,886**	**2.07**	169,203	3,579	2.12
Others	**212**	**212**	**100.00**	288	288	100.00
Subtotal	**10,129,459**	**2,858,606**	**28.22**	10,832,280	2,424,089	22.38
Total	**496,749,748**	**10,287,901**	**2.07**	489,116,947	37,685,036	7.70

The non-performing loan ratio, which is the total non-performing loans divided by the Bank's total loans and advances to customers, was 2.07% as at the end of the Reporting Period, representing a decrease of 5.63 percentage points as compared to 7.70% as at 31 December 2019.

As at the end of the Reporting Period, the non-performing loan ratio of the Bank's corporate loans and advances was 1.59%, representing a decrease of 5.79 percentage point as compared with 7.38% as at 31 December 2019, which was mainly due to the amount of the non-performing loan decreased after the completion of the Disposal by the Bank.

As at the end of the Reporting Period, the non-performing loan ratio of the Bank's personal loans was 28.22%, representing an increase of 5.84 percentage points as compared with 22.38% as at 31 December 2019, which was mainly due to (i) the decrease in total personal loans as the Bank adjusted its business structure to reduce personal business loans in accordance with its risk management strategy; and (ii) difficulties in the operation of some personal customers due to the impact of the uncertainty of the macroeconomy.

(4) *Overdue loans and advances to customers*

The table below sets forth the ageing analysis of the Bank's overdue loans and advances to customers as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2020**		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Overdue within 3 months (inclusive)	**5,784,530**	**37.0**	16,667,171	24.6
Overdue more than 3 months to 6 months (inclusive)	**1,026,346**	**6.6**	31,803,148	47.0
Overdue more than 6 months to 1 year (inclusive)	**2,583,149**	**16.5**	12,698,969	18.7
Overdue more than 1 year	**6,237,456**	**39.9**	6,561,687	9.7
Total overdue loans and advances to customers	**15,631,481**	**100.0**	67,730,975	100.0

The Bank adopts a prudent classification standard for overdue loans and advances, and the ratio of non-performing loans and advances to loans and advances overdue for more than 90 days is 1.04.

(IV) Analysis on capital adequacy ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Measures for Administration on Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since 1 January 2013) promulgated by the Former CBRC. As at the end of the Reporting Period, the Bank's core tier-one capital adequacy ratio was 8.23%, representing an increase of 3.08 percentage points as compared to that as at 31 December 2019; the tier-one capital adequacy ratio was 9.65%, representing an increase of 3.18 percentage points as compared to that as at 31 December 2019; the capital adequacy ratio was 11.76%, representing an increase of 3.67 percentage points as compared to that as at 31 December 2019. During the Reporting Period, the increase of capital adequacy ratio was mainly due to (i) the completion of the Proposed Private Placement increasing the Bank's core tier-one capital; (ii) the decrease in provision for impairment loss on assets led to the decrease in other net deferred tax assets that depended on the bank's future profits, increasing the net core tier-one capital; (iii) the decrease in non-performing loans, which led to the increase in the surplus provision for loan impairment included in tier-two capital, increasing the tier-two capital; and (iv) the Disposal and the Debt Instrument Subscription leading to the decrease in the Bank's total risk-weighted assets.

The table below sets forth the relevant information of the Bank's capital adequacy ratio as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2020**	As at 31 December 2019
Core tier-one capital		
– Share capital	**13,981,616**	7,781,616
– Qualifying portion of capital reserve	**26,487,305**	20,578,189
– Surplus reserve	**3,056,744**	2,994,679
– General reserve	**11,800,217**	11,800,217
– Retained earnings	**2,429,877**	2,614,222
– Qualifying portions of non-controlling interests	**310,897**	583,418
Core tier-one capital deductions		
– Other intangible assets other than land use right	**(258,890)**	(255,880)
– Other net deferred tax assets that depend on the Bank's future bank earnings	**–**	(7,231,939)
Net core tier-one capital	**57,807,766**	38,864,522
Other tier-one capital	**9,938,816**	9,975,152
Net tier-one capital	**67,746,582**	48,839,674
Tier-two capital		
– Instruments issued and share premium	**6,500,000**	6,500,000
– Surplus provision for loan impairment	**8,238,503**	5,553,557
– Qualifying portions of non-controlling interests	**82,906**	146,726
Net capital base	**82,567,991**	61,039,957
Total risk weighted assets	**702,372,570**	754,499,591
Core tier-one capital adequacy ratio(1)	**8.23%**	5.15%
Tier-one capital adequacy ratio(2)	**9.65%**	6.47%
Capital adequacy ratio	**11.76%**	8.09%

Notes:

(1) Core tier-one capital adequacy ratio = (core tier-one capital-corresponding capital deductions)/risk weighted assets.

(2) Tier-one capital adequacy ratio = (tier-one capital-corresponding capital deductions)/risk-weighted assets.

(V) Analysis of the cash flow

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December		
	2020	2019	Change in amount
Sub-total of cash inflow from operating activities	**89,495,822**	109,955,940	(20,460,118)
Subtotal of cash outflow from operating activities	**(159,980,915)**	(180,856,861)	20,875,946
Net cash flows used in operating activities	**(70,485,093)**	(70,900,921)	415,828
Subtotal of cash inflow from investing activities	**156,045,348**	223,411,446	(67,366,098)
Subtotal of cash outflow from investing activities	**(102,224,146)**	(121,769,989)	19,545,843
Net cash flows from investing activities	**53,821,202**	101,641,457	(47,820,255)
Subtotal of cash inflow from financing activities	**264,467,369**	182,834,970	81,632,399
Subtotal of cash outflow from financing activities	**(296,417,244)**	(165,865,887)	(130,551,357)
Net cash flows (used in)/from financing activities	**(31,949,875)**	16,969,083	(48,918,958)
Effect of changes in foreign exchange rate on cash and cash equivalents	**(79,351)**	(61,364)	(17,987)
Net (decrease)/increase in cash and cash equivalents	**(48,693,117)**	47,648,255	(96,341,372)

During the Reporting Period, the net cash outflow used in operating activities was RMB70,485 million. Of which, cash inflow was RMB89,496 million, representing a decrease of RMB20,460 million as compared with the previous year, mainly due to the decrease in net increase in borrowings from the central bank; cash outflow was RMB159,981 million, representing a decrease of RMB20,876 million as compared with the previous year, mainly due to the decrease in net decrease in deposits from customers.

During the Reporting Period, the net cash inflow from investing activities was RMB53,821 million, of which the cash inflow was RMB156,045 million, representing a decrease of RMB67,366 million as compared with the previous year, mainly due to the decrease in cash flow received from the recovery of investments resulted from the decreased investment scale; the cash outflow was RMB102,224 million, representing a decrease of RMB19,546 million as compared with the previous year, mainly due to the decrease in cash outflow from investment payments resulted from the decreased investment scale.

During the Reporting Period, the net cash outflow used in financing activities was RMB31,950 million, of which cash inflow was RMB264,467 million, representing an increase of RMB81,632 million as compared with the previous year, mainly due to the increase in cash inflow received from bond issuance; cash outflow was RMB296,417 million, representing an increase of RMB130,551 million as compared with the previous year, mainly due to the increase of the cash outflows in settlement of the principal of due bonds.

(VI) Segment information

1. Summary of geographical segment

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches that generates the income. Substantially most of the Bank's businesses are conducted in the PRC and the Bank classifies its businesses in the PRC into the following three major geographical regions:

(A) Jinzhou region: the Bank's headquarters, Jinzhou branch, Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司) and Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司).

(B) Other northeastern China region (excluding Jinzhou region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch, Liaoyang branch, Huludao branch, Benxi branch, Yingkou branch, Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Huanren Jinyin Village and Township Bank Co., Ltd. (遼寧桓仁錦銀村鎮銀行股份有限公司) and Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司).

(C) Northern China region: Beijing branch and Tianjin branch.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2020		2019	
	Amount	**% of total**	Amount	% of total
Operating income				
Jinzhou region	**4,723,860**	**50.8**	17,368,117	75.0
Other Northeastern China region	**3,240,386**	**34.8**	3,416,561	14.7
Northern China region	**1,345,047**	**14.4**	2,385,021	10.3
Total	**9,309,293**	**100.0**	23,169,699	100.0

2. **Summary of business segment**

The Bank manages its businesses through different business segments divided by business lines and geographical areas. Consistent with the way in which information is reported internally to the Bank's management for the purposes of resource allocation and performance assessment, the Bank determined the following reporting segments based on the business segments:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2020		2019	
	Amount	**% of total**	Amount	% of total
Operating income				
Corporate banking business	**11,089,334**	**119.1**	12,895,468	55.7
Retail banking business	**734,653**	**7.9**	1,673,037	7.2
Treasury business	**(2,541,196)**	**(27.3)**	8,580,607	37.0
Others	**26,502**	**0.3**	20,587	0.1
Total	**9,309,293**	**100.0**	23,169,699	100.0

(VII) Off-balance sheet items

The Bank's off-balance sheet items include credit commitment and other off-balance sheet items. Credit commitment mainly includes acceptances, letters of credit, letters of guarantees, loan commitments and credit card commitments. Other off-balance sheet items include capital expenditure commitments. The following table sets forth the Bank's credit commitments and other off-balance sheet items as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2020**	As at 31 December 2019
Acceptances	**81,509,790**	119,543,175
Letters of credit	**1,399,829**	4,496,980
Letters of guarantees	**188,228**	99,443
Loan commitments	**352,286**	2,359,907
Credit card commitments	**1,599,581**	837,508
Subtotal	**85,049,714**	127,337,013
Capital expenditure commitments	**39,813**	47,169
Subtotal	**39,813**	47,169
Total	**85,089,527**	127,384,182

V. Business Overview

(I) Corporate banking

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2020	2019	Rate of change (%)
External net interest income	**21,822,591**	23,948,114	(8.9)
Internal net interest expense	**(10,770,233)**	(11,096,764)	(2.9)
Net interest income	**11,052,358**	12,851,350	(14.0)
Net fee and commission income	**35,650**	44,131	(19.2)
Net foreign exchange losses	**–**	(13)	(100.0)
Other net operating income	**1,326**	–	–
Operating expenses	**(1,139,353)**	(1,082,988)	5.2
Impairment losses on assets	**(2,827,238)**	(20,041,678)	(85.9)
Segment profit/(loss) before tax	**7,122,743**	(8,229,198)	(186.6)
Depreciation and amortisation	**(225,685)**	(171,212)	31.8
Capital expenditure	**63,722**	492,115	(87.1)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020	As at 31 December 2019	Rate of change (%)
Segment assets	**490,177,622**	450,446,832	8.8
Segment liabilities	**102,233,121**	164,813,489	(38.0)

1. Corporate deposits

During the Reporting Period, the Bank took initiative to adjust the business structure and lower the interest costs on corporate deposits, create products and system for the corporate deposit business, support stable and healthy development of the corporate deposit business. The Bank persists in the dominant role of low-cost core deposits to enhance pricing management of deposit products and optimize the structure of deposits to lay a solid foundation of deposit and diversify our source of deposits. As at the end of the Reporting Period, total corporate deposits of the Bank (excluding interests payable) amounted to RMB101,235,500,000, of which, corporate demand deposits amounted to RMB44,996,160,000, accounting for 44.4% of total corporate deposits; corporate time deposits amounted to RMB56,239,340,000, accounting for 55.6% of total corporate deposits.

2. Corporate loans and advances

During the Reporting Period, the Bank closely focused on its strategic development plan, adhered to the guideline of making steady progress, and deeply implemented the new development concept of "compliance, innovation, coordination and quality"; continuously improved the comprehensive risk management system, and effectively enhanced its risk control capability and its level of financial services. As at the end of the Reporting Period, corporate loans and advances of the Bank amounted to RMB467,387,803,000, representing an decrease of RMB10,670,437,000 or 2.2% as compared to that as at 31 December 2019. To cope with the impact of the Epidemic, the Bank has launched the "Chunjin Plan"（春錦計劃）to effectively help enterprises relieve cash flow and cost pressure in the short term, and taken practical actions to assist enterprises resume work and production and hence stabilizing the development of the local economy.

3. Discounted bills

During the Reporting Period, the Bank reasonably increased the scale of direct bill discounting business for supporting the development of the real economy in accordance with the regulatory requirements and changes in the bill market, while taking into account the Bank's asset liquidity, credit scale and various risks. At the same time, the Bank's interbank market acceptance rate improved and the scale of rediscounting business recovered relatively quickly. As at the end of the Reporting Period, discounted bills amounted to RMB19,232,486,000, representing an increase of RMB19,006,059,000 as compared to that as at 31 December 2019.

4. International business

During the Reporting Period, the Bank has always adhered to a customer-centric service philosophy. By combining traditional loan-deposit products with trade finance products and financial derivative instruments, the Bank offered customers with flexible and diverse financial product services, insisted on compliant operations and continuously improved the Bank's integrated financial service capabilities.

As affected by the COVID-19 Epidemic, the international business of the Bank slowed down with international settlement amount of USD1.623 billion. Agency channel development and inter-bank cooperation, have continuously improved and its agency network covered 54 countries and regions, comprising 465 agencies. The Bank catered to customers' needs of settlement and finance.

(II) Inclusive Financial Business

1. Business Overview

During the Reporting Period, in order to fully implement regulatory agency' s requirements to establish the "Five Specialty" inclusive finance management mechanism, the Bank renamed from the original "Three Small" business management department to inclusive finance business department, classified and managed "Three Small" business in accordance with the regulatory agency's directions on inclusive finance so as to enhance refined management levels. Adhering to the original intention of returning to the "three services" orientation of urban commercial banks, the Bank continued to focus on business management and service, deeply rooted in the local small and micro enterprise market, and built a featured urban commercial bank with high adaptability and strong competitiveness in inclusive financial business. Focusing on the financing needs of small and micro enterprises, small and micro business owners and individual businesses with a financing need of less than RMB10.00 million, the Bank implemented differentiated development strategies based on regional characteristics and core customer groups. During the Reporting Period, the loan growth rate of the Bank's inclusive finance business was higher than the growth rate of all loans. Customer financing costs and loan risks were effectively controlled and reduced, and fully achieved the "two increases and two controls" regulatory requirements.

As at the end of the Reporting Period, the balance of loans for small and micro enterprises (including small and micro enterprises, owners of small and micro enterprise and individual industrial and commercial entities) of the Bank (excluding subsidiaries) amounted to RMB217,361,811,000 with 4,443 small and micro enterprise customers with average interest rate of 7.29%; during the Reporting Period, a total of RMB112,023,835,000 was lent to small and micro enterprises (including small and micro enterprises, small and micro business owners and individual businesses), and the number of cumulative small and micro enterprise customers was 2,704. As at the end of the Reporting Period, in addition to the headquarters, the Bank (excluding its subsidiaries) had 217 service points in total, including 15 branches, 194 sub-branches, 6 mini/community subbranches and 1 specialized institution.

2. Development Measures

Optimize the organizational structure and set up a professional line of inclusive finance. The headquarter and branches of the Bank set up an inclusive finance business department, and sub-branches set up a professional inclusive finance team, so as to realize professional line management of inclusive finance business. The professional line establishes a mechanism of "willing to lend, dare to lend, able to lend, and will lend" and separates marketing and business operations functions as well as positions, standardizes the business review mechanism, quickly screen and provide feedback, realizes risk pre-disclosure, and improves business effectiveness of approvals, improves inclusive customer experience, reduces costs, and improves output.

Establish an incentive mechanism and actively fulfill social responsibilities. A "dual incentive" mechanism based on "special marketing funds plus special product rewards" has been established by the Bank to implement internal fund transfer pricing discounts for inclusive financial loans. The Bank returns business to the market and its origins through the use of incentives, it supports the "six securities" and realizes the "six stabilities", and defers the repayment of principal and interests for small and micro enterprises affected by the Epidemic. The deferral level of "extended as much as possible" is 2 percentage points higher than that of overall deferral of Jinzhou local corporate financial institutions. In response to the national poverty alleviation loan policy, it will increase support for poverty alleviation loans, set up fast approval channels, implement preferential interest rates, and increase the non-performing tolerance of targeted poverty alleviation loans.

Innovate the marketing model and fully meet the regulatory targets. Combining with its marketing experience, the Bank explored the new marketing model of "all-unit marketing, professional access" based on the "pre-review" mechanism, and launched the inclusive finance "Three Ones" marketing competition with "adding one account per month in each branch" during the Reporting Period, which has strongly supported the achievement of the goal of "two increases and two controls".

Set up a professional team to build team in an orderly manner. In accordance with the "Five Specialties" construction requirements of the Inclusive Finance Business Department of the Bank, combined with the inherent needs of the healthy and sustainable development of inclusive financial services, the Bank promoted specialized post operations and professional assessments which are beneficial to effective risk control and, efficiency improvement. The continuity of team building promotes the sustainable development of the business.

(III) Retail Banking Business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2020	2019	Rate of change (%)
External net interest income	**(12,607,575)**	(10,381,692)	21.4
Internal net interest income	**13,199,922**	11,875,749	11.2
Net interest income	**592,347**	1,494,057	(60.4)
Net fee and commission income	**142,306**	178,984	(20.5)
Net foreign exchange loss	**–**	(4)	(100.0)
Operating expenses	**(1,099,624)**	(1,219,707)	(9.8)
Impairment losses on assets	**(163,537)**	(418,506)	(60.9)
Segment (loss)/profit before tax	**(528,508)**	34,824	(1,617.7)
Depreciation and amortisation	**(128,917)**	(78,938)	63.3
Capital expenditure	**36,578**	20,235	80.8

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020	As at 31 December 2019	Rate of change (%)
Segment assets	**8,535,400**	10,995,608	(22.4)
Segment liabilities	**336,900,917**	246,595,913	36.6

1. Personal Deposits

During the Reporting Period, in the face of the Epidemic, the Bank has always adhered to its market positioning of "serving the local economy, serving private micro and small enterprises, and serving urban and rural residents", and while fulfilling its social responsibilities, we actively innovated financial products and services, continued to create value for customers, and helped them return to work. The Bank continuously launched products and services such as "deferred interest payment as a result of the Epidemic" for personal deposits, one-stop financial services for enterprise accounts, deferred repayment of credit cards, exclusive credit cards for medical staff, and marketing of consumer coupons with provincial UnionPay. We always adhere to a customer-oriented approach, continue to increase the marketing and expansion of the personal business market, and actively carry out online and offline marketing to consolidate the customer base. During the Reporting Period, the Bank used pricing strategies, cost control and other measures to improve its liability structure, reduce costs and increase efficiency, and improve the quality of deposits while maintaining steady growth in personal deposits.

As at the end of the Reporting Period, the total amount of personal deposit (interests payable not included) of the Bank amounted to RMB327,837,546,000, representing an increase of RMB50,664,409,000 or 18.3% compared with that as at 31 December 2019.

2. Personal Loans

During the Reporting Period, the Bank focused on loans in the inclusive finance area, facilitated the development of personal business loans, personal consumption loans, mortgage loans for residential and commercial properties, and integrated online platforms to enhance service quality and efficiency. As at the end of the Reporting Period, total personal loans of the Bank (including, among others, personal business loans, personal consumption loans, residential and commercial property mortgage loans) amounted to RMB10,129,459,000, of which personal business loans amounted to RMB7,461,706,000, personal consumption loans amounted to RMB345,922,000, and residential and commercial property mortgage loans amounted to RMB2,085,147,000.

As at the end of the Reporting Period, the total amount of credit card facilities of the Bank amounted to RMB1,835,315,000, increased by RMB828,620,000 or 82.3% as compared to that as at 31 December 2019.

3. Bank Cards

The Bank continued to improve its product system, enriched business varieties, and continued to excel in bank cards-related works. To actively cope with the impact of the Epidemic, the Bank has launched an interest fee waiver and credit protection policies for credit cardholders affected by the Epidemic; for healthcare workers, the Bank has launched the Platinum Credit Card for Angel in White, offering exclusive services such as annual fee waiver, airport VIP lounge service, door-to-door handling and green channel. At the same time, we continuously launched special card products, customized credit card products for newlyweds, parent-child groups, pet owners; we took the lead in launching Jinzhou barbecue card products with regional and cultural characteristics; we also launched small and micro business card products for small and micro business owners. We also continuously enriched the installment product system for credit card scenario, launched parking space installment, car installment, decoration installment products, and carried out various forms of consumption installment activities through online points platforms and cooperative merchants. The product system has been continuously improved, and comprehensive service capabilities and income capabilities have been steadily improved. As at the end of the Reporting Period, the number of debit cards issued by the Bank amounted to 5,406,200, while the number of credit cards issued by the Bank amounted to 117,300, with an activation rate of 83.98%.

4. Wealth Management

During the Reporting Period, the retail business of the Bank was guided by customer demand, and took customer acquisition and sales as the main line, continuously developed and optimized product innovation, improved the service system, improved the business scale, and comprehensively improved the core competitiveness of the retail business. As at the end of the Reporting Period, the number of retail customers amounted to 5.5053 million. The number of core customers with financial assets value of RMB50,000 or above was 0.9395 million, representing an increase of 18.1% compared with that as at 31 December 2019. There were 0.4533 million VIP customers with financial assets value of RMB200,000 or above, representing an increase of 25.0% compared with that as at 31 December 2019. The Bank launched wealth management and fund consignment businesses and consignment sales of physical metals. As at the end of the Reporting Period, the Bank had a total of 160 registered sales outlets for fund agency business.

(IV) Treasury Business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2020	2019	Rate of change (%)
External net interest expense	**84,131**	5,778,611	(98.5)
Internal net interest expense	**(2,429,689)**	(778,985)	211.9
Net interest (expense)/income	**(2,345,558)**	4,999,626	(146.9)
Net fee and commission (expense)/income	**(3,266)**	8,599	(138.0)
Net trading (loss)/gain	**(118,122)**	3,372,617	(103.5)
Dividend income	**1,440**	1,200	20.0
Net gains arising from investment securities	**1,721**	240,556	(99.3)
Net foreign exchange losses	**(78,105)**	(41,991)	86.0
Other net operating income	**694**	–	–
Operating expenses	**(833,942)**	(1,107,908)	(24.7)
Impairment losses on assets	**(2,651,335)**	(377,017)	603.2
Segment (loss)/profit before tax	**(6,026,473)**	7,095,682	(184.9)
Depreciation and amortisation	**(196,635)**	(225,127)	(12.7)
Capital expenditure	**51,477**	388,207	(86.7)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020	As at 31 December 2019	Rate of change (%)
Segment assets	**250,993,313**	350,691,133	(28.4)
Segment liabilities	**264,318,333**	364,358,588	(27.5)

1. Currency Market Transactions

During the Reporting Period, the money market maintained a reasonably abundant liquidity, and the capital interest rate fluctuated slightly at a continuously low level. Adhering to the premise of maintaining safe liquidity and combining with historical experience and market conditions, the Bank thoroughly studied and judged the trend of capital interest rates in 2020, flexibly allocated financing structure, and endeavored to reduce financing cost and increase profitability. As at the end of the Reporting Period, the financial assets held under resale agreements of the Bank was RMB4.274 billion, and the financial assets sold under repurchase agreements was RMB35.103 billion.

2. Foreign Exchange and Derivatives Trading

During the Reporting Period, the Bank actively promoted the development of foreign exchange and derivative transactions. The cumulative transaction volume of foreign exchange transactions in the inter-bank market was US$2.837 billion, of which the transaction volume of derivatives business (including foreign exchange forwards and foreign exchange swaps) was US$2.318 billion.

3. Investments in Securities and Other Financial Assets

During the Reporting Period, the factors affecting bond market in China were becoming more complicated. The sentiment and trade behavior of bond market participants are always affected by economic fundamentals, capital, financial regulation, exchange rate, overseas market, structure of bond market participants, product transaction chain and other factors. The Bank paid close attention to changes in policy environment, facilitated analysis and research on the financial market, and adjusted operation strategies in a timely manner.

(1) Securities investment distribution breakdown by business model and holding purpose

(Expressed in thousands of Renminbi, unless otherwise stated)	**31 December 2020**		31 December 2019	
	Amount	**% of total**	Amount	% of total
Financial assets at fair value through profit or loss	**23,020,107**	**12.8**	55,157,171	23.7
Financial assets at fair value through other comprehensive income	**21,921,180**	**12.1**	12,559,843	5.4
Financial assets measured at amortised cost	**135,760,163**	**75.1**	165,149,391	70.9
Total	**180,701,450**	**100.0**	232,866,405	100.0

Note: The above table includes the amount of interest receivable.

(2) Securities investment distribution breakdown by residual maturity

(Expressed in thousands of Renminbi, unless otherwise stated)	**31 December 2020**		31 December 2019	
	Amount	**% of total**	Amount	% of total
Indefinite	**10,978,791**	**6.1**	12,774,133	5.5
Real-time repayment	**16,502**	**0.0**	5,734,673	2.5
Within 3 months	**13,459,688**	**7.5**	35,720,072	15.3
3 months to 1 year	**23,028,721**	**12.7**	85,315,108	36.6
1 year to 5 years	**47,784,052**	**26.4**	81,337,170	34.9
More than 5 years	**85,433,696**	**47.3**	11,985,249	5.2
Total	**180,701,450**	**100.0**	232,866,405	100.0

(3) *Holding of state bonds*

As at the end of the Reporting Period, the balance of the nominal value of the state bonds held by the Bank amounted to RMB2.400 billion. The table below sets out the state bonds held by the Bank as at the end of the Reporting Period.

Name of the bond (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
12 interest-bearing State Bond 09	1,000,000	3.36	24 May 2022
17 interest-bearing State Bond 04	440,000	3.40	9 February 2027
06 State Bond 19	300,000	3.27	15 November 2021
17 interest-bearing State Bond 18	250,000	3.59	3 August 2027
17 interest-bearing State Bond 10	160,000	3.52	4 May 2027
17 interest-bearing State Bond 25	150,000	3.82	2 November 2027
09 interest-bearing State Bond 20	100,000	4.00	27 August 2029

(4) *Holding of financial bonds*

As at the end of the Reporting Period, the balance of nominal value of the financial bonds (mainly financial bonds issued by policy banks) held by the Bank amounted to RMB18.800 billion. The table below showed the top 10 financial bonds with the highest nominal value held by the Bank as at the end of the Reporting Period.

Name of the bond (Expressed in thousand3s of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
18 Nong Fa 11	3,150,000	4.00	12 November 2025
20 Jin Chu 13	2,000,000	3.34	4 September 2023
20 Jin Chu 03	1,500,000	2.17	7 April 2023
20 Jin Chu 15	1,500,000	3.43	23 October 2025
20 Nong Fa 02	1,500,000	2.20	1 April 2023
20 Nong Fa 07	1,500,000	3.06	5 August 2023
18 Nong Fa 13	1,310,000	3.55	21 November 2023
16 Jin Chu 10	730,000	3.18	5 September 2026
20 Nong Fa 08	580,000	3.45	23 September 2025
18 Nong Fa 06	550,000	4.65	11 May 2028

4. Wealth Management Business

As at the end of the Reporting Period, the balance of the Bank's wealth management products amounted to RMB23,254,930,000, representing an increase of RMB431,668,000 or 1.9% as compared with that as at 31 December 2019. As at the end of the Reporting Period, all of the Bank's wealth management products were non-guaranteed net-worth wealth management products. The balance of non-guaranteed net-worth wealth management products increased by RMB11,996,950,000 or 106.6%, compared with as that at 31 December 2019. The transition period arrangement of the new regulation on asset management was completed ahead of time and the business transformation progressed solidly and steadily.

During the Reporting Period, all wealth management products of the Bank were cashed in a timely manner, without any complaints from customers. During the Reporting Period, in strict compliance with the new requirements of assets management and wealth management, the Bank actively reduced the scale of predictive income product and increased development in net-worth products, actively guided the marketing of branches, expanded investment channels, continuously optimized system construction, improved asset management, and accelerated the transformation of wealth management business.

5. Interbank Business

The Bank improved the portfolio of interbank businesses in liabilities and investment in a rational way. As at the end of the Reporting Period, the Bank's deposit with banks and other financial institutions amounted to RMB4,748,291,000, and the Bank's deposits from banks and other financial institutions amounted to RMB135,044,341,000. As at the end of the Reporting Period, the Bank had 56 interbank certificates of deposit issued and not yet due, with book balance of RMB64,623 million.

6. Investment Banking Business

During the Reporting Period, in accordance with the national strategy' guidance, the Bank reinforced its credit risk management, stably promoted investment business, appropriately adjusted investment business pattern and optimized investment business structure. As at the end of the Reporting Period, the original book value of the beneficial interest transfer plans measured at the amortized cost of the Bank was RMB54,575,270,000.

(V) Distribution channels

1. Physical Outlets

Development of the Bank's institution complied with strategic guidance principle, risk control principle, market-oriented principle and characteristic management principle, with the basic premise of matching cross-regional development speed and self-management and control abilities. The Bank scientifically mastered cross-regional development speed and pace, adhering to the path of healthy development and achieving coordinated development of "scale, quality, benefit". As at the end of the Reporting Period, in addition to the headquarters, the Bank (excluding its subsidiaries) had 217 service points in total, including 15 branches, 194 traditional sub-branches, six mini/community sub-branches and one specialized institution in total, which were distributed mainly over provinces and cities such as Beijing, Tianjin, Harbin and Liaoning.

2. Self-service Banking

As at the end of the Reporting Period, the Bank (excluding its subsidiaries) had a total of 147 self-service banking and self-service zones, had 980 self-service machines, including 555 ATMs, representing a decrease of 33 as compared with that as at 31 December 2019, with accumulated 4.4625 million transactions and transaction amount of RMB10.028 billion during the Reporting Period. There were 96 multi-media enquiry machines, and with the accumulated 345,000 transactions during the Reporting Period. There were 120 automatic card issuing machines, representing a decrease of two machines as compared to that as at 31 December 2019, and with the accumulated transaction number of 21,000 during the Reporting Period. There were 209 smart ATMs, representing an increase of 23 ATMs as compared to that as at 31 December 2019, and with the accumulated 828,000 transactions during the Reporting Period.

3. Electronic Banking

During the Reporting Period, the Bank deeply implemented the digital service concept of "customer-oriented" and continuously improved product innovation, business operation, and risk prevention and control by strengthening the construction of online financial service platforms and building an open and shared financial ecosystem, which empowered and increased efficiency for business development.

(1) Online Banking

During the Reporting Period, the Bank improved the online banking product service system, guided by the development ideas of intelligence, online, and openness, and focused on modern financial service scenarios such as investment and wealth management, international settlement and further enhanced the services, quality and efficiency of online banking channels. First, the full digitalization corporate investment and wealth management services and international businesses such as letters of credit, foreign exchange remittances, and foreign exchange settlements has deeply met the needs of corporate customers. Second, to actively respond to the State Grid's "one province, one bank, one household" policy and launched the provincial electricity bill account inquiry service in corporate online banking, which effectively improves the management quality and efficiency of the provincial electricity bill direct collection project.

As at the end of the Reporting Period, the Bank had a total of 406,800 online banking customers, among which, there were a total of 45,400 corporate online banking customers, and a total of 361,400 personal online banking customers. During the Reporting Period, the transaction amount of online banking amounted to RMB1,300.079 billion, of which, the transaction amount of corporate online banking amounted to RMB1,047.736 billion and the transaction amount of personal online banking amounted to RMB252.343 billion.

(2) Mobile Banking

During the Reporting Period, under fierce digital competition, the Bank focused on promoting the iterative upgrade of mobile banking products, vigorously enhancing its core competitiveness in terms of financial services, scene construction, experience enhancement, and technological empowerment, and the influence in the mobile banking market was greatly improved. Firstly, the launch of the General Shield authentication method has realized the diversification of authentication methods and escorted customers' mobile banking transactions. Secondly, mobile banking has introduced functions such as business loans, consumer loans, online credit card application, and fund risk assessment, which enriched customer service methods. Thirdly, the smooth implementation of the regional water fee payment project has effectively improved the service experience of mobile financial customers.

As at the end of the Reporting Period, the Bank had 1.3655 million mobile banking customers in aggregate, of which, the Bank had 776,200 mobile banking customers in aggregate, and 589,300 WeChat banking customers in aggregate. During the Reporting Period, a transaction amount of its mobile banking business amounted to RMB84.180 billion, of which, the transaction amount of mobile banking amounted to RMB79.831 billion and the transaction amount of Wechat banking amounted to RMB4.349 billion.

(3) Internet Finance

During the Reporting Period, the Bank took account, payment, and payment business capabilities as the starting point, smart city construction and matching as the end point, and the opening of the banking system as the power point, to promote network financial scene expansion and product optimization and upgrading work. Firstly, to explore a new model of open banking by exporting smart payment services. Secondly, to build a mobile and self-service one-stop service experience platform by upgrading the acquiring service system to meet the customer's scenario financial service needs.

As at the end of the Reporting Period, the Bank had 32,900 internet payment collection merchants with an online payment transaction amount of RMB5.439 billion during the Reporting Period.

(VI) Information on subsidiaries

1. Banks in Villages and Towns

The village and township banks funded and set up by the Bank adhered to the purpose of "basing on urban and rural areas, supporting small and micro enterprises, serving agriculture, rural area and farmers, benefiting the common people", upheld the operating principle of coordinated development of "scale, quality, efficiency", and insisted on orienting at market, centering on customers and taking innovation as a driving force.

As at the end of the Reporting Period, the Bank has seven village and township banks, including five branches in Jinzhou City, one branch in Chaoyang City and one branch in Benxi City, Liaoning Province, the PRC, which are engaged in banking and related financial services. At the end of the Reporting Period, the total assets of such seven village and township banks amounted to RMB8,691,988,000, representing an increase of 7.6% as compared to that as at 31 December 2019; the net amount of loans and advances was RMB2,441,334,000, representing a decrease of 31.2% as compared to that as at 31 December 2019. The total deposits amounted to RMB8,470,922,000, representing an increase of 11.2% as compared that as at 31 December 2019. The net loss amounted to RMB303,213,000.

2. Bank of Jinzhou Financial Leasing Company Limited

Bank of Jinzhou Financial Leasing Company Limited ("**Jinyin Leasing**") officially commenced its operation on 1 December 2015 with a registered capital of RMB4.9 billion as at the end of the Reporting Period, which was the first financial leasing company in Liaoning Province. It was incorporated in the Shenyang City of Liaoning Province in PRC and mainly engages in financial leasing business of large equipment in key fields such as equipment manufacturing, aviation, medical treatment, and various financial assets and industrial services such as leasing asset transaction, asset management and economic consultancy. As at the end of the Reporting Period, the total assets of Jinyin Leasing were RMB5,197,523,000, of which the balance of finance lease was RMB4,460,901,000, and Jinyin Leasing's net loss for the Reporting Period was RMB163,912,000.

(VII) Information technology

During the Reporting Period, under the guidance of the strategy of "invigorating the bank through science and technology", the Bank seized the main contradictions and pain and difficult points that affect the Bank's survival and development, reform and transformation at this stage gave priority to filling in the shortcomings, and improved the level of financial technology management.

Firstly, to improve the science and technology management system to promote the healthy development of financial technology. The Bank established a top-level planning mechanism and formulated the development strategy of financial technology. The Bank has revised and improved the Charter of the Financial Technology Development Committee and related working rules, formulated the Financial Technology Strategic Development Plan of Bank of Jinzhou for 2020-2022, the Institutional Reform Plan of the Information Technology Department and the Key Points of Information Technology Work in 2020, which aimed to reasonably plan the investment of technology resources based on the business innovation plan, and laid out new direction for the development of the Bank's financial technology. The Bank has also developed a sound system standard to reconstruct the production safety system, and formulated the Information System Production and Operation Management Measures for Bank of Jinzhou and the supporting implementation rules to improve the production safety management level.

Secondly, to establish the bottom line thinking to ensure the smooth operation of the system. The Bank established the emergency handling mechanism to improve the information security management level. The Bank continuously carried out intranet security management work to improve situational awareness ability of network security. The Bank completed the study of infrastructure mapping survey and data center construction plan, strengthened the construction of production event management mechanism of the Bank, carried out special management of data changes, and enhanced operation and maintenance management to prevent risk of change. The Bank made full efforts to support and ensure the safe operation of the front office networks.

Thirdly, to support business development with technological innovation to facilitate the Bank's business transformation. The Bank revised and improved the Project Management Measures for Technology Research and Development of Bank of Jinzhou, which aimed to strengthen the overall planning of business innovation, deepen the collaboration and integration of technology and business, and improve the efficiency and quality of the research and development. The Bank helped the product innovation in 12 key business areas, including personal finance and corporate finance, to accelerate the pace of product innovation. The Bank built additional 7 system projects such as marketing and liquidity management for corporate customers and second generation credit reporting; completed research and project establishment for personal CRM, financial capital allocation and new generation credit system; upgraded and renovated the core system, electronic channel system, national settlement system, anti-money laundering and other systems; completed business requirements such as Youyuebao II and dual security renovation on the issuing side of IC cards.

VI. Risk Management

Comprehensive risk management is a process to effectively identify, assess, measure, monitor, control or mitigate and report risks in order to ensure the realization of the operating and strategic objectives by setting up effective and balanced risk governance structure, fostering robust and prudent risk culture, formulating unified risk management strategies and risk appetite, and implementing the risk limit and risk management policies.

The Bank's Board of Directors is responsible for coordinating and leading Bank-wide risk management and assumes ultimate responsibility for comprehensive risk management. The Board of Directors further standardizes the mechanism for comprehensive risk management by reviewing relevant proposals on risk management, strengthening policy guidance, and guiding the establishment of rules and regulations. At the same time, the Board pays attention to the risk profile in key areas, follows up on and monitors the implementation of decisions and strictly abides by the bottom line of risks. Directors put forward professional opinions and suggestions on proposals and reports to provide strong support for the Board's scientific and efficient decision-making.

The Bank formulates and implements a prudent risk appetite, complies with regulatory requirements, operates in compliance with the laws and regulations and insists on a balance between capital, risk and gains. The Bank will continue to improve its risk governance structure and risk management system, conduct effective identification, measurement, control, supervision, reporting and control on various types of actual risks, and continuously enhance its overall risk management capabilities to provide effective guarantee for the achievement of the Bank's strategic objectives for and achieve sustainable development of the Bank.

The Bank's risk management policies were established to identify and analyze the risks to which the Bank is exposed, to set internal control procedures for monitoring the risk level of the Bank. The risk management policies and the internal control systems are reviewed regularly to reflect changes in market conditions and the Bank's business activities.

(I) Credit risk

Credit risk refers to the risk arising from the failure of the borrowers of the Bank or counterparties to meet their obligations under the agreement. The core to the Bank's credit risk management system mainly includes: The formulation of credit policies, due diligence, customer credit rating, assessment of collaterals, loan review and approval, loan disbursement management, post-loan management, non-performing loan management, and accountability.

The Board and senior management of the Bank are fully aware of the credit risks in various businesses, supervise and organize the identification, measurement, control and mitigation of credit risks. The Board and its subordinate special committees approve credit risk management policies and procedures, and evaluate and supervise credit risk management. Senior management and its subordinate special committees continuously improve the credit risk management system, formulate clear implementation and accountability mechanisms, study major credit risk matters and response measures, and report to the Board.

The credit and risk management department of the Bank is a functional department responsible for the management of the credit policies of the Bank, risk management and business monitoring; the credit approval department is responsible for the credit management, rating management and lending control of the Bank, improving the credit approval system and workflow, and organising credit review and management committee meetings; the risk asset management and disposal center is responsible for the collection, disposal and management of risk assets as well as potential risk assets to be disposed of and conducts such procedures by applying list-based or project-based management according to the characteristics of the collection process.

With respect to credit risk control and management, the Bank specifies the respective duties and operating procedure of each department according to the principles of separation of credit investigation and credit approval, separation of management and review, and separation of credit limit and review, and improves the credit approval process of branches. The Bank has established the operating mechanism of the credit approval committee under the collective review system.

During the Reporting Period, the Board of Directors and senior management of the Bank kept abreast of the Bank's asset quality, structural investment, risk mitigation and capital management by reviewing risk management systems, work plans and risk management reports, and supervised the Bank to re-establish its credit risk management system, effectively prevent and control major risks, and proactively control the quality of assets.

(II) Operational risk

Operational risk refers to, in the process of operation and management of a commercial bank, the risk resulting from imperfect governance structure of the legal persons, unsound internal control system, deviation of operational procedures and standards, violation by business personnel of procedural requirements and the failure by the internal control system to effectively identify, warn and prevent non-compliance and improper operation.

The Bank has incorporated operational risk into its comprehensive risk management system, and has built an operational risk governance structure consisting of the Board, senior management, the operational risk management committee and the "three lines of defense" department. The Board is ultimately responsible for monitoring the effectiveness of operational risk management, and senior management is responsible for implementing the operational risk management strategy, overall policies and systems approved by the Board of Directors.

The Bank's internal control and compliance department is responsible for the continuous monitoring, inspection and evaluation of the adequacy and effectiveness of the Bank's operational risk management system and conducts review of the Bank's internal control system and its implementation. The Bank has established a bank of key risk indicators for operational risk and a loss event collection mechanism and collects indicator data regularly, analyzes the data and reports to the management on the operational risk status.

(III) Market Risk

Market risk refers to the risk of losses that the Bank may suffer in the Bank's on/ off-balance-sheet business as a result of unfavorable changes in market prices, including interest rates, exchange rates, stock prices and commodity prices.

The Bank's exposure to the market risk mainly includes interest rate risk and exchange rate risk. The Bank aims to implement effective market risk management in order to control the market risk within the scope which is acceptable for the Bank, ensuring that the market risk assumed matches with the operational goals and the development plan of the Bank.

The market risk management system of the Bank consists of the Board of Directors, the Board of Supervisors, senior management and the market risk business operation department. The Board of Directors and senior management implement effective monitoring of the market risk management system and assume the ultimate responsibility for the implementation of monitoring of market risk management. The Bank adjusted the management framework of market risk during the Reporting Period, establishing an independent market risk management committee under the risk management committee at the senior management level, forming a financial market department. Through consolidating the structural framework, the Bank rationalized the management methods and communication channels, laying a solid foundation for improving the management level and capabilities of market risk respectively.

The Bank's credit and risk management department is responsible for continuously monitoring and assessing the adequacy and effectiveness of the Bank's market risk management system. The assets and liabilities management department, the financial market department, the assets management department and interbank department are responsible for the interest rate risks and exchange rate risks.

1. Interest rate risk

The interest rate risk is reflected by the Bank's exposure to overall revenue and economic value losses as a result of unfavourable changes in key elements such as interest rate and term structure of various interest-earning assets and interest-bearing liabilities of the Bank. The Bank classified the transactions as banking account transactions and trading account transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these accounts. The trading account transactions include the Bank's investments with an intention to sell in the short term and profit from actual or expected short-term price fluctuations or with risk exposures locked in. The banking account transactions represent non-trading businesses. The primary objective of interest rate risk management is to minimise potential adverse effects on the net interest income and the economic value caused by interest rate volatility. The Bank mainly analyses the interest rate risk of banking account transactions.

Interest rate risk is integrated into the overall risk management system. The Bank's asset and liability management department is specifically responsible for interest rate risk management in the banking book.

During the Reporting Period, the Bank closely monitored the changes in policies and external interest rate, measured interest rate risks on the banking book on a regular basis, with measurement methods including but not limited to re-pricing of gap risk, duration analysis, simulation of changes in net interest income and economic value, setting of limit management indicators for interest rate risk on the banking book, and it continuously monitored indicator levels to ensure that interest rate risk on the banking book is controllable.

The following tables indicate the financial assets and financial liabilities as at the end of the relevant period by the expected next repricing dates or by maturity dates, whichever is earlier:

	As at 31 December 2020					
(Expressed in thousands of Renminbi, unless otherwise stated)	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	55,826,576	759,215	55,067,361	–	–	–
Deposits with banks and other financial institutions	4,748,291	89,581	4,633,510	25,200	–	–
Placements with banks and other financial institutions	6,062,898	363,661	–	5,699,237	–	–
Financial assets held under resale agreements	4,273,751	167	4,273,584	–	–	–
Loans and advances to customers(1)	495,464,197	19,147,848	109,286,846	177,630,369	175,756,076	13,643,058
Investment(2)	180,701,450	8,124,335	20,619,641	21,561,907	46,325,472	84,070,095
Finance lease receivables(3)	3,248,825	–	681,884	477,198	2,089,743	–
Others	27,666,336	27,548,703	4,951	112,682	–	–
Total assets	777,992,324	56,033,510	194,567,777	205,506,593	224,171,291	97,713,153
Liabilities						
Borrowings from the central bank	105,816	266	20,690	84,860	–	–
Deposits from banks and other financial institution	135,044,341	1,399,972	45,042,539	19,995,000	68,606,830	–
Placements from banks and other financial institutions	22,645,854	142,592	14,800,000	7,703,262	–	–
Financial assets sold under repurchase agreements	35,102,853	88,167	35,014,686	–	–	–
Deposits from customers	439,223,670	10,150,624	120,795,048	135,690,287	172,257,907	329,804
Debt securities issued	71,270,006	151,536	43,712,072	20,911,153	–	6,495,245
Others	3,357,604	2,469,386	296,344	359,790	159,879	72,205
Total liabilities	706,750,144	14,402,543	259,681,379	184,744,352	241,024,616	6,897,254
Asset-liability gap	71,242,180	41,630,967	(65,113,602)	20,762,241	(16,853,325)	90,815,899

(Expressed in thousands of Renminbi, unless otherwise stated)	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	As at 31 December 2019					
Assets						
Cash and deposits with the central bank	105,176,537	966,997	104,209,540	–	–	–
Deposits with banks and other financial institutions	8,301,592	177,381	7,979,211	145,000	–	–
Placements with banks and other financial institutions	5,643,864	135,638	5,508,226	–	–	–
Loans and advances to customers (1)	452,695,511	6,916,601	52,051,669	123,315,312	260,520,603	9,891,326
Investment (2)	232,866,405	4,752,980	52,387,494	84,041,890	79,266,709	12,417,332
Finance lease receivables (3)	6,408,314	–	1,093,551	1,814,824	3,499,939	–
Others	25,601,968	25,516,999	82,746	2,223	–	–
Total assets	836,694,191	38,466,596	223,312,437	209,319,249	343,287,251	22,308,658
Liabilities						
Borrowings from the central bank	33,079,647	39,347	33,000,000	40,300	–	–
Deposits from banks and other financial institution	178,117,754	1,439,006	126,495,918	45,572,830	4,610,000	–
Placements from banks and other financial institutions	27,731,363	225,017	22,541,005	4,965,341	–	–
Financial assets sold under repurchase agreements	10,106,602	26,575	10,080,027	–	–	–
Deposits from customers	407,112,779	10,802,393	133,243,139	103,793,678	159,264,472	9,097
Debt securities issued	110,108,837	160,243	49,961,503	53,492,981	–	6,494,110
Others	10,931,760	3,590,986	2,122,475	4,833,744	295,920	88,635
Total liabilities	777,188,742	16,283,567	377,444,067	212,698,874	164,170,392	6,591,842
Asset-liability gap	59,505,449	22,183,029	(154,131,630)	(3,379,625)	179,116,859	15,716,816

Notes:

(1) For loans and advances to customers, the category "less than three months" includes overdue amounts as at the end of the Reporting Period (net of provision for impairment losses) of RMB6,734 million (31 December 2019: RMB23,169 million).

(2) Investments include financial assets at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. For investments, the category "less than three months" includes overdue amounts as at the end of the Reporting Period (net of provision for impairment losses) of RMB8,583 million (31 December 2019: RMB18,489 million).

(3) For finance lease receivables, the category "less than three months" includes overdue amounts as at the end of the Reporting Period (net of provision for impairment losses) of RMB682 million (31 December 2019:RMB316 million).

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit and shareholders' equity. The following table sets forth, as of the dates indicated, the results of the Bank's interest rate sensitivity analysis based on the Bank's assets and liabilities as at the same date:

	2020		2019	
(Expressed in thousands of Renminbi, unless otherwise stated)	**Change of net profit**	**Shareholders equity change**	Change of net profit	Shareholders equity change
100 basis points increase	**1,156,203**	**1,711,447**	2,169,683	2,561,979
100 basis points decrease	**(1,159,287)**	**(1,748,899)**	(2,180,608)	(2,602,271)

2. **Foreign exchange risk**

Foreign exchange rate risk is the risk of loss of foreign exchange exposure arising from an imbalance in the currency structure between foreign exchange assets and foreign exchange liabilities due to adverse movements in foreign exchange rates. The objective of exchange rate risk management is to ensure that the impact of foreign exchange rate changes on the Bank's financial position and Shareholders' equity is kept within acceptable limits.

Exchange rate risk is integrated into the overall risk management system. The Bank's asset and liability management department is specifically responsible for foreign exchange rate risk management.

During the Reporting Period, the Bank closely monitored changes in the external environment and market conditions, and actively applied a number of portfolio management measures such as limit management and risk hedging to adjust and optimize the total amount and structure of foreign exchange assets and liabilities, so that the exchange rate risk of the Bank was under control.

The Bank's currency exposures as at the end of the relevant periods are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020 RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total
Assets				
Cash and deposits with the central bank	55,690,242	136,157	177	55,826,576
Deposits with banks and other financial institutions	4,266,286	430,291	51,714	4,748,291
Placements with banks and other financial institutions	6,062,898	–	–	6,062,898
Loans and advances to customers	494,876,693	578,211	9,293	495,464,197
Others	211,873,825	4,016,537	–	215,890,362
Total assets	772,769,944	5,161,196	61,184	777,992,324
Liabilities				
Borrowing from the central bank	105,816	–	–	105,816
Deposits from banks and other financial institutions	135,044,341	–	–	135,044,341
Placements from banks and other financial institutions	22,642,588	3,266	–	22,645,854
Deposits from customers	436,567,701	2,632,037	23,932	439,223,670
Debt securities issued	71,270,006	–	–	71,270,006
Others	38,259,005	201,452	–	38,460,457
Total liabilities	703,889,457	2,836,755	23,932	706,750,144
Net position	68,880,487	2,324,441	37,252	71,242,180
Off-balance sheet credit commitments	84,712,639	337,075	–	85,049,714

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019 RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	105,025,790	145,905	4,842	105,176,537
Deposits with banks and other financial institutions	7,451,347	729,388	120,857	8,301,592
Placements with banks and other financial institutions	5,643,864	–	–	5,643,864
Loans and advances to customers	452,217,365	463,449	14,697	452,695,511
Others	260,678,389	4,198,298	–	264,876,687
Total assets	831,016,755	5,537,040	140,396	836,694,191
Liabilities				
Borrowing from the central bank	33,079,647	–	–	33,079,647
Deposits from banks and other financial institutions	178,117,754	–	–	178,117,754
Placements from banks and other financial institutions	20,509,117	6,429,754	792,492	27,731,363
Deposits from customers	404,229,437	2,810,880	72,462	407,112,779
Debt securities issued	110,108,837	–	–	110,108,837
Others	21,035,933	2,399	30	21,038,362
Total liabilities	767,080,725	9,243,033	864,984	777,188,742
Net position	63,936,030	(3,705,993)	(724,588)	59,505,449
Off-balance sheet credit commitments	126,830,890	499,868	6,255	127,337,013

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020 RMB	As at 31 December 2020 USD equivalent	As at 31 December 2019 RMB	As at 31 December 2019 USD equivalent
On-balance sheet net foreign exchange exposures	2,361,693	361,951	(4,430,581)	(635,099)
Off-balance sheet net foreign exchange exposures	(1,367,546)	(209,589)	6,155,886	882,412
Total net foreign exchange exposures	994,147	152,362	1,725,305	247,313

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit and shareholders' equity. The following table sets forth, at the dates indicated, the results of the Bank's interest rate sensitivity analysis based on the Bank's assets and liabilities as at the same date:

(Expressed in thousands of Renminbi, unless otherwise stated) **Type of Currencies**	Fluctuation of foreign exchange rates	2020 Change of net profit	2020 Shareholders equity change	2019 Change of net profit	2019 Shareholders equity change
USD	1%	7,456	7,456	12,940	12,940
USD	-1%	(7,456)	(7,456)	(12,940)	(12,940)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and is based on the following assumptions:

– The foreign exchange sensitivity represents the gain and loss on foreign exchange recognised as a result of the fluctuation of the foreign currency exchange rates against RMB by 1%;

– The fluctuation of exchange rates by 1% is based on the assumption of the fluctuation of exchange rates over the next 12 months;

– The exchange rates against RMB for the US dollars change in the same direction simultaneously. Due to the immaterial proportion of the Bank's total assets and liabilities denominated in currencies other than US dollars, the calculation of the amount of USD equivalent of other foreign currencies in the above sensitivity analysis shall have potential impacts on the Bank's net profit and shareholders' equity;

– The foreign exchange exposures calculated include spot and forward foreign exchange exposures;

– Other variables (including interest rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the Bank.

Due to the assumptions adopted, actual changes in the Bank's net profit and equity resulting from the increase or decrease in foreign exchange rates might vary from the results of this sensitivity analysis.

(IV) Liquidity Risk

Liquidity risk represents the risk that the commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy due liabilities, to perform other payment obligations and to satisfy other funds requirements of normal businesses. In extreme cases, liquidity insufficiency can lead to settlement risks of commercial banks. Significant growth in the demand for credit facilities, substantial performance of loan commitments, unexpected increase in non-performing loans, sharp decrease in deposit level and financing difficulty in the currency market may affect the Bank's liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, the Bank's own asset and liability structure and liquidity management capability are also important factors which affect the Bank's liquidity.

The Bank has incorporated liquidity risk into its comprehensive risk management system, and established asset and liability management strategy and liquidity management policy. The Bank's Board of Directors is responsible for reviewing and approving liquidity risk appetite, liquidity risk management strategies, significant policies and procedures, continuously paying attention to liquidity risk profile, regularly reviewing liquidity risk reports, and keeping abreast of the liquidity risk level, management status and its major changes. The asset and liability management committee of the Bank is responsible for bank-wide liquidity management and establishes liquidity management objectives according to the requirements and regulatory indicators for asset and liability management at the beginning of each year.

The asset and liability management department of the Bank is responsible for the identification, measurement, monitoring and control of the Bank's liquidity risk, while members of the asset and liability management committee is responsible for implementation of the liquidity management policies.

During the Reporting Period, the Bank paid close attention to the pressure on liquidity management arising from changes in the economic and financial situation, improved the level of refinement in liquidity management and further consolidated the important achievements of reform and restructuring. The Bank coordinated the sources of funds and the scale and pace of fund operations, and reasonably arranged the funds available to the Bank according to the capital situation to support the balanced and steady development of various asset and liability businesses. The Bank continued to strengthen the forecast of large-sum funds and the management of fund monitoring, enhanced the ability to predict market changes, and improved the identification, measurement and monitoring of liquidity risk. The Bank strengthened liquidity emergency management, paid close attention to the capital situation at important time points in a timely manner, regularly carried out stress tests and formulated emergency measures to ensure the smooth operation of liquidity. The Bank strengthened the management of liquidity indicators and improved the ability of liquidity risk management. After the completion of the Proposed Private Placement, market confidence was further restored and risk resilience of the Bank was effectively enhanced.

The following tables provide an analysis of assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of the relevant periods:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020 Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	44,715,148	11,111,428	–	–	–	–	–	55,826,576
Deposits with banks and other financial institutions	–	4,723,063	–	–	25,228	–	–	4,748,291
Placements with banks and other financial institutions	173,265	–	–	–	5,889,633	–	–	6,062,898
Financial assets held under resale agreements	–	–	4,273,751	–	–	–	–	4,273,751
Loans and advances to customers	6,912,884	1,456,843	36,497,920	71,860,569	182,209,335	178,370,561	18,156,085	495,464,197
Investments	10,978,791	16,502	4,397,144	9,062,544	23,028,721	47,784,052	85,433,696	180,701,450
Finance lease receivables	694,914	316,266	–	–	477,198	1,760,447	–	3,248,825
Others	27,548,703	–	175	4,775	112,683	–	–	27,666,336
Total assets	91,023,705	17,624,102	45,168,990	80,927,888	211,742,798	227,915,060	103,589,781	777,992,324
Liabilities								
Borrowing from the central bank	–	–	–	20,741	85,075	–	–	105,816
Deposits from banks and other financial institutions	–	10,705,623	10,828,879	23,025,063	21,150,910	69,333,866	–	135,044,341
Placements from banks and other financial institutions	–	–	9,851,954	5,032,752	7,761,148	–	–	22,645,854
Financial assets sold under repurchase agreements	–	–	24,395,285	10,707,568	–	–	–	35,102,853
Deposits from customers	–	72,215,368	14,034,669	37,400,562	138,903,886	176,331,666	337,519	439,223,670
Debt securities issued	–	–	10,090,547	33,724,026	20,960,188	–	6,495,245	71,270,006
Others	–	2,469,386	61,940	234,404	359,790	159,879	72,205	3,357,604
Total liabilities	–	85,390,377	69,263,274	110,145,116	189,220,997	245,825,411	6,904,969	706,750,144
Asset-liability gap	91,023,705	(67,766,275)	(24,094,284)	(29,217,228)	22,521,801	(17,910,351)	96,684,812	71,242,180

	As at 31 December 2019							
(Expressed in thousands of Renminbi, unless otherwise stated)	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	43,964,829	61,211,708	–	–	–	–	–	105,176,537
Deposits with banks and other financial institutions	128,804	6,021,912	638	2,082,821	67,417	–	–	8,301,592
Placements with banks and other financial institutions	3,161,237	–	–	2,482,627	–	–	–	5,643,864
Loans and advances to customers	35,193,152	1,098,899	8,663,217	15,844,425	120,662,161	260,318,811	10,914,846	452,695,511
Investments	12,774,133	5,734,673	14,800,756	20,919,316	85,315,108	81,337,170	11,985,249	232,866,405
Finance lease receivables	601,709	–	–	902,114	1,986,796	2,917,695	–	6,408,314
Others	25,187,097	100,804	4,196	78,550	222,223	9,098	–	25,601,968
Total assets	121,010,961	74,167,996	23,468,807	42,309,853	208,253,705	344,582,774	22,900,095	836,694,191
Liabilities								
Borrowing from the central bank	–	–	33,039,326	–	40,321	–	–	33,079,647
Deposits from banks and other financial institutions	–	45,739,966	14,298,595	67,458,683	45,971,701	4,648,809	–	178,117,754
Placements from banks and other financial institutions	–	–	17,187,677	5,856,149	4,687,537	–	–	27,731,363
Financial assets sold under repurchase agreements	–	–	3,563,991	6,542,611	–	–	–	10,106,602
Deposits from customers	–	69,156,300	24,708,466	41,549,549	107,202,902	164,486,041	9,521	407,112,779
Debt securities issued	–	–	22,251,421	27,782,897	53,570,944	9,465	6,494,110	110,108,837
Others	–	3,474,918	679,590	1,442,884	4,833,744	298,889	201,735	10,931,760
Total liabilities	–	118,371,184	115,729,066	150,632,773	216,307,149	169,443,204	6,705,366	777,188,742
Asset-liability gap	121,010,961	(44,203,188)	(92,260,259)	(108,322,920)	(8,053,444)	175,139,570	16,194,729	59,505,449

At the end of the Reporting Period, as at 30 September 2020 and as at 30 June 2020, the net stable funding ratio of the Bank was 113.79%, 108.22% and 99.17%, respectively.

At the end of the Reporting Period, the stable funds available to the Bank were RMB534.624 billion, and the required stable funds were RMB469.837 billion.

The Bank's liquidity coverage ratio

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2020**	As at 31 December 2019
Qualified quality current assets	**23,240,402**	72,019,040
Net cash outflows in the future 30 days	**43,052,223**	96,206,147
Liquidity coverage ratio	**53.98%**	74.86%

(V) Information Technology Risk

Information technology risk includes operational risk, legal risk, reputational risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from our use of information technology.

The Bank has established an information technology risk management system and incorporated information technology risks into the overall risk management system by setting up a corresponding organisational structure, including the Board, information technology management committee, the information technology management department, the risk management responsibility department, and the audit responsibility department.

The Bank has formulated the Measures for Information Technology Risk Management of Bank of Jinzhou (《錦州銀行信息科技風險管理辦法》), Operation Rules for Information Technology Risk Management of Bank of Jinzhou (《錦州銀行信息科技風險管理操作規程》), Administrative Measures for Information Technology Risk Assessment of Bank of Jinzhou (《錦州銀行信息科技風險評估管理辦法》), Administrative Measures for Information Technology Risk Communication and Release of Bank of Jinzhou (《錦州銀行信息科技風險溝通和發佈管理辦法》). The Bank has established the criteria for monitoring key risk exposures of information technology and collects indicators on a monthly basis to analyze them. We will alert the risk of abnormal indicators immediately once they are detected, and then confirm the alert information. After confirming the abnormal condition of the indicators, we will report to the senior management. The completeness and validity of the indicators are also reviewed and re-examined regularly.

(VI) Reputation Risk

Reputation risk refers to the risk resulting from negative comments to the Bank by stakeholder with respect to the operations, management and other activities, or due to external events. Reputation risk management refers to the process and method of establishing a sound reputation risk management system in accordance with reputation risk management objectives and planning, and providing assurance for achieving the overall objectives of reputation risk management through daily reputation risk management and proper handling of reputation risk events.

The Board of Directors of the Bank is responsible for formulating reputation risk management policies in line with the Bank's strategic objectives and applicable to the entire Bank, establishing the reputation risk management system, monitoring the overall status and effectiveness of the reputation risk management, and assuming the ultimate responsibility for reputation risk management. The Bank's office is the reputation risk management department, and its duties and responsibilities include guiding functional departments, branches and subsidiaries to implement the requirements of the reputation risk management system, organizing the identification, monitoring, evaluation and reporting of reputation risks, and taking the lead in coordinating the disposal of reputation risk events.

During the Reporting Period, the Bank strengthened reputation risk identification, monitoring, control and solution and improved the level and effectiveness of reputation risk control through diversified initiatives such as refining of the system of regulation management, strengthening real-time monitoring of online public opinion, examining and rectifying of potential reputation risks, improving emergency response plan, the actively promoting its contribution in reform and restructuring, operation and development, service to regional economy and social responsibility, as well as continuously improving the mechanism on reputation risk.

(VII) Country Risk

Country risk refers to the risk that the borrowers or debtors of a country or region are unable or refuse to repay the debts of a bank, or causes the bank's business in the country or region to suffer losses, or causes the bank to suffer other losses due to economic, political and social changes and events. It may be triggered by economic deterioration, political and social turmoil, nationalization or expropriation of property, government repudiation of foreign debts, foreign exchange control or currency depreciation in the country or region. The Bank incorporates the country risk management into its overall risk management system and regularly monitors changes in country risk in accordance with regulatory requirements. The Bank's country risk rating system is mainly based on the rating results of the sovereign rating models of rating agencies.

As at the end of the Reporting Period, the Bank's assets involved in country risk exposure were relatively small in size and the level of country risk was relatively low, and full provision for country risk had been made in accordance with regulatory requirements. The country risk will not have a material impact on the Bank's business operations.

(VIII) Anti-money Laundering Management

The Bank attaches great importance to anti-money laundering by earnestly fulfilling its anti-money laundering obligations, constantly improving the effectiveness of anti-money laundering, continuously deepening the risk control of money laundering and steadily enhancing the standard of anti-money laundering. Since the reform and restructuring, the Bank has steadily promoted various antimoney laundering efforts and gradually built an anti-money laundering management system based on internal anti-money laundering control construction and improve the relevant working mechanism. The Bank put the regulatory policies in place in a strict manner to complete the works regarding the large-scale transactions and suspicious transactions; the screening selection of suspicious transactions was conducted and effective customer identification measures and risk control initiatives were adopted to strengthen the identification of actual controllers and beneficiary owners of bank account and to classify reasonable division and adjustment toward customer risk levels. The Bank continuously optimised its anti-money laundering business system and improved the construction of suspicious transaction monitoring indicators, established the performance assessment mechanism of the anti-money laundering, and strengthened its internal supervision over anti-money laundering so as to leverage the role of internal inspection, supervision and management.

(IX) Protection of Consumer Rights

The Bank has been thoroughly implementing various laws and regulations and regulatory requirements on consumer rights and interests protection, and has continued to promote the construction of the institutional mechanism for consumer rights and interests protection. The Consumer Rights and Interests Protection Committee has been established under the Board and the senior management to be responsible for the integrated planning and overall deployment for the consumer rights and interests protection of the Bank. The Bank has comprehensively reviewed the system of consumer rights and interests protection and the Consumer Rights and Interests Protection Policy of the Bank of Jinzhou (《錦州銀行消費者權益保護政策》) was considered and approved at the fifth meeting of the sixth session of the Board of Directors to provide policy guidance for the Bank's consumer rights protection, and issued a number of regulations, including Regulations on Managements of Consumers Rights and Interests Protection for Bank of Jinzhou (《錦州銀行消費者權益保護管理規定》), Administrative Measures for Handling of Consumption Complaints of Bank of Jinzhou (《錦州銀行消費投訴處理管理辦法》) and Measures for Examining and Protecting Financial Consumers' Rights and Interests of Bank of Jinzhou (《錦州銀行金融消費者權益保護審查辦法》), to guide the standardization of consumer rights and interests protection of the Bank. The Bank has established an all-round, three-dimensional and online-offline integrated financial education system, and carried out the targeted financial knowledge promotion and popularization activities to enhance consumers' awareness of risk prevention and financial literacy.

The Bank further improved the consumer complaint handling mechanism, perfected the consumer complaint system, clarified the consumer complaint handling process, enhanced the quality and efficiency of consumer complaint handling and fulfilled fully the main responsibility of consumer complaint handling. During the Reporting Period, the Bank received a total of 61 consumer complaints, including 24 complaints about RMB savings, 15 complaints about bank cards, 6 complaints about loans, four complaints about self-managed wealth management, two complaints about payment settlement, two complaints about agency business, one complaint about intermediary business and seven complaints about other complaints. The regional distribution of complaints was 53 consumer complaints in Liaoning, three consumer complaints in Beijing, three consumer complaints in Heilongjiang and two consumer complaints in Tianjin. The on time feedback rate and the settlement rate of the Bank for consumption complaints was 100% and 100%, respectively.

Chapter 6 Changes in Ordinary Shares and Particulars of Shareholders

I. Changes in Ordinary Shares of the Bank

(I) Share Capital

During the Reporting Period, the Bank proposed the private placement of 6.2 billion new Domestic Shares. The Proposed Private Placement was approved at the 2020 first extraordinary general meeting of the Bank held on 10 July 2020 and the Bank obtained the Approval of CBIRC Liaoning Bureau on the Capital Increase and Expansion Plan of Jinzhou Bank and the Qualification of Relevant Shareholders (Liao Yin Bao Jian Fu [2020] No. 330) issued by the regulatory authorities on 7 August 2020. On 30 September 2020, the Bank issued 5,270 million Domestic Shares and 930 million Domestic Shares to Chengfang Huida and Liaoning Financial Holding respectively, representing 37.69% and 6.65% of the total number of issued Ordinary Shares of the Bank after the completion of the Proposed Private Placement, respectively. On the same day, the Bank completed the registration of changes in Shareholders in relation to the Proposed Private Placement and announced the Proposed Private Placement was completed. The net proceeds raised from the Proposed Private Placement (after deducting the relevant fees) amounted to approximately RMB12.09 billion, which has been fully utilized to replenish the core tier-one capital of the Bank. For details, please refer to the paragraph headed "Changes in Ordinary Shares and Particulars of Shareholders – III. Proposed Private Placement of new Domestic Shares" in this annual report.

After the completion of the above-mentioned Proposed Private Placement, as at the end of the Reporting Period, the total number of issued Ordinary Shares of the Bank were 13,981,615,684 Shares, comprising of 10,464,295,684 Domestic Shares and 3,517,320,000 H Shares, and the total share capital of the Bank amounted to RMB13,981,615,684.

(II) Chart on Changes in the Number of Shares

	As at 31 December 2019		Changes during the Reporting Period			As at 31 December 2020	
	Number of Shares	Percentage (%)	Issue of New Shares	Others	Sub-Total	Number of Shares	Percentage (%)
1. Domestic Shares held by legal persons	4,186,698,558	53.80	6,200,000,000	–	6,200,000,000	10,386,698,558	74.29
Of which:(1) Shares held by State-owned legal person	1,683,644,508	21.63	6,200,000,000	–	6,200,000,000	7,883,644,508	56.39
(2) Shares held by private legal persons	2,503,054,050	32.17	–	–	–	2,503,054,050	17.90
2. Domestic Shares held by natural persons	77,597,126	1.00	–	–	–	77,597,126	0.55
3. H Shares	3,517,320,000	45.20	–	–	–	3,517,320,000	25.16
Total	7,781,615,684	100.00	6,200,000,000	–	6,200,000,000	13,981,615,684	100.00

II. Particulars of Ordinary Shareholders of the Bank

(I) Shareholding of the Shareholders

As at the end of the Reporting Period, the Bank had an aggregate 13,981,615,684 issued Ordinary Shares, comprising of 10,464,295,684 Domestic Shares and 3,517,320,000 H Shares.

As at the end of the Reporting Period, the total number of holders of Domestic Shares of the Bank was 2,223.

Shareholding of the Top 10 Domestic Shareholders as at the end of the Reporting Period

No.	Name of Shareholders	Nature of Shareholding	Total Number of Shares held	Percentage of Total Shareholding (%)	Pledged Shares
1	Beijing Chengfang Huida Enterprise Management Co., Ltd.	State-owned	5,270,000,000	37.69	–
2	Liaoning Financial Holding Group Co., Ltd.	State-owned	930,000,000	6.65	–
3	ICBC Financial Asset Investment Co., Limited	State-owned	841,822,258	6.02	–
4	Cinda Investment Co., Ltd.	State-owned	505,093,350	3.61	–
5	China Greatwall Assets Management Co., Ltd.	State-owned	336,728,900	2.41	–
6	Yinchuan Baota Refined Chemical Industry Co., Ltd.	Private	250,000,000	1.79	250,000,000
7	Jincheng International Logistics Group Co., Ltd.	Private	213,507,565	1.53	150,000,000
8	Shanghai Greenland Hongtu Investment Development Co., Ltd.(1)	Private	150,000,000	1.07	–
9	Beijing Urban Construction Investment Development Co., Ltd.	Private	130,000,000	0.93	–
10	Jinzhou Daxing Construction Group Co., Ltd.	Private	110,000,000	0.79	–
Total			**8,737,152,073**	**62.49**	**400,000,000**

Note:

(1) During the Reporting Period, Shanghai Greenland Hongtu Investment Development Co., Ltd. signed a share transfer agreement to transfer all 150,000,000 Shares held by it to Greenland Financial Holding Group Co., Ltd., and the filing and registration of the relevant Shares was completed on 5 March 2021.

Interests and Short Positions of Substantial Shareholders and Other Persons

As at the end of the Reporting Period, the following persons, other than the Directors, Supervisors and chief executives of the Bank, had interests or short positions in the Shares or underlying shares of the Bank, which were required to be recorded in the register maintained by the Bank pursuant to section 336 of the SFO:

Name of Substantial Shareholders	Nature of Interests	Class of Shares	Number of Shares held directly or indirectly[1] (Share)	Approximate Percentage of the Issued Class of Shares of the Bank[1] (%)	Approximate Percentage of the Total Issued Ordinary Shares of the Bank[1] (%)
Domestic Shares					
Beijing Chengfang Huida Enterprise Management Co., Ltd. (北京成方匯達企業管理有限公司)[2]	Beneficial Owner	Domestic Shares	5,270,000,000 (L)	50.36	37.69
Huida Asset Management Co., Ltd. (匯達資產託管有限責任公司)[2]	Interest of Controlled Corporation	Domestic Shares	5,270,000,000 (L)	50.36	37.69
Liaoning Financial Holding Group Co., Ltd. (遼寧金融控股集團有限公司)	Beneficial Owner	Domestic Shares	930,000,000 (L)	8.89	6.65
ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司)[3]	Beneficial Owner	Domestic Shares	841,822,258 (L)	8.04	6.02
Industrial and Commercial Bank of China Limited[3]	Interest of Controlled Corporation	Domestic Shares	841,822,258 (L)	8.04	6.02
Central Huijin Investment Ltd. (中央匯金投資有限責任公司)[3]	Interest of Controlled Corporation	Domestic Shares	841,822,258 (L)	8.04	6.02
H Shares					
Wah Li (Hong Kong) Limited[4]	Beneficial Owner	H Shares	247,042,000 (L)	7.02	1.77
Chiu Yung[4]	Interest of Controlled Corporation	H Shares	247,042,000 (L)	7.02	1.77
Ng Ching[4]	Interests of Spouse	H Shares	247,042,000 (L)	7.02	1.77
Grand Fortune Venture Limited[5]	Beneficial Owner	H Shares	201,700,000 (L)	5.73	1.44
Xuzhou Zhong'an Mining Services Ltd. (徐州中安礦業服務有限公司)[5]	Interest of Controlled Corporation	H Shares	201,700,000 (L)	5.73	1.44
Zhang Yuan (張遠)[5]	Interest of Controlled Corporation	H Shares	201,700,000 (L)	5.73	1.44
Beijing Jingyuan Wanlong Investment Management Company Ltd. (北京京元萬隆投資管理有限責任公司)[6]	Interest of Controlled Corporation	H Shares	200,000,000 (L)	5.69	1.43
Li Feng (李鳳)[6]	Interest of Controlled Corporation	H Shares	200,000,000 (L)	5.69	1.43
Wang Xiaoliang (王曉亮)[6]	Interest of Controlled Corporation	H Shares	200,000,000 (L)	5.69	1.43

Notes:

(1) As at the end of the Reporting Period, the Bank had an aggregate 13,981,615,684 Ordinary Shares in issue, comprising of 10,464,295,684 Domestic Shares and 3,517,320,000 H Shares. (L) represents long positions and (S) represents short positions.

(2) Such Shares are held by Chengfang Huida, which is wholly owned by Huida Asset Management Co., Ltd. (匯達資產託管有限責任公司) ("**Huida Asset Management**"). Under the SFO, Huida Asset Management is deemed to be interested in all the Shares held by Chengfang Huida.

(3) Such Shares are held by ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司) ("**ICBC Investment**"), which is wholly-owned by ICBC, which is in turn held by Central Huijin Investment Ltd. (中央匯金投資有限責任公司) ("**Central Huijin**") as to 34.71%. Under the SFO, ICBC and Central Huijin are deemed to be interested in all the Shares held by ICBC Investment.

(4) Such Shares are held by Wah Li (Hong Kong) Limited, which is wholly-owned by Chiu Yung, and Ng Ching is the spouse of Chiu Yung. Under the SFO, Chiu Yung and Ng Ching are deemed to be interested in all the Shares held by Wah Li (Hong Kong) Limited.

(5) Such Shares are held by Grand Fortune Venture Limited, which is wholly-owned by Xuzhou Zhong'an Mining Services Ltd. (徐州中安礦業服務有限公司, "**Xuzhou Zhong'an**"), which is in turn held by Zhang Yuan (張遠) as to 80%. Under the SFO, Xuzhou Zhong'an and Zhang Yuan (張遠) are deemed to be interested in all the Shares held by Grand Fortune Venture Limited.

(6) Such Shares are held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited., which is wholly-owned by Beijing Jingyuan Wanlong Investment Management Co., Ltd. (北京京元萬隆投資管理有限責任公司, "**Jingyuan Wanlong**"), which is in turn held by Li Feng (李鳳) and Wang Xiaoliang (王曉亮) as to 60% and 40%, respectively. Under the SFO, Jingyuan Wanlong, Li Feng (李鳳) and Wang Xiaoliang are deemed to be interested in all the Shares held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited.

Save as disclosed above, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executives of the Bank, who had interests or short positions in the Shares and underlying shares of the Bank as at the end of the Reporting Period which were required to be recorded in the register maintained by the Bank pursuant to section 336 of the SFO.

(II) Circumstances of Substantial Shareholders Prescribed in Provisional Measures of Equity Management in Commercial Banks

Pursuant to the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) issued by the former CBRC, substantial shareholders of commercial banks refer to shareholders who hold or control more than 5% of the shares or voting rights of a commercial bank, or hold less than 5% of total capital or shares but have a significant impact on the operation and management of a commercial bank. The above-mentioned significant impacts include but are not limited to the appointment of directors, supervisors or senior management of a commercial bank. At the end of the Reporting Period, Chengfang Huida, Liaoning Financial Holding and ICBC Investment, which directly held 37.69%, 6.65% and 6.02% of the Ordinary Shares of the Bank, respectively, were the substantial shareholders of the Bank. Cinda Investment Co., Ltd. (信達投資有限公司) ("**Cinda Investment**"), China Greatwall Assets Management Co., Ltd. (中國長城資產管理股份有限公司), Shanghai Greenland Hongtu Investment Development Co., Ltd. and Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), which recommended Directors or Supervisors to the Bank, have significant impact on the Bank, are also the substantial shareholders of the Bank under the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》).

Chengfang Huida was established on 15 May 2019 with registered capital of RMB1.00 million. Its legal representative is Huang Mudong (黃慕東). Its domicile is at Room 306, 3/F, Zhong Shang Building, No. 5 Sanlihe East Road, Xicheng District, Beijing. Its business scope includes business management, market research, economic and trade consultation (the enterprises shall choose their own business projects and conduct business activities in accordance with the laws; for projects requiring approval in accordance with the laws, the enterprises shall conduct business activities in accordance with the approved scope after approval by the relevant departments; and any enterprise shall not engage in business activities of prohibited and restricted items under the industrial policy of the city). The term of operation is from 15 May 2019 to 14 May 2049. As at the end of the Reporting Period, Chengfang Huida held 5,270,000,000 Shares of the Bank, representing 37.69% of the total share capital of the Ordinary Shares, and pledged no Shares of the Bank. Pursuant to the information submitted by Chengfang Huida, its controlling shareholder is Huida Asset Management, de facto controller and ultimate beneficiary is PBOC and there is no person acting in concert with it.

Liaoning Financial Holding was established on 18 December 2019 with registered capital of RMB20.0 billion. Its legal representative is Liu Bo (劉波). Its domicile is at 1503, No. 75-1 Jinfeng Street, Shenfu New District, Liaoning Province. Its business scope includes investment and capital management, capital investment services, non-public offering of securities investment funds, holding company services, financial information services. (The enterprises shall choose their own business projects and conduct business activities in accordance with the laws.) (For projects requiring approval in accordance with the laws, the enterprises shall conduct business activities after approval by the relevant departments). The term of operation is from 18 December 2019 for an indefinite period. As at the end of the Reporting Period, Liaoning Financial Holding held 930,000,000 Shares of the Bank, representing 6.65% of the total share capital of the Ordinary Shares, and pledged no Shares of the Bank. Pursuant to the information submitted by Liaoning Financial Holding, its controlling shareholder, de facto controller and ultimate beneficiary is the Finance Department of Liaoning Province without a party acting in concert.

ICBC Investment was established on 26 September 2017 with a registered capital of RMB12.0 billion. Its legal representative is Zhang Zhenghua (張正華). Its domicile is at 19-20/F, Building B, Phase I, Yangzi Science and Innovation Center, Jiangbei New District, 211 Pubin Road, Nanjing City, Jiangsu Province. Its business scope includes acquisition of the debt equity held by banks in enterprises for the purpose of debt-to-equity swap, and conversion of debt equity into equity interests for further management, restructuring, transfer and disposal of debt equity failed to be converted into equity interests, investment in equity interests of enterprises for the purpose of debt-to-equity swap, enabling invested enterprises to discharge their existing debt obligations with the equity investment funds, private placement of asset management products to qualified investors to finance the implementation of the debt-to-equity swap according to laws and regulations, offering of financial bonds, financing by means of bond repurchase, inter-bank lending and borrowing and inter-bank loans, necessary investment management of proprietary funds and raised funds, where the proprietary funds can be used to conduct business such as inter-bank deposits and placements, purchase of treasury bonds or other fixed-income securities and the raised funds shall be utilized in accordance with the agreed usage, financial advisory and consulting business on debt-to-equity swap, and other business as approved by the banking regulatory authorities of the State Council (the operation of items subject to approval under laws shall be carried out with the approval of relevant authorities). The term of operation is from 26 September 2017 to long-term. As at the end of the Reporting Period, ICBC Investment held 841,822,258 Shares of the Bank, representing 6.02% of the total share capital of the Ordinary Shares, and pledged no shares of the Bank. During the Reporting Period, Mr. Zhao Chuanxin (趙傳新), a non-executive Director of the Bank, was the deputy general manager of the assets and liabilities management department of ICBC (ICBC Investment is a wholly owned subsidiary of ICBC). Ms. Ning Jie (寧潔), a non-executive Director, was the deputy general manager of credit and investment management department of ICBC and Ms. Gu Jihong (顧繼紅), a non-executive Director, was an expert and special assigned director of strategic management and investor relationships department of ICBC. Pursuant to the information submitted by ICBC Investment, its controlling shareholder, the de facto controller and the ultimate beneficial owner are ICBC, which was listed on Shanghai Stock Exchange (stock code: 601398) and on the Hong Kong Stock Exchange (stock code: 1398), and there is no person acting in concert.

Cinda Investment was established on 1 August 2000 with a registered capital of RMB2.0 billion. Its legal representative is Zhang Jushan (張巨山). Its domicile is as Building 1, No. 9 Yard, Naoshikou Street, Xicheng District, Beijing. Its business scope includes foreign investment, commercial real estate management, hotel management, property management, assets management; assets restructuring, investment consulting, and investment advising. The term of operation is from 1 August 2000 to 31 July 2050. As at the end of the Reporting Period, Cinda Investment held 505,093,350 Shares of the Bank, representing 3.61% of the total share capital of the Ordinary Shares, and pledged no Shares of the Bank. During the Reporting Period, Mr. Lyu Fei (呂飛), a non-executive Director of the Bank, was the director of the office of the Board of Cinda Investment. Pursuant to the information submitted by Cinda Investment, its controlling shareholder is China Cinda Asset Management Co., Ltd., which was listed on the Hong Kong Stock Exchange (stock code: 01359) and the de facto controller and the ultimate beneficial owner is the Ministry of Finance of the People's Republic of China, and there is no person acting in concert with it.

China Greatwall Assets Management Co., Ltd. (中國長城資產管理股份有限公司) was established on 2 November 1999 with a registered capital of RMB51,233,609,796. Its legal representative is Shen Xiaoming (沈曉明). Its domicile is No.2 Yuetan North Street, Xicheng District, Beijing. Its principal business includes acquisition of and being entrusted to manage the non-performing assets of the financial institutions, and management, investment and dispose of the non-performing assets. The term of operation is from 2 November 1999 to long-term. As at the end of the Reporting Period, China Greatwall Assets Management Co., Ltd. held 336,728,900 shares of the Bank, representing 2.41% of the total share capital of the Ordinary Shares, and pledged no shares of the Bank. During the Reporting Period, Mr. Luo Nan (羅楠), a non-executive Director of the Bank, was a party committee member, the head of risk management and secretary of discipline inspection commission of a Liaoning subsidiary of the company. Pursuant to the information submitted by China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司), its controlling shareholder, the de facto controller and the ultimate beneficial owner is the Ministry of Finance of the People's Republic of China, and there is no person acting in concert.

Shanghai Greenland Hongtu Investment Development Co., Ltd. (上海綠地弘途投資發展有限公司) was established on 16 July 2003 with a registered capital of RMB1.29 billion. Its legal representative is Xu Rongpu (徐榮璞). Its domicile is No.249, Building 4, No.555, Lane 3111, West Huancheng Road, Fengxian District, Shanghai. Its business scope includes industrial investment, asset management, investment management, business information consulting, development and management of real estate and property management. The term of operation is from 16 July 2003 to 15 July 2028. As at the end of the Reporting Period, Shanghai Greenland Hongtu Investment Development Co., Ltd. (上海綠地弘途投資發展有限公司) held 150,000,000 Shares of the Bank, representing 1.07% of the total share capital of the Ordinary Shares, and pledged no shares of the Bank. During the Reporting Period, Mr. Wu Zhengkui (吳正奎), a Shareholder representative supervisor of the Bank, was an executive director of Greenland Hong Kong Holdings Limited, which is listed on the Hong Kong Stock Exchange (stock code: 337). Pursuant to the information submitted by Shanghai Greenland Hongtu Investment Development Co., Ltd. (上海綠地弘途投資發展有限公司), its controlling shareholder is Greenland Financial Holdings Group Company Limited (綠地金融投資控股集團有限公司), the de facto controller and the ultimate beneficial owner is Greenland Holdings Group Company Limited, which is listed on Shanghai Stock Exchange (stock code: 600606), and there is no person acting in concert with it.

Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600266), was established on 30 December 1998 with a registered capital of RMB2,256.5376 million. Its legal representative is Chen Daihua (陳代華). Its domicile is the 19/F of Building 2, Daliushu Fuhai Center, Haidian District, Beijing, the PRC. Its business scope includes real estate development, sales of commercial property; investment and investment management; sales of metal materials, timber, building materials, machinery and electrical equipment; information consulting (excluding intermediary services); environmental technology development and technical services. The term of operation is from 30 December 1998 to long-term. As at the end of the Reporting Period, Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司) held 130,000,000 Shares of the Bank, representing 0.93% of the total share capital of the Ordinary Shares, and pledged no Shares of the Bank. As at the end of the Reporting Period, Ms. Tang Fang (唐芳), a Shareholder representative Supervisor of the Bank, was the deputy director of the directors and supervisors affairs department of the company. Pursuant to the information submitted by Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), its controlling shareholder is Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司), the de facto controller is Beijing State-owned Assets Supervision and Administration Commission, and there is no person acting in concert with it.

(III) Shareholders holding more than 5% of the Total Ordinary Share Capital

As at the end of the Reporting Period, Chengfang Huida held 5,270,000,000 Domestic Shares of the Bank, representing 37.69% of the total ordinary share capital of the Bank; Liaoning Financial Holding held 930,000,000 Domestic Shares of the Bank, representing 6.65% of the total ordinary share capital of the Bank; and ICBC Investment held 841,822,258 Domestic Shares of the Bank, representing 6.02% of the total ordinary share capital of the Bank. Save for the above Shareholders, no Shareholders held more than 5% of total Ordinary Shares of the Bank as at the end of the Reporting Period.

(IV) Particulars of Controlling Shareholders and Actual Controller

The Bank has no controlling Shareholder or actual controller pursuant to the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》).

As at the end of the Reporting Period, Chengfang Huida held 5,270,000,000 Domestic Shares of the Bank, representing 37.69% of the total ordinary share capital of the Bank; Liaoning Financial Holding held 930,000,000 Domestic Shares of the Bank, representing 6.65% of the total ordinary share capital of the Bank; and ICBC Investment held 841,822,258 Domestic Shares of the Bank, representing 6.02% of the total ordinary share capital of the Bank.

(V) Performance of Undertakings by the Bank and Shareholders holding more than 5% of the Shares

As at the end of the Reporting Period, there was no undertaking by the Bank and the Shareholders holding more than 5% of Ordinary Shares.

(VI) Pledging and Freezing of Shares in respect of Ordinary Shares of the Bank

As at the end of the Reporting Period, there was no pledging and freezing of the Ordinary Shares held by the Shareholders holdings more than 5% (inclusive) of the total number of Ordinary Shares.

As at the end of the Reporting Period, to the knowledge of the Bank, 1,226,878,307 Domestic Shares of the Bank were pledged, representing 8.77% of the total issued Ordinary Shares; 542,119,887 Domestic Shares were frozen, representing 3.88% of the total issued Ordinary Shares of the Bank.

According to Article 73 of the Bank's Articles of Association, when the number of shareholders' pledges of the Bank's shares reaches or exceeds 50% of their shareholdings in the Bank, restrictions shall be placed on their voting rights at general meetings and on the voting rights of directors nominated by them at the meetings of the Board of Directors. During the Reporting Period, the Bank has imposed restrictions on voting rights for relevant shares at the 2020 first extraordinary general meeting and the 2019 annual general meeting.

III. Proposed Private Placement of New Domestic Shares

In order to improve the asset quality and internal delicacy-management level of the Bank, the Bank implemented the Proposed Private Placement in 2020. On the basis the capital increase and expansion plan of the Bank to issue up to 6.2 billion Domestic Shares approved at the 2018 annual general meeting held by the Bank on 18 October 2019, on 23 January 2020, the Bank entered into a subscription agreement with Chengfang Huida and Liaoning Financial Holding, pursuant to which the Bank agreed to issue at the issue price of RMB1.95 and Chengfang Huida and Liaoning Financial Holding agreed to subscribe 6.2 billion new Domestic Shares at a par value of RMB1.00 per Share. The Proposed Private Placement was approved by the Shareholders of the Bank at the 2020 first extraordinary general meeting held on 10 July 2020 and the Bank obtained the Approval of CBIRC Liaoning Bureau on the Capital Increase and Expansion Plan of Jinzhou Bank and the Qualification of Relevant Shareholders (Liao Yin Bao Jian Fu [2020] No. 330) issued by the regulatory authorities on 7 August 2020. On 30 September 2020, the Bank issued 5,270 million Domestic Shares and 930 million Domestic Shares to Chengfang Huida and Liaoning Financial Holding respectivley, representing 37.69% and 6.65% of the total number of issued Ordinary Shares of the Bank after the completion of the Proposed Private Placement, respectively. On the same day, the Bank completed the registration of changes in Shareholders in relation to the Proposed Private Placement and the Proposed Private Placement was completed. The total nominal value of the newly issued 6.2 billion Domestic Shares pursuant to the Proposed Private Placement is RMB6.2 billion, representing 44.34% of the Bank's total issued share capital immediately after the completion of the Proposed Private Placement. Immediately after the completion of the Proposed Private Placement, the registered capital of the Bank has been increased from RMB7,781,615,684 to RMB13,981,615,684 and the total number of issued Ordinary Shares of the Bank has been increased from 7,781,615,684 Shares to 13,981,615,684 Shares, which is divided into 10,464,295,684 Domestic Shares and 3,517,320,000 H Shares.

The Bank issued a total of 6.2 billion new Domestic Shares to Chengfang Huida and Liaoning Financial Holding at the price of RMB1.95 per Share (the market price of the Bank's H Shares on the date of the relevant subscription agreement was HK$2.43 per H Share), pursuant to which the net proceeds from the Proposed Private Placement (after deducting the relevant fees) amounted to approximately RMB12.09 billion, which had been fully utilized to replenish the core tier-one capital of the Bank.

In addition, as a whitewash waiver has been granted by the Hong Kong Securities and Futures Commission in respect of the Proposed Private Placement, Chengfang Huida was not required to make a mandatory general offer as required under the Hong Kong Takeovers Code despite having become a controlling shareholder of the Bank within the meaning of the Listing Rules upon completion of the Proposed Private Placement.

For details, please refer to the announcements of the Bank dated 27 September 2019, 18 October 2019, 26 December 2019, 10 March 2020, 31 March 2020, 29 April 2020, 29 May 2020, 30 June 2020, 10 July 2020, 10 August 2020, 14 August 2020 and 9 October 2020 and the circulars of the Bank dated 8 October 2019 and 30 June 2020.

I. Issuance and Listing of Offshore Preference Shares in the Past Three Years as at the End of the Reporting Period

Pursuant to the approval of the former CBRC Liaoning Bureau (Liao Yin Jian Fu [2017] No. 133) and the CSRC (CSRC [2017] No. 1833), on 27 October 2017, the Bank issued non-accumulative perpetual Offshore Preference Shares amounting to US$1.496 billion (stock short name of offshore preference share: BOJZ 17USDPREF; stock code: 4615) over the counter. The Offshore Preference Shares were listed on the Hong Kong Stock Exchange on 30 October 2017. The par value of the Offshore Preference Shares was RMB100 each at an issue price of US$20 per share. There are 74,800,000 Offshore Preference Shares in issue, all of which were fully paid in US dollars.

According to the RMB exchange rate announced by the China Foreign Exchange Trading Center on 27 October 2017, the total amount of proceeds raised from the issue of Offshore Preference Shares was approximately RMB9.944 billion. After deducting relevant commissions and expenses for the issuance, the proceeds raised from the issuance of Offshore Preference Shares have been used to replenish the other tier-one capital of the Bank in accordance with the applicable laws and regulations and the approval of the relevant regulatory authorities such as the former CBRC Liaoning Bureau and the CSRC.

Please refer to the announcements issued by the Bank on the website of the Hong Kong Stock Exchange and website of the Bank for the terms of the issuance of Offshore Preference Shares.

II. Number of Offshore Preference Shareholders and Shareholdings

As at the end of the Reporting Period and as at the Latest Practicable Date, the Bank has one offshore preference shareholder.

As at the end of the Reporting Period, the shareholdings of the top 10 offshore preference shareholders (or proxies) of the Bank were as follows:

Name of shareholder	Nature of shareholder	Class of shares	Changes during the Reporting Period	Proportion of shareholding (%)	Total number of shares held	Number of shares held with restrictive conditions	Number of shares pledged or frozen
The Bank of New York Depository (Nominees) Limited	Offshore legal person	Offshore Preference Shares	–	100.0	74,800,000	–	unknown

Notes:

1. The shareholdings of offshore preference shareholders of the Bank are based on the information listed in the register of holders of the Offshore Preference Shares of the Bank.

2. Since such Offshore Preference Share issuance is non-public and offshore, those appears on the register of offshore preference shareholders are the proxy information of the allocated investor.

3. The Bank is not aware of whether there is any connected relationship between the above-mentioned offshore preference shareholders of the Bank and the top 10 ordinary Shareholders, or if they are acting in concert under the Codes on Takeovers and Mergers and Share Buybacks (《公司收購、合併及股份回購守則》).

III. Changes in Offshore Preference Shares

Class of preference shares	Number of issued Offshore Preference Shares held on 31 December 2019	Changes during the Reporting Period	**Number of issued Offshore Preference Shares held on 31 December 2020**
US dollar Offshore Preference Shares	74,800,000	–	**74,800,000**

IV. Profit Distribution of Offshore Preference Shares

The Board of Directors of the Bank passed a resolution on 20 August 2020 for the distribution of dividends to holders of Offshore Preference Shares according to the requirements of relevant laws and regulations, the Articles of Association and the terms and conditions on Offshore Preference Shares issuance. The total dividends of such Offshore Preference Shares paid amounted to US$91,422,222.22, of which US$82,280,000 was paid to the holders of Offshore Preference Share; and US$9,142,222.22 was withheld and paid as income tax. According to the terms and conditions of the Offshore Preference Shares, the dividend payment date shall be 27 October 2020. The interest period was from 27 October 2019 (inclusive) to 27 October 2020 (exclusive). Recipients were persons registered on the register of holders of Offshore Preference Shares as at the close of business of such clearing systems on 26 October 2020. For details, please refer to the announcement of the Bank dated 20 August 2020.

On 27 October 2020, the Bank completed the second payment of dividends after the issuance of Offshore Preference Shares.

V. Repurchase or Conversion of Offshore Preference Shares

During the Reporting Period, there was no repurchase or conversion of Offshore Preference Shares of the Bank.

VI. Dilution Impact on the Shares in the Event that all Outstanding Offshore Preference Shares were Converted as at 31 December 2020

As at the end of the Reporting Period, the outstanding principal amount of all 74,800,000 Offshore Preference Shares was US$1.496 billion. Assuming that the conditions of mandatory conversion were activated and that the conversion price was the initial mandatory conversion price, i.e. HK$9.09 per H Share, a maximum number of 1,278,084,312 H Shares (as converted into HK dollars at the conversion exchange rate of US$1.00 to HK$7.7659) would be issued upon conversion of all outstanding Offshore Preference Shares, representing approximately 9.14% of the then existing issued share capital of the Bank as at 31 December 2020 and approximately 8.38% of the issued share capital of the Bank as enlarged by the issued share capital of the Bank upon the conversion of all the outstanding Offshore Preference Shares. Based on the net profit attributable to Shareholders of the parent company for the year ended 31 December 2020 amounted to approximately RMB400 million, the diluted revenue per Share would be diluted to approximately RMB0.03 assuming occurrence of such conversion.

Conversion price of the Offshore Preference Shares will be subject to adjustment for distributing bonus Shares with respect to the H Shares, making capitalisation issues, issuing H Shares below the market price of the H Shares (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Bank that are convertible into Ordinary Shares) or making any rights issues, as the case may be, which may have impacts on the rights of the holders of the Offshore Preference Shares. Under the premise of obtaining the approval of the CBIRC and conditions of redemption, the Bank has right to redeem all or some of Offshore Preference Shares on the first call date and any subsequent dividend payment dates. The first redemption date is set at five years after issuance, i.e. 27 October 2022. Additional information of the main clauses of the Offshore Preference Shares is set out in note 40 to the financial statements in this annual report.

VII. Recovery of Voting Rights of Offshore Preference Shares during the Reporting Period

During the Reporting Period, the Bank did not resume the voting right of the Offshore Preference Shares.

VIII. Accounting Policies Adopted by Offshore Preference Shares and Reasons

According to the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments"*, "Accounting Standards for Business Enterprises No. 37 – Reporting of Financial Instruments"* and "Differentiation of Financial Liabilities and Equity Instruments and Relevant Accounting Regulations"* issued by the Ministry of Finance and the "International Financial Reporting Standards No. 9 – Financial Instruments" and "International Accounting Standards No. 32 – Financial Instruments: Disclosure and Presentation" issued by International Accounting Standards Board as well as the key terms of the Offshore Preference Shares, the Offshore Preference Shares issued by the Bank met the requirements for accounting as an equity instrument. Therefore, the Offshore Preference Shares issued by the Bank were accounted for as equity instruments.

Chapter 8 Directors, Supervisors, Senior Management, Employees and Organizations

I. Information on Directors, Supervisors and Senior Management

As at the Latest Practicable Date, the information on Directors, Supervisors and senior management of the Bank was as follows:

Name	Gender	Age	Position	Status	Since[1]
WEI Xuekun	Male	58	Executive Director	Current position	30 October 2019
			Chairman	Current position	12 December 2019
GUO Wenfeng	Male	49	Executive Director	Current position	30 October 2019
			Vice Chairman	Current position	12 December 2019
			President	Current position	2 August 2019
KANG Jun	Male	51	Executive Director	Current position	30 October 2019
			Vice President	Current position	2 August 2019
YANG Weihua	Male	52	Executive Director	Current position	30 October 2019
			Vice President	Current position	2 August 2019
YU Jun	Male	50	Executive Director	Current position	30 October 2019
			Chief Financial Officer, Head of Finance	Current position	2 August 2019
			Secretary to the Board[2]	Pending approval	–
ZHAO Chuanxin	Male	56	Non-executive Director	Current position	14 November 2019
NING Jie	Female	50	Non-executive Director	Current position	14 November 2019
GU Jihong	Female	49	Non-executive Director	Current position	30 October 2019
LYU Fei	Male	55	Non-executive Director	Current position	30 October 2019
LUO Nan	Male	55	Non-executive Director	Current position	30 October 2019
WU Jun	Male	67	Independent non-executive Director	Current position	30 October 2019
XIE Taifeng	Male	62	Independent non-executive Director	Current position	30 October 2019
XIAO Geng	Male	57	Independent non-executive Director	Current position	21 January 2020
WANG Xiongyuan	Male	48	Independent non-executive Director	Current position	30 October 2019
SU Mingzheng	Male	40	Independent non-executive Director	Current position	30 October 2019
WANG Zunzhou	Male	44	Chairman of Board of Supervisors	Current position	10 March 2021
			Employee Representative Supervisor	Current position	5 March 2021
LIU Liguo	Male	41	Employee Representative Supervisor	Current position	18 October 2019
WU Hai'ou	Female	41	Employee Representative Supervisor	Current position	18 October 2019
WU Zhengkui	Male	46	Shareholder Representative Supervisor	Current position	18 October 2019
TANG Fang	Female	42	Shareholder Representative Supervisor	Current position	18 October 2019
MENG Xuefeng	Male	43	External Supervisor	Current position	18 October 2019
GUO Limao	Male	36	External Supervisor	Current position	18 October 2019
HU Guojie	Male	55	External Supervisor	Current position	18 October 2019

Notes:

(1) The effective date of appointment is the date when the relevant qualification is approved by the regulatory authorities.

(2) Mr. Yu Jun's qualification as the secretary to the Board is pending approval of the regulatory authorities.

II. Changes in Directors, Supervisors and Senior Management

(I) Changes in Directors

The Bank received approvals from the CBIRC Liaoning Regulatory Bureau regarding the qualification of Mr. Xiao Geng as a Director on 21 January 2020. His term of office commenced from 21 January 2020 and shall end on the expiry of the term of the sixth session of the Board.

(II) Changes in Supervisors

On 5 January 2021, Mr. Zhang Tao resigned as an employee representative Supervisor of the Bank and chairman of Board of Supervisors due to work adjustments. His resignation has been effective from the date when the new Supervisor succeeding to him officially performed his duties, being 5 March 2021.

On 5 March 2021, Mr. Wang Zunzhou was elected as the employee representative Supervisor of the sixth session of the Board of Supervisors of the Bank at the meeting of employee representatives of the Bank. His terms of service commenced from 5 March 2021 to the expiration of the term of the sixth session of the Board of Supervisors. On 10 March 2021, as considered and approved at the tenth meeting of the sixth session of the Board of Supervisors of the Bank, Mr. Wang Zunzhou was elected as the chairman of the sixth session of the Board of Supervisors of the Bank for the period from 10 March 2021 to the expiration of the term of the sixth session of the Board of Supervisors.

(III) Changes in Senior Management

On 20 January 2020, Mr. Sun Jing has tendered his resignation as a joint company secretary of the Bank due to the change of his work arrangements within the Bank with effect from 20 January 2020. On the same day, upon consideration and approval at the third meeting of the sixth session of the Board, the Bank appointed Mr. Yu Jun as a joint company secretary of the Bank. Mr. Yu Jun currently does not possess the academic or professional qualifications of a company secretary as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Leung Wing Han Sharon, who is the other joint company secretary of the Bank, will continue to serve as a joint company secretary of the Bank and work closely with and provide assistance to Mr. Yu Jun in discharging his duties and responsibilities as a company secretary of the Bank for the first three years commencing from the appointment of Mr. Yu Jun as a joint company secretary of the Bank (the "**Waiver Period**"). The Bank has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules with respect to the appointment of Mr. Yu Jun as a joint company secretary of the Bank during the Waiver Period.

III. Biographies of Directors, Supervisors and Senior Management

As at the Latest Practicable Date, biographies of the Directors, Supervisors and senior management of the Bank are as follows:

(I) Biographies of Directors

1. **Mr. WEI Xuekun (魏學坤)**, aged 58, has been the secretary of the party committee of the Bank since August 2019, appointed as the executive Director of the Bank since October 2019 and appointed as the chairman of the Bank since December 2019.

   Mr. Wei Xuekun successively held various positions such as the office secretary, vice office chair, office chair and the president and the party committee secretary of Zunyi branch under the Guizhou branch of the ICBC from March 1985 to March 2000. From March 2000 to February 2009, he successively held various positions in China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司), which is listed on the Hong Kong Stock Exchange (stock code: 2799), including the general manager of research and development department, the general manager of operation and development department, the general manager of business development department and the general manager of Jinan office. From February 2009 to January 2014, he served as the vice general manager of credit management department of ICBC headquarter. From January 2014 to February 2015, he served as the vice general manager of credit and investment management department and the general manager of the credit supervision center of ICBC headquarter. From February 2015 to August 2019, he served as the general manager of credit and investment management department of ICBC headquarter.

   Mr. Wei Xuekun obtained a bachelor's degree of economics in Southwestern University of Finance and Economics (西南財經大學) in Sichuan, the PRC in July 1983 and has the title of vice researcher.

2. **Mr. GUO Wenfeng (郭文峰)**, aged 49, has been the vice secretary of the party committee and the president of the Bank since August 2019, appointed as the executive Director of the Bank since October 2019 and appointed as the vice chairman of the Bank since December 2019.

   Mr. Guo Wenfeng has successively held various positions at ICBC Liaoning branch since August 1993. From June 2002 to December 2010, he successively served as the vice general manager and vice general manager (chairing the work) of the capital operation department, the vice general manager (chairing the work) and the general manager of the assets and liabilities management department of ICBC Liaoning branch. He worked successively as the party committee secretary and president of Chaoyang branch of ICBC Liaoning branch from December 2010 to March 2016, as the party committee secretary and president of Panjin branch of ICBC Liaoning branch from March 2016 to January 2017, and as the party committee secretary and vice president of ICBC Liaoning branch from December 2016 to August 2019.

   Mr. Guo Wenfeng obtained a master's degree of business administration (international course) in November 2011 from the University of Hong Kong and has the title of senior economist.

3. **Mr. KANG Jun (康軍)**, aged 51, has been a party committee member and the vice president of the Bank since August 2019 and appointed as the executive Director of the Bank since October 2019.

   Mr. Kang Jun successively served as vice chair clerk of the international business division, vice general manager of the international business department and vice general manager (chairing the work) of international business department of ICBC Liaoning branch from June 1999 to October 2006. He served as the vice general manager of the corporate business department and the general manager of international business department of ICBC Liaoning branch from October 2006 to December 2012. From December 2012 to March 2018, he served as party committee member of the operation department of ICBC Liaoning branch. From March 2013 to March 2018, he also served as vice general manager of the operation department of ICBC Liaoning branch. From March 2018 to August 2019, he served as the party committee member and vice president of Shenyang branch of ICBC Liaoning branch.

   Mr. Kang Jun obtained a master's degree of business administration from the University of Hong Kong in August 2011 and has the title of senior economist.

4. **Mr. YANG Weihua (楊衛華)**, aged 52, has been a party committee member and the vice president of the Bank since August 2019 and appointed as the executive Director of the Bank since October 2019.

   From January 1993 to August 1999, Mr. Yang Weihua worked in Liaoning branch of China Construction Bank Co., Ltd. (中國建設銀行股份有限公司) with various positions including the chief of computer section under business department and the chief of operation section under technology division. From August 1999 to January 2010, he worked in the Shenyang office of China Cinda, which is listed on the Hong Kong Stock Exchange (stock code: 1359), under various departments including manager of integrate management department, senior manager of capital finance department, and senior manager of Dalian business department under Shenyang office of China Cinda. He successively served as a party committee member and chair assistant of the Harbin office of China Cinda from January 2010 to July 2010, as assistant to the general manager, a party committee member, vice secretary of discipline inspection commission, the vice general manager and the secretary of discipline inspection commission of Heilongjiang branch of China Cinda from July 2010 to September 2014 and as the vice general manager, a party committee member and the secretary of discipline inspection commission of Liaoning branch of China Cinda from September 2014 to August 2019.

   Mr. Yang Weihua obtained a master's degree of business administration from Northeastern University (東北大學) in Liaoning, the PRC in September 2003 and has the title of senior engineer.

5. **Mr. YU Jun (余軍)**, aged 50, has been a party committee member, the chief financial officer and the head of finance of the Bank since August 2019, appointed as the executive Director of the Bank since October 2019 and appointed as a joint company secretary of the Bank since January 2020.

   Since December 1988, Mr. Yu Jun has held various positions in ICBC. He successively served as the vice chief and chief of the No. 1 finance section of planning finance division under the business department and the chief and deputy director of the finance management section of ICBC Jiangsu branch from November 1999 to November 2006. He successively served as the vice general manager of the finance and accounting division under the business department and the general secretary of Board of Supervisors of centralized procurement of ICBC Jiangsu branch from November 2006 to May 2012, as the chief of the taxation matters management division of the headquarter of ICBC from May 2012 to December 2017 and as the vice party committee secretary (grassroots service) of ICBC Ma'anshan branch in Anhui from December 2017 to August 2019. He also served as the vice president of ICBC Ma'anshan branch in Anhui from February 2018 to August 2019.

   Mr. Yu Jun graduated from the Jiangsu Provincial Party School of the Communist Party of China (中共江蘇省委黨校) in Jiangsu, the PRC with the major of finance in December 2003. He obtained a bachelor's degree of economics from Beijing Normal University (北京師範大學) in Beijing, the PRC in June 2018. He also obtained the Certificate of Cambridge Senior Financial Management and Commercial Management (劍橋高級金融管理及商務管理證書) in November 2018 and has the title of economist.

6. **Mr. ZHAO Chuanxin (趙傳新)**, aged 56, has been appointed as the non-executive Director of the Bank since November 2019 and has been the vice general manager of the assets and liabilities management department of ICBC since May 2016.

   Mr. Zhao Chuanxin served as the head of the capital department of ICBC Hancheng branch from October 1997 to March 2000. From March 2000 to September 2005, he successively served as the vice chief and chief of the foreign exchange capital management division under the international business department of ICBC. From September 2005 to June 2006, he served as the vice general manager of the international business department of ICBC. From June 2006 to May 2016, he served as the vice general manager of the financial market department of ICBC.

   Mr. Zhao Chuanxin obtained a bachelor's degree of economics from Nankai University (南開大學) in Tianjin, the PRC in July 1988. He obtained a master's degree of economics from Renmin University of China (中國人民大學) in Beijing, the PRC in May 1996. He also obtained a master's degree of business administration (international course) from the University of Hong Kong (香港大學) and Fudan University (復旦大學) in Shanghai, the PRC in July 2008 and has the title of senior economist.

7. **Ms. NING Jie (寧潔)**, aged 50, has been appointed as the non-executive Director of the Bank since November 2019 and has been the deputy general manager of credit and investment management department of ICBC since March 2013.

   Ms. Ning Jie has held various positions in ICBC since November 2002, including the research assistant of Industrial and Commercial East Asia Finance Holdings Ltd (工商東亞金融控股有限公司) of ICBC from November 2002 to August 2003, employee and deputy director of institutional management division of credit management department of ICBC from August 2003 to September 2006 successively, deputy director and director of credit policy division of credit management department and secretariat of credit risk management commission of ICBC from September 2006 to April 2009 successively, overseas credit risk management division of credit management department of ICBC from April 2009 to August 2010, vice party committee secretary and vice president of Tangshan branch, Hebei of ICBC from August 2010 to August 2012 successively, director of division three of industry regional analysis center of credit management department of ICBC from September 2012 to March 2013.

   Ms. Ning Jie obtained a bachelor's degree of economics from Renmin University of China (中國人民大學) in Beijing, the PRC in July 1992, a master's degree in economics from PBOC Financial Research Institute (中國人民銀行總行金融研究所) in July 1999 and a master's degree of business administration from Robert H. Smith School of Business, University of Maryland in May 2002.

8. **Ms. GU Jihong (顧繼紅)**, aged 49, has been appointed as the non-executive Director of the Bank since October 2019 and has been working as an expert and special assigned director of strategic management and investor relationships department of ICBC since August 2017, a supervisor of ICBC Investment since September 2017, a director of Industrial and Commercial Bank of China (Europe) S.A. (中國工商銀行(歐洲)有限公司) since February 2018, a director of ICBCAXA Life Insurance Co., Ltd. (工銀安盛人壽保險有限公司) since July 2018, a vice chairman of the Board of Supervisors of ICBC AUSTRIA BANK GmbH (中國工商銀行奧地利有限公司) since May 2019 and a director of Industrial and Commercial Bank Of China Financial Services LLC (工銀金融服務有限責任公司) since February 2020.

   From July 1992 to April 2000, Ms. Gu Jihong successively served at the international business department of Shenyang branch of ICBC and the audit and supervision department of Nanlishilu sub-branch of Beijing branch of ICBC. From May 2000 to July 2017, she worked at the internal audit bureau (or the audit and supervision bureau prior to 2005) of ICBC headquarter as deputy director and director of the foreign exchange and overseas institution audit and supervision department, successively.

   Ms. Gu Jihong obtained a bachelor's degree of economics from Liaoning University (遼寧大學) in Liaoning, the PRC in July 1992 and a master's degree of international business administration from University of Hong Kong (香港大學) in Shanghai, the PRC in November 2014. Ms. Gu Jihong has been accredited as the certified internal auditor (CIA), the certified anti-money laundering specialist (CAMS), the certification in control self-assessment (CCSA) and the certified documentary credit specialist (CDCS) and senior economists.

9. **Mr. LYU Fei (呂飛)**, aged 55, has been appointed as the non-executive Director of the Bank since October 2019 and also has been the director of the office of the board of directors of Cinda Investment since April 2020.

   Mr. Lyu Fei worked in Pingdingshan Mining Coal Machinery Factory (平頂山煤礦機械廠, currently known as Pingdingshan Mining Coal Machinery Co., Ltd. (平頂山煤礦機械有限責任公司)) and Pingdingshan Mining Bureau (平頂山礦務局, currently known as China Pingmei Shenma Energy & Chemical Group Co., Ltd. (中國平煤神馬能源化工集團有限責任公司)) from July 1984 to December 2000, during which he held positions including the manager of finance department of Pingdingshan Tian An Coal Industry Co., Ltd. (平頂山天安煤業股份有限公司). He worked as deputy chief accountant and finance minister of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司) from December 2000 to March 2009. Mr. Lyu Fei served as the general manager of planning finance department and general manager of asset operation department of Cinda Investment from April 2009 to May 2018, and he served as the general manager of No. 4 investment department of Cinda Investment from May 2018 to April 2020.

   Mr. Lyu Fei graduated as an undergraduate majoring in financial accounting from Zhongnan University of Economics (中南財經大學, now known as Zhongnan University of Economics and Law (中南財經政法大學)) in Hubei, the PRC in January 1993, a master's degree of engineering from Tianjin University (天津大學) in Tianjin, the PRC in October 1997 and a doctor's degree of management from Sichuan University (四川大學) in Sichuan, the PRC in June 2016. He has been accredited as a senior accountant, senior international finance manager and senior international chartered finance director.

10. **Mr. LUO Nan (羅楠)**, aged 55, has been appointed as the non-executive Director of the Bank since October 2019, has been a party committee member, the head of risk management and secretary of discipline inspection commission of Liaoning subsidiary of China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司) since August 2015 and has been a vice chairman of Shenyang Jinbei Auto-part Industry Co., Ltd (瀋陽金杯汽車零部件工業有限公司) since April 2015.

    From July 1987 to October 2003, Mr. Luo Nan successively worked at Jilin branch and Shenyang branch of PBOC. From June 2000 to October 2001, he served as the party committee member and vice president of Songyuan City center sub-branch of PBOC. From October 2003 to August 2015, he worked at Liaoning bureau of China Banking Regulatory Committee as the deputy director of the joint stock commercial bank regulatory division, the director of the No. 5 on-site inspection division and the director of the policy bank regulatory division, successively.

    Mr. Luo Nan obtained a bachelor's degree of economics from Jilin University (吉林大學) in Jilin, the PRC in July 1987 and a master's degree of economics from Jilin University in Jilin, the PRC in June 1995.

11. **Mr. WU Jun (吳軍)**, aged 67, has been appointed as the independent non-executive Director of the Bank since October 2019 and has been working in University of International Business and Economics (對外經濟貿易大學) as a professor of finance since June 2000, during which time, he was also the dean of school of finance from June 2000 to July 2009. He has been the external supervisor of Jinshang Bank Co., Ltd. (晉商銀行股份有限公司) which is listed on the Hong Kong Stock Exchange (stock code: 2558) since April 2018, the independent director of Shijihengtong Technology Co., Ltd. (世紀恒通科技股份有限公司) since March 2019 and the independent director of New China Asset Management Co., Ltd. since April 2020.

    Mr. Wu Jun served as the independent director of Shenzhen Shenxin Taifeng Group Co., Ltd. (深信泰豐(集團)股份有限公司) (now known as Digital China Group Co., Ltd. (神州數碼集團股份有限公司)) which was listed on the Shenzhen Stock Exchange (stock code: 000034) from June 2008 to June 2014, the independent director of Southwest Securities Co., Ltd. (西南證券股份有限公司) which was listed on Shanghai Stock Exchange (stock code: 600369) from March 2009 to March 2017, and the independent non-executive director of Southwest Securities International Securities Limited (西證國際證券股份有限公司) which is listed on the Hong Kong Stock Exchange (stock code: 812) from January 2015 to July 2020.

    Mr. Wu Jun took successive positions as teaching assistant, lecturer and head of teaching and research office of monetary banking in Yunnan University of Finance and Economics (雲南財經大學) from August 1981 to September 1992, and as associate professor, professor and head of school of finance in China Institute of Finance and Banking (中國金融學院) from October 1992 to June 2000. Mr. Wu Jun obtained a master's degree of economics and a doctor's degree of economics from PBC School of Finance, Tsinghua University (清華大學五道口金融學院) in Beijing, the PRC in July 1988 and March 1995, respectively.

12. **Mr. XIE Taifeng (謝太峰)**, aged 62, has been appointed as the independent non-executive Director of the Bank since October 2019 and has been an independent non-executive director of Bank of Zhengzhou Co., Ltd. (鄭州銀行股份有限公司), which is listed on the Hong Kong Stock Exchange (stock code: 6196) and on the Shenzhen Stock Exchange (stock code: 002936), since August 2015 and an independent director of Green Fund Management Co., Ltd. (格林基金管理有限公司) since December 2016, and an independent director of China Film Co., Ltd. (中國電影股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600977) since September 2019. He has been an independent director of Everbright Xinglong Trust Co.Ltd.(光大興隴信託有限責任公司) since January 2021. He has also been successively working in Capital University of Economics and Business (首都經濟貿易大學), as associate dean and dean of school of finance and currently a professor since January 2006. Mr. Xie Taifeng is also an executive director of China Modern Financial Forum (中國現代金融學會), executive director of China Institute of Rural Finance (中國農村金融學會), secretary general of Beijing International Finance Association (北京市國際金融學會), and district committee government consultant of Xicheng District, Beijing, the PRC (北京市西城區區委區政府).

Mr. Xie Taifeng took successive positions as teaching assistant, associate professor, professor, head of school of finance and associate dean of business school in Zhengzhou University (鄭州大學) from January 1982 to May 1998. He served as general manager of research and development center of Beijing Securities Co., Ltd. (北京證券有限責任公司), currently known as UBS Securities Co., Ltd. (瑞銀證券有限責任公司)) from May 1998 to July 2001. He worked as professor and secretary of the Communist Party of China of school of business administration of Beijing Institute of Machinery Industry (北京機械工業學院) from July 2000 to July 2005.

Mr. Xie Taifeng obtained a bachelor's degree of economics from Zhengzhou University (鄭州大學) in Henan, the PRC in January 1982, a master's degree of economics from Southwestern University of Finance and Economics (西南財經大學) in Sichuan, the PRC in July 1986 and a doctor's degree of economics from Southwestern University of Finance and Economics (西南財經大學) in Sichuan, the PRC in May 1999.

13. **Mr. XIAO Geng (肖耿)**, aged 57, has been appointed as the independent non-executive Director of the Bank since January 2020 and has been a professor of practice in finance at HSBC Business School, Peking University (北京大學匯豐商學院) since August 2018 and is an independent non-executive director of UBS (China) Limited (瑞士銀行(中國)有限公司) since December 2019. He had served as an independent non-executive director of Tsingtao Brewery Company Limited (listed on the Shanghai Stock Exchange (stock code: 600600) and the Hong Kong Stock Exchange (stock code: 168)) since June 2020. He has also served as the Board of Directors and Chairman of the Board of Directors of Hong Kong Institute for International Finance since July 2020.

Mr. Xiao Geng worked as consultant in research department of World Bank from July 1991 to August 1992. From September 1992 to August 2008, he served as lecturer, assistant professor and associate professor in school of economics and finance of University of Hong Kong. From July 1996 to December 1996, he was a visiting scholar at the center of international development at Harvard University (哈佛大學國際發展研究院).From January 2000 to December 2003, he was the advisor to chairman and head of research department of Securities and Futures Committee of Hong Kong. He was senior researcher at John L. Thornton China Center at Brookings Institution (布魯金斯學會約翰•桑頓中國中心) and also head of the Brookings-Tsinghua Center for Public Policy of Tsinghua University from January 2007 to June 2010. He served as head of Columbia University Global Center of Beijing from July 2010 to July 2011. He worked in the Fung Global Institute of Hong Kong (香港經綸國際經濟研究院) as senior researcher, head of research and vice president from August 2011 to June 2015. He was professor of practice in finance and public policy of the business school and school of social science at the University of Hong Kong from July 2015 to June 2018. He served as the president of Hong Kong Institute for International Finance from August 2018 to July 2020.

Mr. Xiao Geng obtained a bachelor's degree of system science and management science from University of Science and Technology of China (中國科學技術大學) in Anhui, the PRC in June 1985. He obtained a master's degree of economics from University of California, Los Angeles in June 1987 and a doctor's degree of economics from University of California, Los Angeles in June 1991.

14. **Mr. WANG Xiongyuan (王雄元)**, aged 48, has been appointed as the independent non-executive Director of the Bank since October 2019 and has been working in school of accounting of Zhongnan University of Economics and Law (中南財經政法大學) since July 1999 and has been a professor and the deputy dean of school of accounting since December 2009 and March 2013, respectively. He was an independent director of Beijing Creative Distribution Automation Co., Ltd. (北京科鋭配電自動化股份有限公司), which was listed on Shanghai Stock Exchange (stock code: 002350), from June 2015 to March 2016, and has been an independent director of Sichuan Kexin Mechanical and Electrical Equipment Co.,Ltd.(四川科新機電股份有限公司), which is also listed on Shanghai Stock Exchange (stock code: 300092), since October 2017.

    Mr. Wang Xiongyuan obtained a bachelor's degree and a master's degree of economics (accounting) from Zhongnan University of Economics and Law (中南財經政法大學) in Hubei, the PRC in July 1994 and July 1999, respectively. He obtained a doctor's degree of management (accounting) from Sun Yat-sen University (中山大學) in Guangdong, the PRC in December 2008.

15. **Mr. SU Mingzheng (蘇明政)**, aged 40, has been appointed as the independent non-executive Director of the Bank since October 2019 and has been working in College of Economics, Bohai University (渤海大學) since September 2003 and successively served as teaching assistant, lecturer and associate professor, and has been serving as the vice president since November 2018 and a professor since December 2019. Mr. Su Mingzheng is also a member of Liaoning Finance Teaching Guidance Committee (遼寧省金融學專業教學指導委員會). Mr. Su Mingzheng has also been admitted into the Development Program for Liaoning Excellent Talents in University (遼寧省高等院校傑出青年人才成長計劃).

    Mr. Su Mingzheng obtained a bachelor's degree of economics from Xi'an Jiaotong University (西安交通大學) in Shaanxi, the PRC in July 2003, a master's degree in economics from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in January 2009, and a doctor's degree in economics from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in July 2014.

(II) Biographies of Supervisors

1. **Mr. Wang Zunzhou（王尊州）**, aged 44, has been the vice secretary to the party committee of the Bank since January 2021 and has been appointed as the employee representative Supervisor and Chairman of the Board of Supervisors of the Bank with effect from March 2021.

   From July 2005 to January 2010, Mr. Wang successively served as an officer and department head of the Financial Stability Bureau general office of the PBOC. From January 2010 to August 2010, he was the department head of the secretarial office of the Financial Stability Bureau financial stability assessment plan of the PBOC. From August 2010 to August 2019, Mr. Wang was successively the department head, deputy director, researcher and second grade researcher of the Financial Stability Bureau general office of the PBOC. From August 2019 to January 2021, he was the director of the Financial Stability Bureau central bank asset department of the PBOC.

   Mr. Wang obtained a master's degree in law from the Peking University Law School in Beijing, the PRC in July 2005, and has the title of economist.

2. **Mr. LIU Liguo (劉立國)**, aged 41, has been appointed as the employee representative Supervisor of the Bank since October 2019. He has been the director of the office of the Board of Supervisors since January 2016 and the deputy director (chairing the work) of the office and the deputy director (chairing the work) of the party committee office of the Bank since March 2020.

   Mr. Liu Liguo worked at the urban construction sub-branch of Jinzhou City Commercial Bank from July 2002 to June 2003 and at the office of the chairman of the board of directors and the president of Jinzhou City Commercial Bank from June 2003 to April 2009. He served successively as the assistant to the director of the office of the president of the Bank from April 2009 to July 2011, the deputy director of the office of the president of the Bank from July 2011 to December 2016 and the deputy director (chairing the work) of the office of the president of the Bank from December 2016 to March 2020.

   Mr. Liu Liguo obtained a bachelor's degree of management from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in April 2004 and has the title of intermediate economist.

3. **Ms. WU Hai'ou (吳海鷗)**, aged 41, has been the vice general manager (chairing the work) of the internal audit department of the Bank since August 2016 and has been the employee representative Supervisor of the Bank since October 2019.

   She worked at the accounting section of Jinling sub-branch of Jinzhou City Commercial Bank from July 2001 to January 2003 and served successively as an auditor of the audit department of Jinzhou City Commercial Bank and the audit department of the Bank from January 2003 to May 2008 and from May 2008 to April 2009, respectively. She was an auditor of the internal audit and compliance department of the Bank from April 2009 to October 2011 and worked successively as an auditor and the assistant to the general manager of the internal audit department of the Bank from October 2011 to September 2012 and from September 2012 to July 2016, respectively.

   Ms. Wu Hai'ou obtained a bachelor's degree of accounting from Liaoning Normal University (遼寧師範大學) in Liaoning, the PRC in July 2001 and has been accredited as a senior accountant and international certified auditor (ICA).

4. **Mr. WU Zhengkui (吳正奎)**, aged 46, has been the shareholder representative Supervisor of the Bank since October 2019, and a supervisor of Orient Securities Company Limited, which is listed on the Shanghai Stock Exchange (stock code: 600958) and on the Hong Kong Stock Exchange (stock code: 3958), since April 2012. He has been as an executive director of Greenland Hong Kong Holdings Ltd, which is listed on the Hong Kong Stock Exchange (stock code: 337) since August 2013.

   From January 2002 to December 2003, Mr. Wu Zhengkui successively served as the chief and the manager of the financial department of Shanghai Greenland Construction Engineering Co., Ltd. (上海綠地建築工程有限公司). He has successively been the manager of financial department, assistant to the general manager of financial department, vice general manager of the financial department and the executive deputy general manager of the auditing center of Greenland Holdings Group Co., Ltd. (綠地控股集團有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600606), since January 2004. He has been a director of Shanghai Yun Feng (Group) Co., Ltd. (上海雲峰(集團)有限公司) since January 2008 and the chief financial officer of Shanghai Xin Hua Publication (Group) Co., Ltd. (上海新華發行(集團)有限公司) since January 2007. From November 2011 to December 2017, he served as a non-executive director of the Bank.

   Mr. Wu Zhengkui obtained a master's degree of accounting from Fudan University (復旦大學) in Shanghai, the PRC in July 2008 and has the title of intermediate accountant.

5. **Ms. TANG Fang (唐芳)**, aged 42, has been the shareholder representative Supervisor of the Bank since October 2019, and the vice secretary of the director and supervisor works department of Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600266), since January 2018, a director of Beijing Shoucheng Land Co.,Ltd. (北京首城置業有限公司) since February 2018, a director of Beijing Urban Construction Xingrui Property Development Co., Ltd. (北京城建興瑞置業開發有限公司) since May 2018 and a director of Beijing Urban Construction Xingye Land Co.,Ltd. (北京城建興業置地有限公司) since July 2018.

   Ms. Tang Fang served at Beijing City Donghu Real Estate Company (北京市東湖房地產公司) from July 2002 to June 2005. She then worked at the finance department of Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司) from June 2005 to December 2013. Ms. Tang Fang successively served as the financial manager of Beijing Urban Construction Wan Ke Tian Yun Property Co., Ltd. (北京城建萬科天運置業有限公司) from December 2013 to January 2018, and as the chief financial officer of Beijing Urban Construction (Shanghai) Equity Investment Management Co., Ltd. (北京城建（上海）股權投資管理有限公司) from August 2015 to January 2018. She served as a non-executive director of the Bank from January 2019 to October 2019.

   Ms. Tang Fang obtained a bachelor's degree in taxation from Tianjin University of Commerce (天津商學院) in Tianjin, the PRC in June 2002. She has been accredited as an intermediate economist by Beijing Municipal Bureau of Personnel (北京市人事局) since November 2008.

6. **Mr. MENG Xuefeng (孟雪峰)**, aged 43, serves as a member of Chinese People's Political Consultative Conference of Jinzhou City and a guest professor of Bohai University (渤海大學) and Jinzhou Medical University (錦州醫科大學), and has been the external Supervisor of the Bank since October 2019.

   Mr. Meng Xuefeng has been the chair of Liaoning Rongda Lawyer Office (遼寧戎達律師事務所) since January 2003, a member and the vice general secretary of the law sector of All-China Youth Federation since March 2016, a member of the legal expert tank of the government of Jinzhou City since June 2018, the executive vice president of the Lawyers Association of Jinzhou City (錦州市律師協會) since November 2018 and the lawyer expert for criminal legal matters of Liaoning Province since December 2018 and the managing director of the Lawyers Association of Liaoning Province (遼寧省律師協會) since April 2019.

   Mr. Meng Xuefeng obtained a bachelor degree of economic law from Liaoning University (遼寧大學) in Liaoning, the PRC in July 2001.

7. **Mr. GUO Limao (郭李茂)**, aged 36, has been the external Supervisor of the Bank since October 2019, and has served as a director of Jinzhou City Chuang Shi Investment and Finance Guarantee Co., Ltd. (錦州市創實投融資擔保有限公司) since September 2019.

   Mr. Guo Limao served as, among other things, the head of the administration section and vice head of finance section of Jinzhou City Funeral Home (錦州市殯儀館) from August 2008 to October 2018. He has served as the head of the risk control department of Jinzhou City Guarantee Group Co., Ltd. (錦州市擔保集團有限公司) since October 2018. He has also served as a supervisor of Jinzhou City Guarantee Group Co., Ltd. (錦州市擔保集團有限公司) since July 2019.

   Mr. Guo Limao obtained a bachelor's degree of engineering from Shenyang University (瀋陽化工大學) of Chemical Technology in Liaoning, the PRC in July 2007.

8. **Mr. HU Guojie (胡國傑)**, aged 55, serves as a member of the National Think Tank Alliance of Cities along the Route of "the Belt and Road" (全國"一帶一路"沿線城市智庫聯盟), a member of Liaoning Province International Trade Association (遼寧省國際貿易學會) and a member of China Business Statistics Association (中國商業統計學會), and has been the external Supervisor of the Bank since October 2019.

   Mr. Hu Guojie has been a professor of the economics and management school of Liaoning University of Technology (遼寧工業大學) since December 2011. He served as a lecturer of Liaoning Province Jinzhou School of Grains (遼寧省錦州糧食學校) from July 1988 to May 1997.

   Mr. Hu Guojie obtained a bachelor degree of science from Liaoning Normal University (遼寧師範大學) in Liaoning, the PRC in July 1988 and a master equivalent in corporate management from Nanjing University of Finance and Economics (南京財經大學) in Jiangsu, the PRC in July 1992.

(III) Biographies of Senior Management

1. For biography of **Mr. GUO Wenfeng (郭文峰)**, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations – (I) Biographies of Directors" of this annual report.

2. For biography of **Mr. KANG Jun (康軍)**, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations – (I) Biographies of Directors" of this annual report.

3. For biography of **Mr. YANG Weihua (楊衛華)**, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations – (I) Biographies of Directors" of this annual report.

4. For biography of **Mr. YU Jun (余軍)**, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations – (I) Biographies of Directors" of this annual report.

(IV) Biographies of Joint Company Secretaries

1. **Mr. YU Jun (余軍)**, was appointed as a joint company secretary of the Bank in January 2020. For his biography, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations – (I) Biographies of Directors" of this annual report.

2. **Ms. LEUNG Wing Han Sharon (梁頴嫻)**, was appointed as a joint company secretary of the Bank in October 2014. Ms. Leung is a vice president of SWCS Corporate Services Group (Hong Kong) Limited, who has over 12 year of experience in financing, accounting and company secretarial work. Ms. Leung holds a bachelor of business administration in accounting, a bachelor of laws, and master of laws in international corporate and financial law. Ms. Leung is a fellow member of the Hong Kong Institute of Chartered Secretaries, The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators in UK), and the Association of Chartered Certified Accountants in UK. She is also a member of the Hong Kong Institute of Certified Public Accountants.

IV. Compensation of Directors and Supervisors and the Five Individuals with the Highest Emoluments in the Bank

For detailed compensation of Directors and Supervisors and the five individuals with the highest emoluments in the Bank, please refer to notes 8 and 9 to financial statement included in this annual report.

V. Employee, Employee Compensation Policy and Employee Training Program

(I) Staff Composition

As at the end of the Reporting Period, the Bank (excluding subsidiaries) had 5,022 full-time employees, of which 3,716 employees (or 74.0%) had bachelor's degrees or above, and the average age is 37.36.

In addition to full-time employees, as at the end of the Reporting Period, the Bank (excluding those of its subsidiaries) also had 1,015 contracted workers assigned from third party human resources agencies. These contracted workers are not our employees and entered into employment contracts with the third party human resources agencies.

(II) Employee Training Program

The Bank strives to build a comprehensive study-type bank, values the improvement of employee's overall qualities and skills and sets up scientific training system that combines comprehensive coverage with focused training. Our annual training program thoroughly considered the Bank's strategic deployment and staff improvement, the integration of business support and job competence, the combined use of external experts and internal training teachers, and the comprehensive use of online and offline multi-dimensional training tools to achieve the purposes of improving our team, enhancing our abilities and driving the sustainable development of the Bank. During the Reporting Period, we carried out the "535" talent project to cultivate a pool of high-end talents conducted; 17 lecture sessions at the head office level to meet the targeted training needs of different business lines; and conducted rich online training and operation activities to achieve excellent internal knowledge accumulation and iteration.

(III) Employee Incentive Policies

The Bank has always been committed to the research and formulation of employee incentive policies throughout the Bank. By applying advanced management tools, the Bank provides better mechanism and measures for the selection, appointment, cultivation and retention of talents, to ensure the business development of Bank is supported by reliable human resources. Incentive policies of the Bank combined performance management system, employee career development system, new employee cultivation system and targets on employee career development. It is a scientific comprehensive management system based on professional sequence management, covering performance evaluation, ability evaluation, service improvement and cultivation plan. The professional sequence management system developed by the Bank overcame the career development bottleneck of employees, expanded promotion potential of employees, and satisfied their diversified career development requirements, which fully encouraged employees to realize their values.

(IV) Remuneration Policies for Employees

Our remuneration policies are in line with the implementation of our strategic goals, the enhancement of our competitiveness, talent cultivation and risk control. These policies are developed based on the principles that satisfy our corporate governance requirements, give consideration to both the competitiveness and sustainability of the Bank, are in line with our operating results (adjusted for risk cost). Remuneration of our employees comprises fixed salary, variable compensation and allowance. Deferred payment and fixed term of payment are applied to senior management and key personnel to strengthen risk control.

(V) Retirement and Benefits

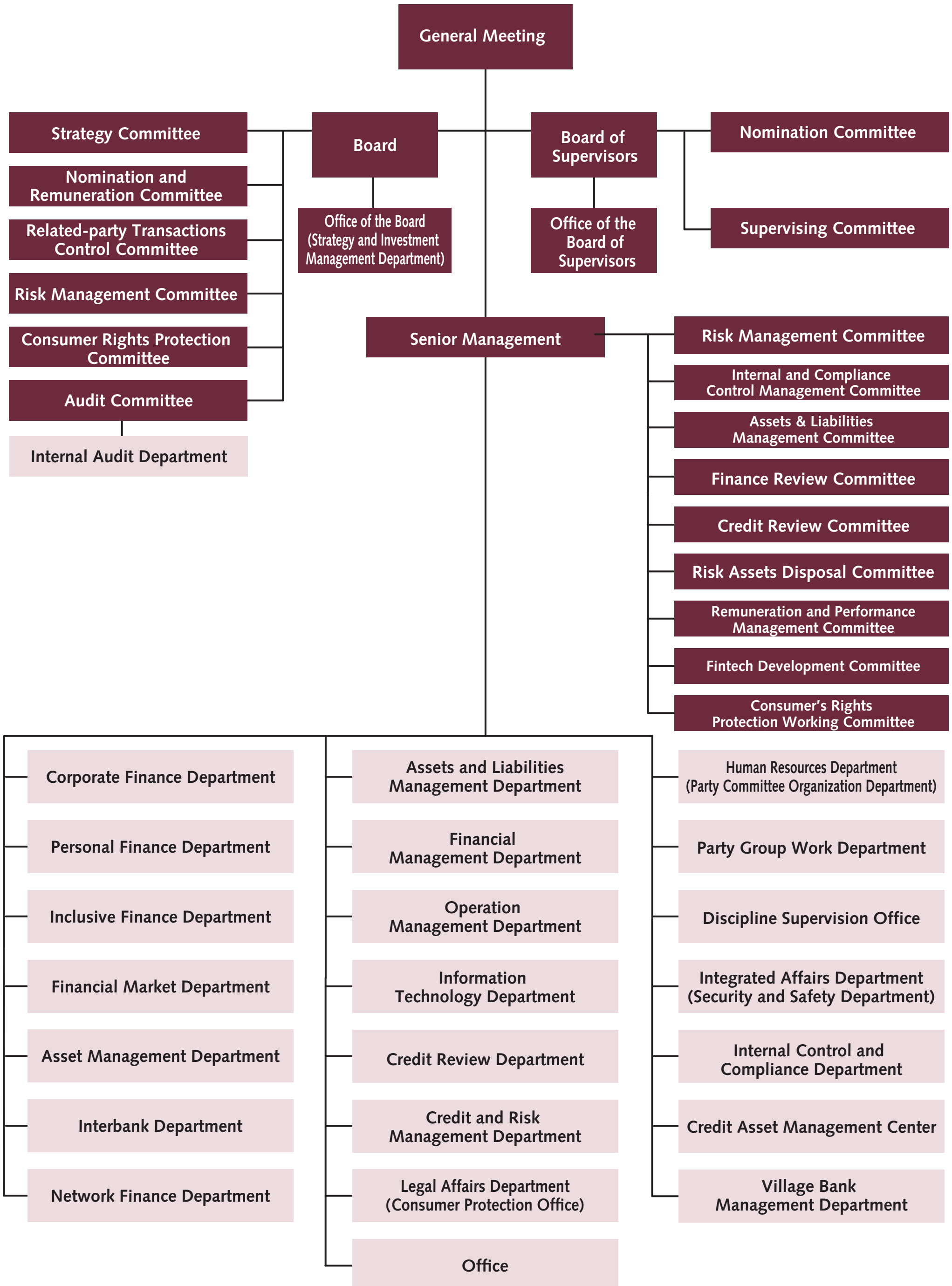
According to applicable laws in China, the Bank's male employees, cadre female employees and non-cadre female employees reaching the age of 60, 55 and 50, respectively, shall retire. The salary of retired employees will be suspended and paid by the social insurance fund agency to their basic pension on a monthly basis starting from the second month after the retirement procedures are completed. With respect to benefits, the headquarter and branches shall make timely and full contribution to basic old-age pension, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance, and housing provident fund for all in-service employees pursuant to applicable laws and regulations in China.

VI. Branches and Subsidiaries

Name of Branches/Subsidiaries	Location of Business	Remarks
Headquarter	No. 68 Keji Road, Jinzhou, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Beijing Branch	No. 5 Jianguomenbei Avenue, Dongcheng District, Beijing, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Tianjin Branch	No. 236 Nanjing Road, Heping District, Tianjin, the PRC	With 7 sub-branches
Bank of Jinzhou Co., Ltd., Shenyang Branch	No. 18 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC	With 12 sub-branches
Bank of Jinzhou Co., Ltd., Dalian Branch	No. 23 Renmin Road, Zhongshan District, Dalian, Liaoning Province, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Harbin Branch	No. 381 Youyi Road, Daoli District, Harbin, Heilongjiang Province, the PRC	With 8 sub-branches
Bank of Jinzhou Co., Ltd., Dandong Branch	No. 111 Jinshan Avenue, Yuanbao District, Dandong, Liaoning Province, the PRC	With 19 sub-branches
Bank of Jinzhou Co., Ltd., Fushun Branch	No. 13 Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province, the PRC	With 19 sub-branches
Bank of Jinzhou Co., Ltd., Anshan Branch	No. 15- S1, S2, S3, S4, S5, Shenglinan Road Tiedong District, Anshan, Liaoning Province, the PRC	With 5 sub-branches
Bank of Jinzhou Co., Ltd., Chaoyang Branch	No. 5 Xinhua Road (Section 2), Shuangta District, Chaoyang, Liaoning Province, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Fuxin Branch	No. 75 Zhonghua Road, Xihe District, Fuxin, Liaoning Province, the PRC	With 2 sub-branches
Bank of Jinzhou Co., Ltd., Liaoyang Branch	No. 366-1 Xinhua Road, Baita District, Liaoyang, Liaoning Province, the PRC	With 2 sub-branches
Bank of Jinzhou Co., Ltd., Huludao Branch	1C Lanhua Plaza, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province, the PRC	With 1 sub-branch
Bank of Jinzhou Co., Ltd., Benxi Branch	No. 8 Renmin Road, Pingshan District, Benxi, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Yingkou Branch	No. 12-A1, East Bohai Avenue, Zhanqian District, Yingkou City, Liaoning Province, China	With 1 sub-branch
Bank of Jinzhou Co., Ltd., Jinzhou Branch	No. 69 Shifu Road, Jinzhou, Liaoning Province, the PRC	With 106 sub-branches
Bank of Jinzhou Co., Ltd., Small Enterprise Financial Service Centre	No. 25-1, 2 Zhongyang Avenue (Section 2), Linghe District, Jinzhou, Liaoning Province, the PRC	
Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd.	No. 29-86, Jixiang Xinjiayuan, Taihe District, Jinzhou City, Liaoning Province, the PRC	With 6 sub-branches
Liaoning Yixian Jinyin Village and Township Bank Co., Ltd.	No. 38-21, Yingbin Road, Yizhou Town, Yixian, Jinzhou City, Liaoning Province, the PRC	With 4 sub-branches
Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd.	No. 1-1-121, Lvshan Road, Beizhen City Liaoning Province, the PRC	With 3 sub-branches
Liaoning Heishan Jinyin Village and Township Bank Co., Ltd.	House No. 9-14 (Level 1-3), City East, South Side, Diwang Fudi, No. 194, Zhongda Central Road, Heishan Town First Street, Heishan County, Liaoning Province, the PRC	With 3 sub-branches
Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd.	No. 01011, Building 10, Lidu Shuian Community, Binhe North Road, Dachengzi Town, Kazuo County, Chaoyang, Liaoning Province, the PRC	With 1 sub-branch
Liaoning Linghai Jinyin Village and Township Bank Co., Ltd.	Outlet No. 57-60, Block 1, Ziguanghaoyuan, No. 5 Zhongxing Avenue, Linghai, Jinzhou, Liaoning Province, the PRC	
Liaoning Huanren Jinyin Village and Township Bank Co., Ltd.	No. 2, Unit 0, Building 1, Block 1 Xinshi Street, Huanren Town, Huanren Manchu Autonomous County, Benxi, Liaoning Province, the PRC	
Bank of Jinzhou Financial Leasing Co.,Ltd.	No. 18, Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC	

I. Organization Structure

In order to promote the Bank's internal high-quality development, the Bank has implemented organizational reform, reshaped its organizational structure, clarified the functions of departments and the scope of responsibilities, and reflected the refined management. As at the Latest Practicable Date, the organization chart of the Bank was as follows.



Note: The Office of the Board of Supervisors is a joint office in the office department.

II. Corporate Governance Overview

The Bank continuously improved its corporate governance mechanism, and gradually enhanced corporate governance level. The Bank has adopted relevant requirements set out in the Corporate Governance Code, administrative measures and corporate governance for commercial banks in China, and established a corporate governance system accordingly. In accordance with relevant requirements, the Bank has dedicated and independent Board of Directors, Board of Supervisors and senior management. All members of Board of Directors and Board of Supervisors (excluding employee representative Supervisors) were elected in the general meeting by the Shareholders of the Bank. The Bank has further improved the information disclosure standards, regulated the management of investor relations activities and enhanced the transparency and governance standards persistently.

During the Reporting Period, save as disclosed below, the Bank has fully complied with all provisions contained in the Corporate Governance Code. The Board is not aware of any data which indicates any non-compliance of the Bank with other provisions contained in the Corporate Governance Code:

The Bank conducted the election and the change of session of the sixth session of the Board of Directors the Bank in 2019. The directors of the sixth session of the Board of Directors of the Bank successively received approvals from regulatory authorities from 30 October 2019 to 21 January 2020, and each of their terms of office took effect from the respective dates of the receipt of approvals from regulatory authorities. Therefore, from 15 November 2019 (the date when the majority of the Directors' qualifications have been approved) to 21 January 2020 (the date when the approvals for all the Directors have been received by the Bank）, the Bank has failed to comply with the requirement under Rule 3.10A of the Listing Rules that independent non-executive Directors must represent at least one-third of the Board. Since 21 January 2020, the number of independent non-executive Directors under the Board has complied with Rule 3.10A of the Listing Rules.

III. General Meeting

During the Reporting Period, the Bank convened one annual general meeting and one extraordinary general meeting. The Bank convened the 2020 first extraordinary general meeting on 10 July 2020 and the 2019 annual general meeting on 11 September 2020.

The following ordinary resolutions were considered and approved at the 2020 first extraordinary general meeting: the proposed amendments to the rules of procedures for Shareholders' general meetings of the Bank, and the resolution in relation to the Disposal.

The following special resolutions were considered and approved at the 2020 first extraordinary general meeting: the proposed amendments to the Articles of Association of the Bank, and the resolution in relation to the Proposed Private Placement.

The following ordinary resolutions were considered and approved at the 2019 annual general meeting: the annual report of the Bank for the financial year ended 31 December 2019, the report of the Board of Directors of the Bank for the year ended 31 December 2019, the report of the Board of Supervisors of the Bank for the year ended 31 December 2019, the appraisal report on Directors' performance of duties in 2019, the appraisal report on Supervisors' performance of duties in 2019, the appraisal report on senior management's performance of duties in 2019, the Bank's final financial accounts for the year ended 31 December 2019, the Bank's profit distribution plan for the year ended 31 December 2019, the Bank's fixed asset investment budget plan for 2020, the proposed amendments to the rules of procedures for the Board of Supervisors of the Bank, the re-appointment of Crowe (HK) CPA Limited as the Bank's international auditor, the amendments to the rules of procedures for Shareholders' general meetings and the amendments to the rules of procedures for Board meetings.

The following special resolutions were considered and approved at the 2019 annual general meeting: the proposed extension of term of validity of the financial bonds specialized for small and micro enterprises and the relevant authorization matters, the proposed issue of the financial bonds, the proposed amendments to the Articles of Association of the Bank, the adoption of the proposal for the delegation of authority to the Board by the Shareholders' general meeting.

IV. Board of Directors and Special Committees

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

During the Reporting Period, the Board of Directors was able to strictly execute the resolutions of the general meetings and complete the review of the report of the Board of Directors, profit distribution and the amendments to the Articles of Association successively.

(II) Composition of the Board of Directors

As at the end of the Reporting Period, the Board of Directors of the Bank consists of 15 Directors, including five executive Directors being Mr. Wei Xuekun (chairman), Mr. Guo Wenfeng (vice chairman), Mr. Kang Jun, Mr. Yang Weihua and Mr.Yu Jun; five non-executive Directors being Mr. Zhao Chuanxin, Ms. Ning Jie, Ms. Gu Jihong, Mr. Lyu Fei and Mr. Luo Nan; and five independent non-executive Directors being Mr. Wu Jun, Mr. Xie Taifeng, Mr Xiaogeng, Mr. Wang Xiongyuan and Mr. Su Mingzheng.

The Board of Directors is responsible for establishing the management system of the Bank, supervision and control over important matters such as the decisions and performance of the business and financial policies of the Bank. The Board of Directors is accountable to the general meeting. The Board of Directors has delegated to the management the rights and duties of managing the Bank. In addition, the Board of Directors has also assigned to the Strategy Committee, Audit Committee, Nomination and Remuneration Committee, Related-party Transactions Control Committee, Risk Management Committee and Consumer Rights Protection Committee their respective responsibilities. Details about the above-mentioned special committees are set out in this annual report.

The Board of Directors is also responsible for the performance of the corporate governance functions pursuant to the Corporate Governance Code.

(III) Relationships between Directors, Supervisors and Senior Management

The Directors, Supervisors and senior management (in particularly the chairman and the president) of the Bank are not related to each other in respect of financial, business, family or other material/relevant relationships.

(IV) Changes of Directors

For changes of Directors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Organizations – II. Changes in Directors, Supervisors and Senior Management" in this annual report.

(V) Operation of the Board of Directors

The Board of Directors shall convene at least four meetings per year and at least one meeting per quarter. The meetings of the Board of Directors are divided into regular meetings and extraordinary meetings. The regular meetings of the Board of Directors are convened by the chairman and a notice in writing shall be delivered to all Directors and Supervisors 14 days prior to the date of convening the meeting. The notice of extraordinary meeting of the Board of Directors is three working days prior to the date of convening the meeting. In emergency circumstances, if an extraordinary meeting of the Board of Directors is required to be convened as soon as possible, the notice of meeting may be issued through telephone or other verbal means, but the convener shall give an explanation at the meeting. The meeting of the Board of Directors will generally conduct voting at the meeting (including video conference) by way of a show of hands and voting by registered ballot.

Under the pre-condition that sufficient protection is ensured for the expression of opinions by Directors, the extraordinary meeting of the Board of Directors may pass resolutions by voting by correspondence to be signed by participating Directors. The conditions and procedure of voting by correspondence are provided in the Articles of Association and the Rules of Procedure for Meetings of the Board of Directors of the Bank.

The Board of Directors shall record the decisions on matters considered at the meetings in the minutes of meetings, the participating Directors and the recorder of minutes shall sign on the minutes of meeting. Directors attending the meeting are entitled to request an explanation to be made on record in respect of their verbal comments in the meetings.

In the meetings of the Board of Directors, Directors may express their opinions freely, important decisions should be made after detailed discussions have been conducted. A director shall abstain from discussion and voting at a meeting of the Board of Directors on any resolution in which he is materially interested, and shall not be counted in the quorum for such resolution.

The Board of Directors has established the office of the Board as the operating arm of the Board of Directors, the office of the Board of Directors shall be responsible for the preparation of general meetings, meetings of the Board of Directors and meetings of all special committees under the Board, information disclosure and other daily duties.

(VI) Functions and Authorities of the Board of Directors

The Board of Directors exercises the following functions and authorities:

1. to convene the general meeting, and report to the general meeting;

2. to implement the resolutions of the general meeting;

3. to decide on the development plans of the Bank;

4. to decide on operation plans, investment plans and major assets disposal plans of the Bank;

5. to formulate annual financial budget plan and final account plan of the Bank;

6. to formulate profit distribution plans and loss make-up plans of the Bank;

7. to formulate the plans for the increase or decrease of registered capital, the issuance of bonds or other securities and the listing of the Bank;

8. to formulate the plans for major acquisitions of the Bank, acquisitions of the stock of the Bank or merger, division, dissolution and form change of the Bank;

9. to regularly evaluate and improve the Bank's corporate governance;

10. to decide on external investment, acquisition and selling of assets, pledged assets, external guarantee matters, associated/connected transactions and other matters of the Bank, within the scope of authorization of the general meeting;

11. to determine arrangement plans for the Bank's internal management institutions, branches and capacity, and the number of management personnel;

12. to engage or dismiss the president and secretary to the Board of Directors according to the nomination of the chairman of the Board of Directors; engage or dismiss senior management personnel, such as the vice president, assistant to president and head of finance according to the nomination of the President;

13. to decide on remuneration matters and disciplinary matters of senior management personnel;

14. to formulate basic management system and validate work rules for the president;

15. to formulate the amendment plan for the Articles of Association;

16. to manage the information disclosure matters of the Bank;

17. to propose on the engagement or replacement of the accounting firm that audits the Bank to the general meeting;

18. to listen to the work report of the president of the Bank and check the work of the president;

19. to verify the Bank's compliance with the Corporate Governance Code in the Listing Rules of the Hong Kong Stock Exchange and the information disclosed in the corporate governance report; and

20. other functions and powers conferred by laws, administrative regulations, department rules or the Articles of Association.

Prior to making decision on any major issue of the Bank, the Board shall listen to the opinions of the party committee in advance.

(VII) Appointment of Directors

The Directors shall be elected or replaced by the general meeting for have a term of office of three years. Upon expiry of the term, they may be re-elected. However, the consecutive term of office of the independent non-executive Directors shall not exceed six years.

(VIII) Meetings of the Board of Directors

During the Reporting Period, the Bank has convened nine meetings (including teleconference) of the Board of Directors, 66 resolutions have been considered and approved which include the consideration and approval of the work report of the Board of Directors for 2019, final financial accounts for 2019, the fixed assets investment budget for 2020, the annual report for 2019, the profit distribution plan for 2019, the Proposed Private Placement, the Disposal, and amendments to the Articles of Association, and 10 reports have been heard, including the 2019 annual report on anti-money laundering of Bank of Jinzhou, the 2019 annual report on consumer rights protection and the 2020 work plan, the report on the annual evaluation of substantial shareholders of Bank of Jinzhou, the report on the structure of the Board of Directors and others.

During the Reporting Period, attendance of all Directors at the meetings of the Board of Directors, meetings of special committees of the Board and general meetings in 2020 are set out in the table below:

Name of Directors	Number of meetings attended in person/attended by proxy/should be attended							
	Board of Directors	Strategy Committee	Risk Management Committee	Related-party Transactions Control Committee[1]	Nomination and Remuneration Committee	Audit Committee	Consumer Rights Protection Committee	General Meeting
WEI Xuekun	9/0/9	2/0/2						2/0/2
GUO Wenfeng	9/0/9	2/0/2					3/0/3	1/0/2
KANG Jun	9/0/9		4/0/4				3/0/3	2/0/2
YANG Weihua[2]	0/9/9		0/3/4	0/0/0				0/1/2
YU Jun	9/0/9	2/0/2			4/0/4			2/0/2
ZHAO Chuanxin	8/1/9	1/1/2			4/0/4			2/0/2
NING Jie	9/0/9		3/1/4	0/0/0		5/0/5		2/0/2
GU Jihong	8/1/9					4/1/5	3/0/3	2/0/2
LYU Fei	9/0/9		4/0/4				3/0/3	2/0/2
LUO Nan	9/0/9						3/0/3	2/0/2
WU Jun	8/1/9			0/0/0	4/0/4			2/0/2
XIE Taifeng	8/1/9		3/1/4	0/0/0	4/0/4			2/0/2
XIAO Geng[3]	7/1/8		4/0/4	0/0/0		5/0/5		2/0/2
WANG Xiongyuan	8/1/9	2/0/2				5/0/5		2/0/2
SU Mingzheng	8/1/9	2/0/2			4/0/4	5/0/5		2/0/2

Notes:

(1) Since the Bank conducted the election of the sixth session of the Board of Directors and the sixth session of the Board of Supervisors of the Bank in 2019, and introduced new Shareholders in 2019 and during the Reporting Period, the independence of the Bank from its Shareholders, Directors and Supervisors have improved. During the Reporting Period, there was no related-party transaction of the Bank reaching the threshold for compulsory review by the Related-party Transactions Control Committee of the Broad of Directors. The Bank has also reviewed the management system of related-party transactions, formulated the management rules of related parties, and clarified the division of functions and responsibilities of relevant business departments in accordance with the actual situation. Therefore, the fact that the Related-party Transactions Control Committee of the Board of Directors of the Bank did not convene the meet during the Reporting Period would not affect the monitoring work of the Banks for the related-party transactions. The Bank has held the meeting of the Related-party Transactions Control Committee in March 2021.

(2) Mr. Yang Weihua was unable to attend the Board meetings and meetings of special committees under the Board and/or general meetings in person due to personal reasons. As confirmed by Mr. Yang, he has reviewed all the documents and resolutions for the relevant meetings in 2020 and after forming his voting intention based on his working experience in the banking industry, he had appointed a representative to attend the relevant meetings and approve the relevant resolutions as directed by him, thereby performing his duties as a Director

(3) Mr. Xiao Geng obtained the approval on his appointment from the regulatory authorities on 21 January 2020, on which his appointment took effect and he commenced his duties on the same date.

(IX) Independent Non-executive Directors

The Bank conducted the election and the change of session of the sixth session of the Board of Directors of the Bank in 2019. The directors of the sixth session of the Board of Directors of the Bank successively received approvals from regulatory authorities from 30 October 2019 to 21 January 2020, and each of their terms of office took effect from the respective dates of the receipt of approvals from regulatory authorities. Except where the number of independent non-executive Directors of the Bank represented less than one-third of the Board for the period from 15 November 2019（the date when the majority of the Directors' qualifications have been approved) to 21 January 2020 (the date when the approvals for all the Directors have been received by the Bank）, the Bank has received approvals regarding the qualification of all Directors since 21 January 2021 and has complied with the requirements of the Listing Rules for the appointment of at least three independent non-executive Directors, representing at least one-third of the members of the Board of Directors, and at least one of these independent non-executive Directors has the appropriate professional qualifications or expertise in accounting or financial management.

None of the independent non-executive Directors has any business or financial interests in the Bank, nor holds any position in the Bank other than that of a director or member of the special committee of the Board of Directors. All current independent non-executive Directors are appointed through election for a term of three years, they may be re-elected upon expiry of the term but the term of office of shall not exceed six years on consecutive basis.

During the Reporting Period, the independent non-executive Directors earnestly participated in the meetings of the Board of Directors and meetings of special committees of the Board of Directors, and provided independent and objective opinions in respect of all material decisions at the meetings of the Board of Directors and meetings of the special committees by utilizing their own professional abilities and industry experience and acquired a deep understanding on the operation and management of the Bank by deepening the communication with the senior management, specialized authorities and external auditor. The independent non-executive Directors have duly performed the integrity and diligence obligations, and provided strong support to the scientific decisions of the Board of Directors and duly protected the interests of the Bank and all Shareholders.

(X) Responsibilities Assumed by the Directors in the Preparation of Financial Statements

The Directors have acknowledged their responsibilities in the preparation of financial statements of the Bank for the year ended 31 December 2020. The Directors are responsible for the supervision of the preparation of the financial statements for the Reporting Period to ensure that the financial statements reflect a true and fair view of the financial conditions, operating results and cash flows of the Bank. In preparing the financial statements for the year ended 31 December 2020, the Directors have adopted appropriate accounting policies which have been applied consistently, and prudent and reasonable judgments have been made.

(XI) Continuing Professional Development Plan for Directors

All newly appointed Directors have been provided with comprehensive relevant materials when they are first appointed to ensure they have proper understanding of the operation and business of the Bank and fully understand the duties and responsibilities of directors under the requirements of the Listing Rules and the applicable laws and regulations.

The Bank has encouraged all Directors to participate in continuing professional development to develop and refresh their knowledge and skills. The Bank provided briefings on the latest developments of the Listing Rules and other applicable regulatory requirements to all Directors from time to time and on a regular basis, and the Directors have read the relevant materials to ensure that the Directors continue to contribute to the Board with comprehensive information and under appropriate circumstances, to comply with the Corporate Governance Code, and to enhance their awareness of good corporate governance practices. During the Reporting Period, according to their own working arrangement, the Directors of the Bank also attended the training on the Seminar on the Latest Regulatory Update for Listing in Hong Kong issued by the Hong Kong Institute of Chartered Secretaries through online seminars or offline review of the training highlights, training on directors' responsibilities and obligations and environmental, social and governance related training courses.

During the Reporting Period, the Bank organized non-executive Directors and independent non-executive Directors to conduct 12 surveys at the head office and branches, three Director's lectures, which effectively strengthened the communication between the non-executive Directors, independent non-executive Directors and the Bank, and gave full play to the professional advantages of Directors.

(XII) Corporate Governance Functions of the Board of Directors

The Board of Directors is responsible for the establishment of sound corporate governance practice and procedures for the Bank. During the Reporting Period, the Board has:

1. developed and reviewed the Bank's policies and practices on corporate governance;

2. reviewed and monitored the training and continuing professional development of Directors and senior management;

3. reviewed and monitored the Bank's policies and practices on compliance with legal and regulatory requirements;

4. developed, reviewed and monitored the code of conduct for Directors and employees; and

5. reviewed the Bank's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

(XIII) Special committees under the Board

At the end of the Reporting Period, the Board of Directors had six special committees in total: the Strategy Committee, the Audit Committee, the Nomination and Remuneration Committee, the Related-party Transactions Control Committee, the Risk Management Committee and the Consumer Rights Protection Committee.

1. Strategy Committee

As at the end of the Reporting Period, the Strategy Committee consists of six Directors, including Mr. Wei Xuekun, an executive Director and the chairman of the Board of Directors, who is the chairman of the committee, and executive Director and vice chairman Mr. Guo Wenfeng, executive Director Mr. Yu Jun, non-executive Director Mr. Zhao Chuanxin, independent non-executive Director Mr. Wang Xiongyuan and independent non-executive Director Mr. Su Mingzheng, who are members of the committee.

The primary duties of the Strategy Committee include: formulating the operation goals and long-term development strategies of the Bank; supervising and inspecting the implementation of annual operating plans and investment proposals; analysing and making proposals on any major capital operations or asset operation projects of the Bank that is subject to approval of the Board of Directors; analysing and formulating proposals on any major events that may affect the development of the Bank; and any other duties authorized by the Board of Directors.

During the Reporting Period, the Strategy Committee has convened two meetings for the consideration of three resolutions, including the 2020 Annual Business Plan of Bank of Jinzhou, the 2020-2022 Strategic Development Plan of Bank of Jinzhou and the 2020-2022 Financial Technology Strategic Development Plan.

2. Audit Committee

As at the end of the Reporting Period, the Audit Committee consists of five Directors, including Mr. Wang Xiongyuan, an independent non-executive Director, who is the chairman of the committee, non-executive Director Ms. Ning Jie, non-executive Director Ms. Gu Jihong, independent non-executive Director Mr. Xiao Geng, and independent non-executive Director, Mr. Su Mingzheng, who are members of the committee.

The primary duties of the Audit Committee include: examining the accounting policies, financial condition and financial reporting procedures of the Bank; examining the status of risk and compliance; coordinating on the annual audit work, proposing the appointment or replacement of the accounting firm; preparing report with judgment on whether the financial information audited is true, complete, timely and accurate and make proposals to the Board of Directors; and other matters authorised by the Board of Directors.

During the Reporting Period, the Audit Committee has convened five meetings for the consideration of 13 resolutions, including the 2019 Annual Report of Bank of Jinzhou Co., Ltd., the appointment of the auditor of the financial statements for 2020, the Profit Distribution Plan for 2019 and the Final Financial Accounts for 2019, at which four reports, including the Report on the Internal Audit Work in the First Half of 2020 and the Audit Completion Report for the Year Ended 31 December 2019 from the external auditors were heard by the Audit Committee.

3. Nomination and Remuneration Committee

As at the end of the Reporting Period, the Nomination and Remuneration Committee consists of five Directors, including independent non-executive Director Mr. Wu Jun, who is the chairman of the committee, executive Director Mr. Yu Jun, non-executive Director Mr. Zhao Chuanxin, independent non-executive Director Mr. Xie Taifeng and independent non-executive Director Mr. Su Mingzheng, who are members of the committee.

The primary duties of the Nomination and Remuneration Committee include: reviewing the remuneration management system and policy, formulating the remuneration plan for the directors and senior management of the Bank and make proposal of remuneration to the Board of Directors and supervising its implementation; formulating the criteria and procedures for the election and appointment of Directors and senior management personnel; conducting preliminary review of qualification and conditions of Directors and senior management personnel and make recommendations to the Board of Directors; formulating assessment standards of Directors and senior management personnel, conducting the above mentioned assessment and make recommendations to the Board of Directors; seeking for qualified candidates of Directors and senior management personnel; other matters authorised by the Board of Directors.

During the Reporting Period, the Nomination and Remuneration Committee has convened four meetings for the consideration of six resolutions, including the Amendment to the Remuneration Management Measures of Bank of Jinzhou, at which one report on the Report on the Board Structure of Bank of Jinzhou for 2020 was heard by the Nomination and Remuneration Committee.

4. Related-party Transactions Control Committee

As at the end of the Reporting Period, the related-party transactions control committee consists of five Directors, including independent non-executive Director Mr. Xiao Geng as the chairman of the committee, executive Director Mr. Yang Weihua, non-executive Director Ms. Ning Jie, independent non-executive Director Mr. Wu Jun and independent non-executive Director Mr. Xie Taifeng who are members of the committee.

The primary duties of the Related-party Transactions Control Committee include: managing the related-party transactions of the Bank according to the requirements of laws and regulations, and formulating the corresponding related-party transactions management system; identifying related party of the Bank according to the requirements of laws and regulations, and reporting to the Board of Directors, the Board of Supervisors and relevant Chinese banking regulatory agencies; reviewing the related-party transactions of the Bank according to the requirements of laws and regulations and in accordance with business principles of fairness; the independent board committee shall issue written report on the fairness and the compliance of internal procedure in relation to material related party transactions and very material related party transactions; inspecting and supervising the control of the Bank's related party transactions, and the implementation of related party transactions control system by the Bank's directors, senior management personnel, the related parties, and report to the Board of Directors; and any other duties authorized by the Board of Directors.

Since the Bank conducted the election of the sixth session of the Board of Directors and the sixth session of the Board of Supervisors of the Bank in 2019, and introduced new Shareholders in 2019, during the Reporting Period, the independence of the Bank from its Shareholders, Directors and Supervisors have improved. During the Reporting Period, there was no related-party transaction of the Bank reaching the threshold for compulsory review by the Related-party Transactions Control Committee of the Broad of Directors. The Bank has also reviewed the management system of related-party transactions, formulated the management rules of related parties, and clarified the division of functions and responsibilities of relevant business departments in accordance with the actual situation. Therefore, the fact that the Related-party Transactions Control Committee of the Board of Directors of the Bank did not convene the meet during the Reporting Period would not affect the monitoring work of the Banks for the connected transactions. The Bank has held the meeting of the Related-party Transactions Control Committee in March 2021.

5. Risk Management Committee

As at the end of the Reporting Period, the Risk Management Committee Consists of six Directors, including independent non-executive Director Mr. Xie Taifeng, who is the chairman of the committee, and executive Director Mr. Kang Jun, executive Director Mr. Yang Weihua, non-executive Director Ms. Ning Jie, non-executive Director Mr. Lyu Fei, and independent non-executive Director Mr. Xiao Geng, who are members of the committee.

The primary duties of the Risk Management Committee include: supervising the risk control in terms of the credit, floating, market, operation, compliance and reputations risks; making regular assessment of the risk policy, management status and risk status; making assessment on the working procedure and working results of internal audit department of the Bank and putting forward a sound risk management advice; determining the strategy on the overall management of the risk and the cap of the overall risk; and other matters authorised by the Board of Directors.

During the Reporting Period, the Risk Management Committee has convened four meetings for the consideration of eight resolutions, including the 2019 Annual Liquidity Risk Analysis Report of Bank of Jinzhou, the Comprehensive Risk Management Regulations of Bank of Jinzhou and the Regulations on Internal Control and Compliance Management of Bank of Jinzhou, at which three reports, including the 2019 Annual Report of Bank of Jinzhou on Anti-money Laundering were heard by the Risk Management Committee.

6. Consumer Rights Protection Committee

As at the end of the Reporting Period, Consumer Rights Protection Committee consists of five Directors, including executive Director and vice chairman Mr. Guo Wenfeng who is the chairman of the committee, and executive Director Mr. Kang Jun, non-executive Director Ms. Gu Jihong, non-executive Director Mr. Lyu Fei and non-executive Director Mr. Luo Nan who are members of the committee.

The primary duties of Consumer Rights Protection Committee include: setting up strategies, policies and targets of consumer rights protection work of the Bank, incorporating the protection of consumer rights into corporate governance and operation management strategies, leading the senior management to strengthen corporate culture construction in enhancing protection over consumer rights from the overall planning level; supervising the senior management to effectively carry out and implement works related to consumer rights protection, regularly receiving special reports in respect of circumstances of consumer rights protection works carried out by the Bank from the senior management, considering and approving relevant special reports, submitting them to the Board of Directors and making information disclosure according to the requirements; responsible for supervision and evaluation of the comprehensiveness, promptness, and effectiveness of the Bank's consumer rights protection works as well as duties performance of senior management; according to the overall planning of the Bank, considering proposals in respect of consumer rights protection which intends to submit to the Board of Directors and make suggestions to the Board of Directors; other rights and authorities stipulated by laws and regulations and Articles of Association of the Bank, and those authorized by the Board of Directors.

During the Reporting Period, the Consumer Rights Protection Committee has convened three meetings for the consideration of two resolutions, including the Work Report on Consumer Rights and Interests Protection for the First Half of 2020 and Work Plan for the Second Half of 2020, at which two reports, including Work Report on Consumer Rights and Interests Protection in 2019 and Work Plan for 2020 were heard by the Consumer Rights Protection Committee.

(XIV) Nomination policy and procedures of the Board of Directors

The Articles of Association stipulates the general procedures for nomination and election of Directors: for Director candidates who shall be elected or replaced at general meetings, according to the number of persons to be elected which shall be within the number prescribed by the Articles of Association, a list of nominated candidates for Directors can be drawn up by the Nomination and Remuneration Committee of the Board of Directors. Shareholders individually or jointly holding more than 3% of the total voting shares in issue of the Bank may also nominate candidates for directors to the Board of Directors, provided that the number of candidates nominated shall comply with the requirements of the Articles of Association and shall not exceed the number of Directors to be elected. The Nomination and Remuneration Committee of the Board of Directors will conduct initial assessment on the qualifications and eligibility of the candidates for Directors, and the names of qualified candidates shall be submitted to the Board of Directors for consideration. After approval by the Board of Directors by way of resolution, written proposals regarding the candidates for Directors shall be submitted to the Shareholders' general meeting. Please refer to the "Board of Directors" section of the Articles of Association for details.

The Articles of Association also stipulates the methods and procedures for the nomination of independent non-executive Directors: the Nomination and Remuneration Committee of the Board of Directors of the Bank may propose candidates qualified for independent non-executive Directors to the Board of Directors; the Board of Directors, the Board of Supervisors or the Shareholders that individually or jointly hold more than 1% of the issued Shares of the Bank are entitled to nominate independent non-executive Directors candidate to the Shareholders' general meeting, and independent non-executive Directors are elected by the Shareholders' general meeting. Please refer to the section headed "Board of Directors" of the Articles of Association for details.

The candidates of Directors shall have the necessary professional knowledge and work experience to perform their duties, meet the qualifications stipulated by the CBIRC, and their qualifications shall be approved by the regulatory authorities. In considering the candidates of Directors to be proposed, the Nomination and Remuneration Committee shall take into account the Board diversity policy of the Bank and the contribution to the diversity that each candidate for Directors can bring to the new Board. Please refer to the section "Corporate Governance Report – II. Corporate Governance Overview – (XV) Board diversity policy and the implementation" in this annual report for details.

(XV) Board diversity policy and the implementation

The Board of Directors is of the view that having a diversified composition of members in the Board of Directors will improve the decision-making capability of the Board of Directors more effectively to elevate the corporate governance level. The Board of Directors and the Nomination and Remuneration Committee shall take into account the Board diversity policy of the Bank in selecting candidates based on a range of diversity perspectives, including but not limited to gender, cultural and education background, race, professional experience and experience in the industry, in order to achieve diversification in the membership of the Board of Directors. The Nomination and Remuneration Committee will report the composition of the Board of Directors from the perspective of diversification of the Board on annual basis, supervise and review the implementation of the diversity policy in a timely manner, discuss and set measurable targets based on specific circumstances to ensure the effectiveness of the policy. The Nomination and Remuneration Committee will discuss and recommend any or required changes to the Board and report to the Board.

As at the Latest Practicable Date, the Board of Directors comprises 15 Directors, there are 13 males and 2 females; 4 directors under the age of 50, 9 directors aged 50 to 59 and 2 directors aged 60 or above; 9 directors who specialized in banking, 5 directors who are professors and research professionals, 1 director having other expertise. There are 2 directors with 20 years or below of experience, 8 directors with 20-30 years of experience, and 5 directors with more than 30 years of experience; 1 director usually residing in Hong Kong. Accordingly, the Board considers its membership to be substantially diversified in various areas.

V. Delegation of Powers Authorized by the Board of Directors

The Board of Directors and the management represented by the president will perform their respective rights in accordance with the duties and responsibilities defined in the Articles of Association. In order to improve the corporate governance structure and authorization management system of the Bank, the Bank formulated the Plan for Authorization of the General Meeting to the Board of Directors (《股東大會對董事會的授權方案》) after the review and approval at the 2019 annual general meeting to provide policy support for the Bank to enhance its decision-making efficiency and management standard. At the same time, according to the actual needs of the Bank's management, the Board of Directors subdelegates the relevant authority to the president of the Bank. In addition to executing resolutions of the Board of Directors, the management is responsible for daily operations, business and management. Within the business and management expense budget determined in the annual operating plan, financial expenses related to the Bank's business and management activities shall be approved by the management and may be adjusted within the total business and management expense budget based on actual operating conditions, and shall be reported to the Board of Directors for approval if it exceeds the total business and management expense budget determined in the annual operating plan.

VI. Chairman of the Board and the President

The roles and duties of the chairman of the Board of Directors and the president of the Bank are assumed by different persons.

As at the end of the Reporting Period, Mr. Wei Xuekun, an executive Director, is the chairman of the Board of Directors, and is responsible for the overall strategic planning of the Bank and the leadership of the Board of Directors to ensure the effective operation of the Board and conduct timely discussions on all significant matters.

As at the end of the Reporting Period, Mr. Guo Wenfeng, an executive Director, is the president of the Bank, and is responsible for the operation and management of the business development and overall business of the Bank. The president is nominated by the chairman of the Board of Directors, appointed by the Board of Directors, reports to the Board of Directors and performs his duties and responsibilities in accordance with the provisions of the Articles of Association and the authorization by the Board of Directors. The roles of the chairman of the Board and the president are established with independence and clear delineation of duties. The management is responsible for the daily operation and management.

VII. Board of Supervisors

(I) Composition of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors consists of eight Supervisors, including three employee representative Supervisors, being Mr. Zhang Tao (chairman of Board of Supervisors), Mr. Liu Liguo and Ms. Wu Hai'ou; two Shareholder representative Supervisors, namely Mr. Wu Zhengkui and Ms. Tang Fang; three external Supervisors, being Mr. Meng Xuefeng, Mr. Guo Limao and Mr. Hu Guojie.

(II) Chairman of the Board of Supervisors

As at the end of the Reporting Period, Mr. Zhang Tao is the chairman of the Board of Supervisors, and is responsible for organizing and performing the duties of the Board of Supervisors. On 5 January 2021, Mr. Zhang Tao resigned as an employee representative Supervisor and the chairman of the Board of Supervisors of the Bank due to his job transfer, and his resignation has been effective from the date when the new Supervisor succeeding to him officially performs his duties, being 5 March 2021.

Mr. Wang Zunzhou(王尊州) was elected as an employee representative supervisor of the sixth session of the Board of Supervisors of the Bank at the employee representative meeting of the Bank held on 5 March 2021. His term of office shall commence from 5 March 2021 till the expiry of the term of the sixth session of the Board of Supervisors. As considered and approved by the 10th meeting of the sixth session of the Board of Supervisors held on 10 March 2021, Mr. Wang Zunzhou was elected the chairman of the sixth session of the Board of Supervisors, with a term of office commencing from 10 March 2021 till the expiry of the term of the sixth session of the Board of Supervisors.

(III) Changes of Supervisors

For changes of Supervisors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Organizations – II. Changes in Directors, Supervisors and Senior Management Members" in this annual report.

(IV) Functions and Authorities of the Board of Supervisors

The Board of Supervisors exercises the following functions and authorities:

1. reviewing the regular reports of the Bank formulated by the Board of Directors and putting forth written review opinions on the truth, accuracy and completeness of reports;

2. inspecting and supervising the financial activities of the Bank;

3. supervising and evaluating the performance of the duties of the Bank by Directors and senior management personnel, reporting the assessment results and basis for the performance of duties of the Directors and senior management personnel to the banking regulatory authority of the State Council within four (4) months after the end of each year, and reporting the assessment results for the performance of duties of the Directors and senior management personnel to the shareholders' general meeting; performance assessment is carried out at least once a year; proposing dismissal advice for the Directors and senior management personnel that violate laws, administrative regulations, the Articles of Association or resolutions of Shareholders' general meeting;

4. when the acts of Directors and senior management personnel impair the interests of the Bank, requiring the Directors and senior management personnel to rectify, and is entitled to report to the shareholders' general meeting or the relevant regulatory authority according to laws;

5. making self-assessment on the work of the Board of Supervisors and making assessment on the performance of duties of the Supervisors, reporting the results and basis for the self-assessment of the Board of Supervisors and the assessment of the performance of duties of the Supervisors to the banking regulatory authority of the State Council within four (4) months after the end of each year, and reporting the assessment results to the Shareholders' general meeting;

6. proposing to hold an extraordinary general meeting of shareholders, and convening and presiding over Shareholders' general meeting when the Board of Directors doesn't perform its duties to convene and preside over the Shareholders' general meeting in accordance with the Company Law;

7. putting forth proposals to Shareholders' general meeting;

8. attending Board meetings and the meetings of special committees of the Board of Directors, attending meetings of senior management personnel when necessary, and is entitled to inquire about or put forth proposals on matters on resolutions of the meetings;

9. conducting off-office auditing on senior management personnel;

10. conducting inquiry on Directors, Board of Directors, and senior management personnel;

11. reviewing the Bank's profit distribution plan, and putting forth written review opinions on the compliance and rationality of the profit distribution plan;

12. supervising the compliance of the appointment, dismissal, reappointment of accounting firm, the fairness of the employment terms and remuneration, and the independence and effectiveness of external audit work;

13. supervising the Bank's financial activities, business decisions, risk management and internal control;

14. commencing legal proceedings against Directors and senior management personnel in accordance with Article 151 of the Company Law;

15. investigating any irregularities in the operations of the Bank; when necessary, engaging accounting firms, law firms and other professional firms to assist its work;

16. other functions and powers conferred by the Articles of Association and the Shareholders' general meeting.

(V) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors convened eight meetings (including seven on-site meetings and one communication meetings), primarily for the consideration and approval of 39 resolutions, including the work report of the Board of Supervisors for 2019, annual report for 2019, interim report for 2020, profit distribution plan, strategic development plan and 2019 due diligence evaluation report for Supervisors, etc..

	Number of meetings attended in person/attended by proxy/should be attended		
Name of Supervisors	Board of Supervisors	Nomination Committee of the Board of Supervisors	Supervising Committee of the Board of Supervisors
ZHANG Tao[1]	8/0/8		
LIU Liguo	8/0/8	2/0/2	
WU Hai'ou	8/0/8		7/0/7
WU Zhengkui	6/2/8		
TANG Fang	7/1/8		
MENG Xuefeng	7/1/8	2/0/2	
GUO Limao	8/0/8	2/0/2	7/0/7
HU Guojie	8/0/8		7/0/7

Note:

(1) On 5 January 2021, Mr. Zhang Tao resigned as an employee representative Supervisor and the chairman of the Board of Supervisors of the Bank, and his resignation has been effective from the date when the new Supervisor succeeding to him officially performs his duties, being 5 March 2021.

(VI) Committees under the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors of the Bank governs two committees, being the Nomination Committee and the Supervising Committee. The committees will operate in accordance with the terms of reference formulated by the Board of Supervisors.

1. Nomination Committee

As at the end of the Reporting Period, the Nomination Committee consists of three Supervisors, being external Supervisor Mr. Meng Xuefeng as chairman of the committee, external Supervisor Mr. Guo Limao and employee representative Supervisor Mr. Liu Liguo as members of the committee.

The primary duties of the Nomination Committee include: making proposal to the Board of Supervisors on the scale and composition of the Board of Supervisors; preparing the conditions of service, criteria and selection procedures for Supervisors; making preliminary assessment on the service qualifications and conditions of the candidate Supervisors, and making recommendations to the Board of Supervisors; supervising the selection procedure of Directors; conducting comprehensive assessment on the performance of Directors, Supervisors and senior management and report to the Board of Supervisors; Supervising on whether the compensation system and policy of the Bank and the compensation plan of the senior management are scientific and reasonable; other matters authorised by the Board of Supervisors.

During the Reporting Period, the Nomination Committee has convened two meetings for the consideration of seven resolutions, including the due diligence evaluation report of Directors, Supervisors and senior management for the year 2019 and the Amendment of the Remuneration Management Measures of Bank of Jinzhou.

2. Supervising Committee

As at the end of the Reporting Period, the Supervising Committee consists of three Supervisors, being external Supervisor Mr. Hu Guojie as the chairman of the committee, external Supervisor Mr. Guo Limao and employee representative Supervisor Ms. Wu Hai'ou as the members of the committee.

The primary duties of the supervising committee include: formulating the supervision plan on the Bank's financial activities and conduct inspections; supervising the Board of Directors to form views, value principle on stable operation and formulate the development strategy which suitable to the Bank; formulating the off-office auditing programme on the Directors and senior management of the Bank; formulating audit plans for the operational decisions, risk management and internal control of the Bank; supervising and inspecting operational decisions, risk management and internal control of the Bank; other matters authorised by the Board of Supervisors.

During the Reporting Period, the Supervising Committee has convened seven meetings for the consideration of 24 resolutions, including 2019 annual report and the work report of the Board of Supervisors for 2019 and the profit distribution plan of Bank of Jinzhou.

(VII) Work Performed by External Supervisors

During the Reporting Period, external Supervisors performed their duties according to the relevant requirements of the regulations and the Articles of Association, which is in line with the relevant requirements in the "Guidance for the Independent Director and External Supervisor Systems for Joint Stock Commercial Banks (《股份制商業銀行獨立董事和外部監事制度指引》)" and the Articles of Association, and they have conscientiously considered each of the resolutions, expressed their opinions independently, professionally and objectively; diligently performed his responsibility, and have performed well in their supervision duties.

VIII. Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by its Directors and Supervisors, a code of conduct on terms not less than the standard required by the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. After specific enquiries have been made by the Bank to all Directors and Supervisors, each of the Directors and Supervisors have confirmed that he/she has complied with the aforementioned code of conduct during the Reporting Period.

IX. Senior Management

The senior management is the executive organization of the Bank, and is responsible to the Board of Directors and is supervised by the Board of Supervisors. The division of powers between the senior management and the Board of Directors is strictly executed in accordance with the corporate governance documents, including the Articles of Association.

The president, vice president, assistant to president, head of finance, secretary to the Board and other officers designated by the Board of Directors are the members of the senior management of the Bank.

The Bank has one president, who is nominated by the chairman of the Board of Directors, appointed or dismissed by the Board of Directors, and exercises the following duties and authorities:

1. to preside over the daily operation and management of the Bank, organizing and implementing the resolutions of the Board of Directors and report's to the Board of Directors;

2. to organize and implement the annual operation plans and investment plan approved by the Board of Directors;

3. to draft plans for the establishment, dissolution or merger of internal management structure and branches of the Bank;

4. to formulate the basic management system and specific regulations and procedures of the Bank;

5. to propose to the Board of Directors the appointment or dismissal of other senior management personnel except for those who should be proposed by the chairman of the Board of Directors and be appointed or dismissed by the Board of Directors;

6. to appoint or dismiss management personnel except for those who should be appointed or dismissed by the Board of Directors upon its approval;

7. to authorize senior management members, persons in charge of internal functional departments and branches to engage in business activities;

8. to decide on the remuneration, welfares and imposition of any disciplinary measures for the employees of the Bank;

9. to decide on the appointment and dismissal of employees of the Bank; and

10. other functions and powers conferred by the Articles of Association, the Board of Directors and the chairman of the Board of Directors.

According to the Articles of Association of the Bank, the president (if the is not a Director) shall, attend the meetings of the Board of Directors but has no right to vote at the meetings of the Board of Directors.

During the Reporting Period, there was no senior management other than Directors who didn't received remuneration.

X. External Auditors and Remuneration of Auditors

Upon the consideration and approval at the 2019 annual general meeting of the Bank, the Bank has re-appointed Crowe (HK) CPA Limited ("**Crowe**") as an auditor of the Bank for 2020. During the Reporting Period, the Bank has paid to Crowe RMB1.70 million for the review of financial statements for the period ended 30 June 2020 and RMB2.00 million for non-audit services fee, being service fees for the circular of the Bank's capital reorganization. The Bank also agreed to pay RMB4.00 million to Crowe for the auditing of financial statements for the year ended 31 December 2020.

XI. Risk Management and Internal Control

Risk management and internal control involve and are jointly enforced by the Board of Directors, Board of Supervisors, senior management members and all employees of the Bank, through the formulation and implementation of systematic systems, flow processes and methods to realize the Bank's risk management and the control of the targets via the dynamic process and mechanism. The Bank has established an internal control system covering the elements of internal control environment, risk identification and assessment, control activities, internal supervision and information and communication according to laws and regulations including the Company Law of the People's Republic of China《(中華人民共和國公司法》), the Banking Supervision and Regulatory Law of the People's Republic of China (《中華人民共和國銀行業監督管理法》), Commercial Bank Law of the PRC (《中華人民共和國商業銀行法》) as well as rules including the Guidelines on Internal Control of Commercial Banks (《商業銀行內部控制指引》) and Basic Norms of Corporate Internal Control (《企業內部控制基本規範》).

(I) Procedures for identification, assessment and management of material risks

Based on the Regulation Governing Capital of Commercial Banks (Trail) (《商業銀行資本管理辦法(試行)》) and its schedules issued by the Former CBRC, risks and relevant terminology defined by the Basel Committee, practices of the domestic and overseas peers as well as its own situation, the Bank identifies, measures and controls various overall quantitative and non-quantitative risks which may arise from the interaction among business strategies, product portfolios, client demands and the macroeconomic environment.

Taking into account the capital occupancy based on risk types, risks of banks determined by regulators and capital regulatory requirements together with results from identifying and assessing risk events, the Bank collects and publishes risk warnings, draws up risk event examples, identifies, collects and assesses risk events and then determines material risks for the purpose of identifying its material risks, which include credit risk, operational risk, market risk, liquidity risk, interest rate risk in the banking book, etc. and subsequently making assessment and analysis on them with risk measurement approaches and techniques.

(II) Main features of risk management and internal control systems

The risk management of the Bank follows the principles of full coverage, matching, independence, foresight and effectiveness to realize the following objectives: ensure the consistent implementation of the relevant laws, regulations and rules of the PRC and the various systems of the Bank; ensure the realization of the development strategies and operation targets of the Bank; ensure the effectiveness of risk management of the Bank. The internal control of the Bank follows the principles of full coverage, materiality, balance of powers, matching, prudence and cost-effectiveness, with the participation of the Board of Directors, the Board of Supervisors, senior management and all employees, through the development and implementation of systematic systems, processes and methods, aims to achieve the following objectives: legal compliance in operation and management; achievement of development strategies and business objectives; effective risk control to maintain the safety of assets and mitigate the potential risks of cases; improvement of operational efficiency and effectiveness; and truthfulness, accuracy, completeness and timeliness of business records, accounting information, financial information and other management information.

In addition, with reference to the practices of leading domestic banks, the Bank places great importance to the implementation of the Basic Norms of Corporate Internal Control (《企業內部控制基本規範》) and its relevant guidelines and the Guidelines on Internal Control of Commercial Banks (《商業銀行內部控制指引》) in a consistent manner. In combination with the Bank's risk management system reform and practice, the Bank reshaped its comprehensive risk management mechanism, the Board of Directors has considered and approved that the Bank formulated the comprehensive risk management regulations, implemented more prudent risk appetite and risk reporting management methods, set up a comprehensive risk management organizational framework, improved the transmission mechanism of risk strategies and risk appetite, and enhanced the timeliness and foresight of risk management and control. The Bank paid attention to risk prevention and control in key areas, reviewed or received reports on liquidity risk, booking interest rate risk, compliance risk and anti-money laundering to promote the improvement of the Bank's overall risk management standard. By continuous risk management structure, a risk management system with well-defined duties and responsibilities has been built up, which clarifies risk management duties of the Board of Directors, the Board of Supervisors and senior management and other defense lines.

The Bank had established and implemented the following risk management system:

1. The Board of Directors assumes ultimate responsibility for overall risk management and is responsible for ensuring that the Bank establishes and implements an adequate and effective risk management system and continuously monitors the execution of risk management by the senior management.

2. The Board of Supervisors assumes the supervision responsibility for overall risk management and is responsible for supervising and inspecting the performance of duties and responsibilities of the Board of Directors and senior management in risk management and supervising rectification. The relevant supervision and inspection are included in the work report of the Board of Supervisors.

3. The Bank's senior management assumes responsibility for the implementation of comprehensive risk management and is responsible for implementing the decisions of the Board of Directors; for developing systematic systems, processes and methods and adopting corresponding risk management measures based on the acceptable risk levels determined by the Board of Directors; for establishing and improving the internal organization to ensure that all responsibilities of risk management are effectively performed; and for monitoring and evaluating the adequacy and effectiveness of the risk management system.

4. The Credit and Risk Management Department of the Bank, as the functional department of risk management, takes the lead in coordinating the planning and organizing the implementation of the risk management system.

5. The Bank's Internal Audit Department performs the supervisory function of risk management and internal control and is responsible for auditing the adequacy and effectiveness of the Bank's risk management and internal control, reporting the issues identified in the auditing process in a timely manner and supervising the rectification.

6. Each business department of the Bank is responsible for participating in the formulation of business systems and operational procedures related to its own responsibilities; and for strictly enforcing the relevant system regulations.

(III) Responsibility of the Board of Directors on risk management

The Board of Directors of the Bank formulates risk management strategies; sets risk appetite and ensures the establishment of risk limits; approves significant risk management policies and procedures; supervises senior management in carrying out comprehensive risk management; and approves the disclosure of information on comprehensive risks and various types of significant risks in accordance with the Guidelines on Comprehensive Risk Management for Banking Institutions《銀行業金融機構全面風險管理指引》and other laws and regulations, as well as the relevant requirements of the Hong Kong Stock Exchange.

During the Reporting Period, the Bank's Board of Directors is responsible for coordinating and leading Bank-wide risk management and assumes ultimate responsibility for comprehensive risk management. The Board of Directors guided the effective establishment of rules and regulations by reviewing relevant proposals on risk management, and in particular follows up and monitors the management for the business in high-risk areas. The Directors put forward professional opinions and suggestions based on the proposals to provide strong support for the Board's scientific and efficient decision-making. At the same time, the six special committees under the Board of Directors effectively oversee and evaluate the Bank's risk management and internal control systems, development strategies, integrated business plans and major investment and financing programs, and make recommendations for improvement. During the adjournment of Board meetings, the Board of Directors conducts research and studies on key topics such as compliance management, risk management and foreign exchange risk management, organizes special training to provide guidance of decisions on the operation and management and promote sound and compliant operations.

(IV) Insider information management

The Bank places importance on insider information management. In order to protect the legal interests of investors, in accordance with relevant laws and regulations such as the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Securities Law of the People's Republic of China (《中華人民共和國證券法》), Rules on Establishment of Insider Registration and Management Systems of Listed Companies (《關於上市公司建立內幕信息知情人登記管理制度的規定》) and other regulatory documents including laws and regulations and listing rules or other regulatory documents of places and stock exchanges where the securities of the Bank are listed, the Bank has formulated the Measures for the Management of Insider Information and Informants of Bank of Jinzhou to clarify the scope of insider information and holder of insider information, as well as confidentiality management regulations; regulate the management of insider information of the Bank; strengthen the confidentiality of insider information; and protect the legal interests of investors by maintaining the fair principle of information disclosure.

The office of the Board of Directors has kept strengthening system management and promptly and appropriately disclosed relevant information as the management department of the information disclosure affairs of the Bank in accordance with regulatory requirements of the domestic and offshore regulatory authorities.

(V) Evaluation of effectiveness of internal control system

The Bank has formulated the Measures for Internal Control Appraisal of the Bank of Jinzhou (《錦州銀行內部控制評價辦法》) according to the Guidelines on Internal Control of Commercial Banks (《商業銀行內部控制指引》) and other laws and regulations as well as the relevant requirements of the Hong Kong Stock Exchange, so as to improve a sound internal control system and adopt internal control and supervisory measures.

The Bank launched the 2020 internal control evaluation in accordance with regulatory requirements to effectively supervise the effectiveness of internal control design and operation of the Bank, compliance of operating management activities, aiming to enhance risk-control awareness of all staff and create a sound compliance operation environment.

The Board of Directors continues to supervise the risk management and internal control system and review its effectiveness from time to time. During the Reporting Period, the Board of Directors evaluated the internal controls system of the Bank and did not identify any significant defects in the design or implementation of the Bank's internal controls and the system was in compliance with the regulatory requirements and met the actual operational and business needs of the Bank. The risk management and internal control system of the Bank is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

XII. Joint Company Secretaries

As at 20 January 2020, Mr. Sun Jing and Ms. Leung Wing Han Sharon were the joint company secretaries of the Bank. On 20 January 2020, Mr. Sun Jing has tendered his resignation as a joint company secretary of the Bank due to the change of his work arrangements within the Bank with effect from 20 January 2020. On the same date, Mr. Yu Jun took up his duties as the joint company secretary of the Bank. The Bank has applied to the Hong Kong Stock Exchange and the Hong Kong Stock Exchange has granted a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules in respect of the appointment of Mr. Yu Jun as joint company secretary of the Bank during the waiver period. For details, please refer to the announcement of the Bank dated 20 January 2020.

At the end of the Reporting Period, Mr. Yu Jun from the Bank and Ms. Leung Wing Han Sharon from SWCS Corporate Services Group (Hong Kong) Limited have been the joint company secretaries of the Bank. The key contact person between the Bank and Ms. Leung is Mr. Sun Jing (the former joint company secretary of the Bank) and then Mr. Yu Jun (an Executive Director) upon Mr. Sun Jing's resignation as joint company secretary of the Bank. According to Rule 3.29 of the Listing Rules, Mr. Yu Jun and Ms. Leung Wing Han Sharon have attended professional training of not less than 15 hours during the Reporting Period.

XIII.Information Disclosure

(I) Effective Communication with Shareholders

The Bank regards communication with Shareholders as highly important, and has enhanced understanding and interflow with Shareholders through a range of channels such as general meetings, reception for visitors, paying on-site visits and telephone consultations.

(II) Amendments of the Articles of Association

The Bank convened the 2020 first extraordinary general meeting on 10 July 2020 and the 2019 annual general meeting on 11 September 2020, respectively, at which the amendments to the relevant articles of the Articles of Association were approved. Such amendments shall become effective subject to the approval from the relevant regulatory authorities. For details, please refer to the announcements of the Bank dated 13 December 2019, 10 July 2020, 22 July 2020 and 11 September 2020, and the circulars of the Bank dated 27 December 2019 and 28 July 2020.

XIV. Rights of Shareholders

(I) Convening of extraordinary general meeting at the request of Shareholders

The Bank strictly adheres to the regulatory laws and regulations and the basic system of corporate governance to protect the rights of Shareholders in practice. Shareholders who wish to convene an extraordinary general meeting or a class meeting may follow the procedures as set out below:

1. Shareholders who individually or jointly hold more than 10% of the Shares of the Bank may sign one or more copies of a written request with the same format and content for submission to the Board of Directors requesting for the convening of an extraordinary general meeting or a class meeting of Shareholders, with a description on the issues to be addressed. The Board of Directors shall provide a written reply on its consent or disagreement to the convening of such extraordinary general meeting or class meeting of Shareholders in response within 10 days upon receipt of the request in accordance with the requirements of the laws, administrative regulations and Articles of Association;

2. If the Board of Directors has agreed to convene such extraordinary general meeting or class meeting of Shareholders, it should issue a notice of general meeting or class meeting of Shareholders within 5 days after the decision has been made by the Board of Directors, any change made to the original request in the notice should obtain consent from the relevant Shareholders;

3. If the Board of Directors has disagreed to convene such extraordinary general meeting or class meeting of Shareholders, or has not issued a reply within 10 days after receipt of the request, then Shareholders who individually or jointly hold more than 10% of the total voting shares of the Bank are entitled to make a proposal to the Board of Supervisors to request for convening an extraordinary general meeting, and the proposal made to the Board of Supervisors must be in writing;

4. If the Board of Supervisors has agreed to convene such extraordinary general meeting or class meeting of Shareholders, it should issue a notice of general meeting or class meeting of Shareholders within five days after receipt of the request, any change made to the original request in the notice should obtain consent from the relevant Shareholders; and

5. If the Board of Supervisors has not issued a notice of general meeting or class meeting of Shareholders within the prescribed period, the Board of Supervisors is deemed not to convene and preside over such general meeting or class meeting of Shareholders, Shareholders who individually or jointly hold more than 10% of the total voting shares of the Bank for 90 days consecutively may convene and preside over a general meeting or class meeting by themselves.

(II) Proposals for General Meetings

At general meetings convened by the Bank, the Board of Directors, Board of Supervisors and Shareholders who individually or jointly hold more than 3% of the Shares of the Bank with voting rights are entitled to submit proposals to the Bank. Shareholders who individually or jointly hold more than 3% of the Shares of the Bank with voting rights may submit a provisional proposal in writing to the convener 10 days before the date for convening the general meeting. The convener shall issue a supplementary notice of general meeting within two days after receipt of such proposal and make an announcement on the content of the provisional proposal.

XV. Investor Relations

For enquiries made to the Board of Directors by Shareholders and investors, please contact:
Office of the Board of Directors of Bank of Jinzhou Co., Ltd.
No.68 Keji Road, Jinzhou City, Liaoning Province, PRC
Telephone: +86-416-3220002
Facsimile:+86-416-3220003
E-mail:webmaster@jinzhoubank.com

Principal place of business of the Bank in Hong Kong: 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.

Investors may view this annual report on the website of the Bank (www.jinzhoubank.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

XVI. Enquires from Shareholders

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

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, No.183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

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

Office of the Board of Directors of Bank of Jinzhou Co., Ltd.
No.68 Keji Road, Jinzhou City, Liaoning Province, PRC
Telephone: +86-416-3220002
Facsimile: +86-416-3220003

CHAPTER 10 DIRECTORS' REPORT

The Board is pleased to present the Directors' report together with the audited financial statements of the Bank for the year ended 31 December 2020.

I. Principal Business Overview

The businesses scope of the Bank includes acceptance of public deposit, granting of short-term, medium-term and long-term loans, domestic and overseas settlement, issue of financial bonds and inter-bank borrowing. The information on business review of the Bank during the Reporting Period is set out in the section headed "Management Discussion and Analysis" of this annual report.

II. Profits and Dividend

(I) Profits distribution policies of the Bank

According to the Articles of Association, the profits distribution policies of the Bank are:

1. Profits after income tax of the Bank shall be distributed in the following order:

   - Make up losses for the previous years;
   - Contribute 10% to the statutory reserve;
   - Make general provisions;
   - Contribute to discretionary reserve as per a resolution made at a general meeting;
   - Distribute profits to Shareholders.

2. The Bank can distribute dividends in following ways:

   - Cash;
   - Share certificate.

3. The Bank shall pay cash dividends and other payments to domestic Shareholders in RMB. The Bank shall provide cash dividends and other payments to H Shareholders denominated and announced in RMB, but paid in HK dollars.

The profit distribution plan of the Bank is formulated by the Board of Directors according to the Articles of Association and is considered and approved by the general meeting. In determining profits distribution plan, the Board of Directors considers the future sustainable development of the Bank and reasonable returns to investors.

(II) Profits distribution plan of the Ordinary Shares for the year

The revenue for the Reporting Period and the financial position of the Bank at the end of the Reporting Period are set out in the section titled "Independent Auditor's Report and Financial Statement" of this annual report. At the end of the Reporting Period, the reserves available for distribution to Shareholders of the Bank amounted to RMB2,429,877,000. The Board does not proposed a dividend for the year ended 31 December 2020 (for the year ended 31 December 2019: nil).

The amounts of cash dividends and ratios of cash dividends to profit of the Bank for the last three years are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	2019	2018	2017
Cash dividend (tax inclusive)	–	–	1,085,059
As a percentage of profit for the year (%)	–	–	11.9

During the Reporting Period, the Bank was not aware of any Shareholders having waived or agreed to any arrangement to waive dividends.

(III) Profit distribution plan of the Offshore Preference Shares for the year

Please refer to "Particulars of Offshore Preference Shares – IV. Profit Distribution of Offshore Preference Shares" in this annual report for the profit distribution of the Offshore Preference Shares during the Reporting Period.

III. Changes in the Reserves

Details of our changes in the reserves and the distributable profit reserve during the Reporting Period are set out in "Consolidated Statement of Changes in Equity" of this annual report.

IV. Summary of Financial Information

The summary of the operating results and assets and liabilities of the Bank for the five years immediately before the end of the Reporting Period is set out in "Financial Highlights" of this annual report.

V. Donations

The Bank made no charity and other donation during the Reporting Period.

VI. Property and Equipment

Details of the changes in property and equipment of the Bank for the Reporting Period are set out in note 24 to the financial statements of this annual report.

VII. Retirement Benefits

Details of the retirement benefits provided by the Bank to employees are set out in note 33 to the financial statements in this annual report.

VIII. Substantial Shareholders

Particulars of the substantial Shareholders as at the end of the Reporting Period are set out in the section headed "Changes in Ordinary Shares and Particulars of Shareholders – II. Particulars of Ordinary Shareholders of the Bank" of this annual report.

IX. Purchase, Sale and Redemption of Listed Securities or Redeemable Securities of the Bank

During the Reporting Period, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any listed securities or redeemable securities of the Bank.

X. Pre-emptive Rights

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to Shareholders. The Articles of Association provides that the Bank may increase its capital by offering new Shares to non-specific investors for subscription, placing or distributing new Shares to its existing Shareholders, by way of capitalisation of capital reserve or by any other ways permitted by laws and administrative regulations.

XI. Major Customers

At the end of the Reporting Period, each of the five largest depositors and the five largest borrowers of the Bank accounted for less than 30% of total deposits and total loans and advances of the Bank.

XII. Use of Proceeds

During the Reporting Period, the Bank issued 6.2 billion Domestic Shares pursuant to the Proposed Private Placement as approved by the Liaoning Branch of the CBIRC, and has completed the registration of the relevant changes in Shareholders involved on 30 September 2020. The Proposed Private Placement was completed on the same date with net proceeds raised (after deduction of related expenses) amounting to approximately RMB12.09 billion, which has been fully utilized to replenish the core tier-one capital of the Bank.

XIII. Share Capital

On 30 September 2020, the Bank issued 5.27 billion Domestic Shares and 0.93 billion Domestic Shares to Chengfang Huida and Liaoning Financial Holding respectively, representing 37.69% and 6.65% of the total number of Ordinary Shares of the Bank after the completion of the Proposed Private Placement, respectively. On the same day, the Bank completed the registration of the change of Shareholders in relation to the Proposed Private Placement and the Proposed Private Placement was completed. The total nominal value of the newly issued 6.2 billion Domestic Shares under the Proposed Private Placement is RMB6.2 billion, representing 44.34% of the Bank's total share capital immediately after the completion of the Proposed Private Placement. Immediately after the completion of the Proposed Private Placement, the registered capital of the Bank has been increased from RMB7,781,615,684 to RMB13,981,615,684 and the total number of Shares of the Bank has increased from 7,781,615,684 Shares to 13,981,615,684 Shares, comprising of 10,464,295,684 Domestic Shares and 3,517,320,000 H Shares.

Details of the changes in share capital of the Bank during the Reporting Period are set out in note 39 to the financial statements and the section headed "Changes in Ordinary Shares and Particulars of Shareholders – I. Changes in Ordinary Shares of the Bank" in this annual report.

The details of the issuance of the Offshore Preference Shares are set out in the section headed "Particulars of Offshore Preference Shares" of this annual report.

XIV. Directors, Supervisors and Senior Management

Particulars of the Directors, Supervisors and senior management members of the Bank are set out in the section headed "Directors, Supervisors, Senior Management, Employees and Organizations" of this annual report.

XV. Confirmation of Independence by the Independent Non-executive Directors

The Bank has received from each of the independent non-executive Directors the annual confirmation for his/her independence, and was of the view that all of its independent non-executive Directors are independent pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules.

XVI. Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures of the Bank and its Associated Corporations

As at the end of the Reporting Period, the interests or short positions of the Directors, Supervisors and chief executives of the Bank in the Shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules are as follows:

Name	Position in the Bank	Class of Shares	Nature of interest	Number of Shares[(1)]	Approximate percentage of Domestic Shares issued of the Bank[(1)] (%)	Approximate percentage of the total number of Ordinary Shares issued of the Bank[(1)] (%)
Liu Liguo	Employee Representative Supervisor	Domestic Shares	Beneficial owner	10,000 (L)	0.00010	0.00007
Wu Hai'ou	Employee Representative Supervisor	Domestic Shares	Beneficial owner	10,000 (L)	0.00010	0.00007

Note:

(1) As at the end of the Reporting Period, the Bank issued 13,981,615,684 Ordinary Shares, including 10,464,295,684 Domestic Shares and 3,517,320,000 H Shares. "(L)" stands for long position.

Save as disclosed above, none of the Directors, Supervisors or chief executives of the Bank held any interests or short positions in the Shares, underlying shares and debentures of the Bank or its associated corporations at the end of the Reporting Period.

XVII. Relationships between Directors, Supervisors and Senior Management

There are no relationships between each of the Directors, Supervisors and senior management members of the Bank, including financial, business, family or other material relationships.

XVIII. Arrangements to Purchase Shares or Debentures

At no time during the Reporting Period was the Bank and its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors of the Bank or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

XIX. Interests of Directors and Supervisors in Material Transactions, Arrangements or Contracts and Service Contracts

Saved for the continuing connected transactions and material related party transactions disclosed in this annual report, none of the Directors or Supervisors (or their connected entities) had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance of the Bank or its subsidiaries subsisting during or at the end of the Reporting Period. None of the Directors and Supervisors has entered into a service contract with the Bank that cannot be terminated by the Bank or its subsidiaries within one year without payment of compensation (other than statutory compensation).

XX. Management Contract

During the Reporting Period, there was no any contract in relation to the management or administration of the whole or any substantial part of business of the Bank or its subsidiaries.

XXI. Material Contracts with Controlling Shareholders

On 31 March 2020, the Bank (as the vendor) and Chengfang Huida (as the purchaser) entered into a framework disposal agreement in relation to the disposal of certain credit assets and other assets with a balance of debts investment of the Bank of 150.0 billion, and the relevant Disposal was completed on 27 July 2020. Chengfang Huida subsequently held 37.69% of the total share capital of the Bank upon the completion of the Proposed Private Placement on 30 September 2020, and has since become the controlling shareholder of the Bank as defined under the Listing Rules. For details, please refer to the section headed "Important Events – 1. Significant Asset Reorganization of the Bank in 2020" in this annual report.

Save as disclosed in this annual report, neither the Bank nor any of its subsidiaries has entered into any material contracts with the controlling Shareholder of the Bank or any of its subsidiaries during the Reporting Period.

XXII. Interests of Directors and Supervisors in Competing Businesses

During the Reporting Period, none of the Directors or Supervisors has any interest in a business that competes, or is likely to compete, directly or indirectly, with the business of the Bank.

XXIII. Corporate Governance

The Banks has always been committed to maintaining the high-standard corporate governance, details of the Bank's corporate governance are set out in the section of "Corporate Governance Report" of this annual report.

XXIV. Connected Transactions

Transactions between the Bank and the Bank's connected persons (as defined under the Listing Rules) and certain third parties specified under the Listing Rules constitute connected transactions of the Bank under Chapter 14A of the Listing Rules. However, as such connected transactions were entered into by the Bank as a company engaged in banking business in the ordinary and usual course of business and on normal commercial terms or better, they can be fully exempted from Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. The Bank has reviewed all of its connected transactions and confirmed that it had complied with the requirements under Chapter 14A of the Listing Rules.

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard 24 "Related Party Disclosures", and its interpretations by the International Accounting Standards Board. Certain related party transactions set out in note 48 to the financial statements also constitute fully exempted connected transactions or continuing connected transactions as defined under the Listing Rules, but do not constitute any discloseable connected transaction as defined under the Listing Rules.

XXV. Remuneration Policies of Directors, Supervisors and Senior Management

Under the guidance of the relevant policies of the PRC, the Bank endeavors to improve its performance evaluation system for Directors, Supervisors and senior management members. The remuneration system for the Directors, Supervisors and senior management members of the Bank adheres to the principle of unifying their responsibilities, authorities and benefits, combining incentives with restraints. The Bank persists in conducting remuneration system reform complementary with the relevant reform and promoting the marketization, monetization and standardization of the income allocation of the Bank's senior management. The Bank implements the remuneration system with the remuneration comprising basic salary, performance bonus and allowances.

The remuneration of each of the Directors and Supervisors is set out in note 8 to the financial statements in this annual report. During the Reporting Period, none of the Directors of the Bank waived or agreed to waive the relevant remuneration arrangements. There was no senior management other than directors who received remuneration.

XXVI. Public Float

Based on the public information available to the Bank and to the knowledge of the Directors, as at the Latest Practicable Date, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange.

XXVII. Tax Relief (H Shareholders)

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (《關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》) (Guo Shui Han [2011] No. 348), the Bank shall withhold and pay the individual income tax for non-resident individual Shareholders.

For those non-resident individual Shareholders who reside in Hong Kong, the Macau Special Administrative Region of the PRC and other countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of 10% (applicable to cash dividends paid to residents), the Bank shall withhold and pay the individual income tax at the rate of 10% for such Shareholders.

For those non-resident individual Shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of less than 10% (applicable to cash dividends paid to residents), the Bank shall withhold and pay the individual income tax at the rate of 10% for such Shareholders. Should such Shareholders demand that amount in excess of the individual income tax payable under the taxation treaty be refunded, the Bank shall apply for refund from the relevant inland revenue departments, provided however that such Shareholders have submitted relevant documents in accordance with the requirements of the Administrative Measures on Enjoying Treatment under Taxation Treaties by Non-residents (Trial) (《非居民享受税收協議待遇管理辦法(試行)》) (Guo Shui Fa [2009] No. 124) within a stipulated time frame.

For non-resident individual Shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of more than 10% but less than 20% (applicable to cash dividends paid to residents), the Bank shall withhold and pay the individual income tax for such Shareholders at the applicable rate as stipulated in the said taxation treaty.

For non-resident individual Shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of 20% (applicable to cash dividends distributed to resident shareholders) or that have not entered into any taxation treaty with the PRC and otherwise, the Bank shall withhold and pay the individual income tax at a rate of 20% for such Shareholders.

XXVIII. Auditors and Review of Annual Results

During the period from 29 May 2018 to 31 May 2019, the domestic auditor and the international auditor of the Bank were Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young respectively and the overseas auditor of the Bank has been Crowe (HK) CPA Limited since 31 May 2019.

XXIX. Permitted Indemnity Provision

There was or is no permitted indemnity provision in effect for the benefit of the Directors of the Bank (whether entered into by the Bank or not) or its associates (entered into by the Bank) at any time during the Reporting Period and up to the Latest Practicable Date.

XXX. Major Risks and Uncertainties

Major risks and uncertainties faced by the Bank include credit risk, operational risk, market risk, liquidity risk and information technology risk. By promoting comprehensive risk management, continuously refining the systems, enriching working and operating means and improving technologies, the Bank has effectively enhanced its risk management capability. For details, please refer to the section headed "Management Discussion and Analysis – VI. Risk Management" of this annual report.

XXXI. Future Development of Business

Please refer to "Management Discussion and Analysis – I. Environment and Business Review" and "Management Discussion and Analysis – II. Development Strategies" of this annual report for further details.

XXXII. Key Financial Performance Indicators and Analysis

At the end of the Reporting Period, the total assets of the Bank amounted to RMB777.992 billion, representing a year-on-year decrease of 7.0%; the net loans and advances to customers amounted to RMB495.464 billion, representing a year-on-year increase of 9.4%; the non-performing loan ratio was 2.07%; the balance of deposits from customers of the Bank amounted to RMB439.224 billion, representing a year-on-year increase of 7.9%. During the Reporting Period, operating income of the Bank amounted to RMB9.309 billion; and the net profit amounted to RMB154 million.

XXXIII. Environmental Protection Policy and Implementation

The Bank sticks to the concept of environmental protection, strengthens and implements the concept of green finance. In order to implement the national green credit policy, deepen green credit work, enhance its own environmental and social performance and promote the healthy development of its green industrial projects, the Bank has established the Interim Measures for the Implementation of Green Credit of Jinzhou Bank, promoted the establishment of a green credit team, enhanced professional capabilities and improved the Bank's service capacity for green financial products. Through the development of electronic banking and daily paperless office, we promote the sustainable development of the Bank and the society.

In addition, please refer to the Environmental, Social and Governance Report that the Bank will publish as required by the Listing Rules for details about the Bank's compliance in environment-related matters during the Reporting Period.

XXXIV. Compliance with Laws and Regulations

The Board pays close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. The Bank has engaged domestic and foreign legal counsels to ensure that transactions and business of the Bank are carried out under applicable laws that have significant impact on the Bank. Relevant employees and operation units will update the Bank's rules on a timely basis upon changes in laws and policies.

During the Reporting Period, the Bank failed to comply with the following requirements:

The Bank conducted the election and the change of session of the sixth session of the Board of Director of the Bank in 2019. The directors of the sixth session of the Board of Directors of the Bank successively received approvals from regulatory authorities from 30 October 2019 to 21 January 2020, and each of their terms of office took effect from the respective date of the receipt of approvals from regulatory authorities. Therefore, from 15 November 2019 (the date when the majority of the Directors' qualifications have been approved) to 21 January 2020 (the date when the approvals for all the Directors have been received by the Bank), the Bank has failed to comply with the requirement under Rule 3.10A of the Listing Rules that independent non-executive Directors must represent at least one-third of the Board. Since 21 January 2020, the number of independent non-executive Directors under the Board has complied with the Rule 3.10A of the Listing Rules.

Also, please refer to the "Corporate Governance Report" of this annual report for details of failure to comply with the provisions as set out in the section of the Corporate Governance Code.

XXXV. Relationship with Significant Individuals

The Bank places utmost emphasis on the enterprise cultural construction, employee management and training and endeavors to build stable and harmonious employment relations. The Bank always treasures employees as one of its most important and valuable assets and cherishes employees' contribution and support. The Bank endeavors to create a harmonious and comfortable working environment, provide sound welfare and compensation system and reasonable career promotion channel for its employees. By means of appropriate trainings and opportunity offering, the Bank helps employees in career development and promotion.

The Bank actively provides deposit customers, loan customers and interbank fund customers with diversified financial services and enhances product and service innovation in order to improve the level of customer satisfaction and win customers' understanding, trust and support, thus maintaining sound relationship with customers.

XXXVI. Bonds

(I) Bonds Issued

Upon the approval of Former CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of Former CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

(II) Interbank Certificates of Deposit Issued

As at the end of the Reporting Period, the Bank issued 56 interbank certificates of deposit (issued in the market which are not matured yet) in total with an aggregate balance of RMB64.623 billion.

(III) Proposed Issuance of Debt Securities

1. The Board has resolved, and the Shareholders have approved at the 2015 annual general meeting of the Bank held on 29 June 2016 that, subject to the approvals from regulatory authorities having been obtained, the Bank will issue the following debt securities:

   Financial bonds for small and micro enterprises in an aggregate principal amount of up to RMB10.0 billion (inclusive) will be issued to members of the inter-bank bond market in China, for a term of maturity of less than five years (inclusive) at a fixed interest rate to be determined by the Bank and the lead underwriter according to the market environment at the time of issuance. The proceeds from the issuance of such bonds will be used for loans to small and micro enterprises. Upon consideration and approval at the 2018 first extraordinary general meeting of the Bank held on 21 September 2018, the Bank extends term of validity of the bonds specialized for small and micro enterprises and the relevant authorization matters for 24 months, i.e. from 29 June 2018 to 28 June 2020. Upon consideration and approval at the 2019 first extraordinary general meeting of the Bank held on 21 September 2019, the Bank extends term of validity of the bonds specialized for small and micro enterprises and the relevant authorization matters for 24 months, i.e. from 29 June 2019 to 28 June 2022. Other than the extension of the term of validity of financial bonds specialized for small and micro enterprises and the relevant authorization matters, the other details on bonds specialized for small and micro enterprises disclosed in the circular of the Bank dated 13 May 2016 remain unchanged and will continue to be effective.

   The Bank has received the Letter of Decision for the Grant of Administrative Authorization from PBOC (Yin Shi Chang Xu Zhun Yu Zi [2020] No. 81) and the Approval of CBIRC Liaoning Regulatory Bureau (Liao Yin Bao Jian Fu [2020] No. 168), respectively, in respect of the issue of the financial bonds specialised for small and micro enterprises. For details, please refer to the announcement of the Bank dated 28 June 2020. The Bank will issue the bonds in accordance with the actual situation and business development.

2. The Board has resolved, and the Shareholders have approved at the 2019 annual general meeting of the Bank held on 11 September 2020 that, subject to the approvals from regulatory authorities having been obtained, the Bank will issue the following debt securities:

   The Bank shall issue the financial bonds with nominal value of no more than RMB14.0 billion in one or more tranches for a term of no more than five years to the members in the national interbank bond market (excluding the subscribers as prohibited by the China's laws and regulations), at a coupon rate determined through the book building method for centralized placement or in accordance with the results of public tendering on the bonds issuance system of the PBOC according to the market conditions before the issuance. The raising funds shall be utilized in line with the laws and regulation, the approval from the regulatory authorities and bond types.

XXXVII. Equity-linked Agreement

During the Reporting Period, except for the Offshore Preference Shares issued by the Bank on 27 October 2017, the Bank did not enter into or have any equity-linked agreement subsisting.

With the approval of regulatory authorities at home and abroad, in 2017, the Bank issued Offshore Preference Shares of US$1.496 billion to supplement other tier-one capital of the Bank. In accordance with the provisions of the "Administrative Measures for the Capital Management of Commercial Banks (Trial)" (《商業銀行資本管理辦法(試行)》) and the "Administrative Measures for Pilot Banks of Preferred Shares" (《優先股試點管理辦法》), the Bank may formulate terms governing the mandatory conversion of the Offshore Preference Shares into Ordinary Shares, namely, upon the occurrence of certain trigger events, the Bank shall convert the Offshore Preference Shares into Ordinary Shares in accordance with the provisions of the contract. The triggering events include when the core tier-one capital adequacy ratio falls to 5.125% (or below), and the Former CBRC determines that if it does not convert or write down, or if the relevant department determines that should contribution by the public sector or equivalent support not be provided, the Bank will not survive. In accordance with the relevant regulations, the Bank set up the triggering event clauses for the mandatory conversion of Offshore Preference Shares into H Shares for this Offshore Preference Shares. Assuming such trigger events occurred, the Bank is required to convert all Offshore Preference Shares into H Shares at the initial conversion price, the number of Offshore Preference Shares to be converted into H Shares would not exceed 1,278,084,312 H Shares. As at the Latest Practicable Date, there is no trigger event occurred that the Offshore Preference Shares is required to be mandatorily converted into H Shares.

XXXVIII. Share Option Scheme

During the Reporting Period, the Bank has not adopted any share option scheme.

XXXIX. Subsequent Events

For details of subsequent events, please refer to note 57 to the financial statement set out in this annual report.

CHAPTER 11 SUPERVISORS' REPORT

I. Report on Major Work

Meetings Held: During the Reporting Period, the Bank held 8 meetings of the Board of Supervisors to consider 39 resolutions, including the work report of the Board of Supervisors, annual report, profit distribution plan, strategic development plan, internal audit report, financial budget and final account report and evaluation report on the due diligence of the Directors, Supervisors and senior management, etc.; 9 meetings of the Supervising Committee and Nomination Committee under the Board of Supervisors were held to consider 31 resolutions, supervising matters related to the fulfillment of duties and responsibilities, financial activities, internal control and risk management, etc. to strengthen the supervisory function of the affairs. In addition, the Supervisors attended the general meeting, the meetings of the Board of Directors and other important management meetings, received the resolutions of the general meeting, and conducted on-site supervision on the matters to be considered and approved at the Board of Directors meetings and the relevant procedures as well as the formulation and implementation of major decisions.

Supervision on Performance of Duties: During the Reporting Period, the Board of Supervisors performed its duties in accordance with the Company Law, Corporate Governance Guidelines for Commercial Banks and the Articles of Association. In the principle of maintaining the interests of the Bank and its Shareholders, the Board of Supervisors carried out supervision works and diligently attended all previous Shareholders' general meetings and observed the meetings of the Board and the senior management to strengthen the supervision on the performance of Directors and the senior management. The Board of Supervisors supervised the decision-making process, operation and management and other matters of the Bank by means of special supervision and inspection, research on branches and communication with the external auditors.

Daily Supervision: In order to give play to its supervision functional role, the Board of Supervisors enhanced duties performance supervision levels by acquiring various kinds of information. Firstly, the Board of Supervisors participated in the meetings of the Board, the president's office meeting, and the bank-wide work conference to follow up and supervise major operation and management decisions, and carried out communication of major issues and key work information in the Bank. Secondly, the Board of Supervisors strengthened information transmission and communication, tracked and urged the implementation of relevant decisions, and regularly communicated the progress of key work to the leadership of the Board of Directors and senior management, and reported to relevant departments and branches. Thirdly, the Board of Supervisors collected, collated and analyzed information on operations management, supervision and inspection, special reports, etc., which captured the dynamics of the Bank's business development, and brought relevant issues to the Board of Directors and senior management.

Self-reinforcement of the Board of Supervisors: According to the duties of the Board of Supervisors and the requirements for performance of duties of the listing, the Board of Supervisors put more efforts into study and research in respect of regulatory requirements, risk management policies and internal control management system, and there have been gradual improvements in the standardization of company operations, management quality, and business philosophy.

II. Independent Opinions on Relevant Matters

(I) Performance of Duties by the Board of Directors and the Senior Management

During the Reporting Period, the Board of Directors and the senior management performed their duties according to the Guidelines on Corporate Governance of Commercial Banks and the Articles of Association. The Board of Directors is continuously improving the internal governance system of the Bank and resolutions of general meetings were implemented. The senior management implemented the resolutions and related requirements of the Board of Directors, which carefully formulated and implemented various measures, and reported to the Board of Directors and the Board of Supervisors on the operation and management in a timely manner. The Board of Directors and senior management and its members were not found to have violated laws, regulations, the Articles of Association of the Bank and deliberately undermined the interests of the Bank and Shareholders when performing their duties.

(II) Operations in Compliance with Laws and Regulations

The sixth session of the Board of Directors and senior management and its members are prudent, serious, conscientious, diligent, conscientious and professional in the course of business operation and management, complied with laws and regulations, regulatory rules, and the relevant provisions of the Articles of Association, and performed their duties according to law.

(III) Truthiness of Financial Reporting

The procedures for the preparation and consideration of the Bank's periodic reports comply with national laws and regulations, regulatory rules and the relevant provisions of the Articles of Association. The contents of the periodic reports are true, accurate and complete, and reflect the operation, management and financial position of the Bank.

(IV) Use of Proceeds

During the Reporting Period, the Bank issued 6.2 billion Domestic shares according to the Proposed Private Placement approved by the Liaoning Branch of the CBIRC, and has completed the registration of the shareholders' change involved as at 30 September 2020. The Proposed Private Placement was completed on the same date with net proceeds (after deduction of related expenses) raised amounted to approximately RMB12.09 billion, which was used in full to replenish the core tier-one capital of the Bank.

(V) Related Party Transactions

During the Reporting Period, the pricing of the Bank's related party transactions were fair and reasonable, not detrimental to the interests of Shareholders or the benefits of the Bank.

(VI) Internal Control

The sixth session of the Board focused on strengthening the management of internal control, improving and upgrading the system and process of internal control, and the Board of Supervisors had no objection to the evaluation of internal control.

(VII) Implementation of the Resolutions of General Meetings

During the Reporting Period, The Board of Supervisors had no objection to the content of all such reports and resolutions submitted by the Board of Directors to the general meeting for consideration and approval in 2020. The Board of Supervisors supervised the implementation of the resolutions of the general meetings and considered that the Board of Directors of the Bank could implement such relevant resolutions of the general meetings.

Chapter 12 Social Responsibility Report

The Bank has always taken "serving the community and benefiting the hometown" as its mission, will proactively carry out the new development philosophy of "compliance, innovation, coordination and quality", adheres to the corporate mission of creating value for shareholders, wealth for customers, well-being for employees and contribution to society, and actively fulfills its social responsibility.

During the Reporting Period, the Bank has formulated the "Basic Regulation on Social Responsibility of Bank of Jinzhou Co., Ltd." to clarify the development concept of social responsibility work of "value, honesty, innovation, green and responsibility", further improve the Bank's social responsibility work mechanism, enhance the social responsibility awareness of all staff and promote the coordinated and sustainable development of the Bank, society and the environment.

Responsibility to the State

By adhering to the positioning of "three services" of serving the local economy, private small and micro enterprises and urban and rural residents, the Bank has always supported the real economy, set up the Inclusive Financing Division, established the special business line management for the inclusive finance business and continuously improved the financial service capabilities of private enterprises and small and micro enterprises in key areas such as small and micro businesses, agriculture, rural areas and farmers.

Liability to shareholders

The Bank has attached great importance to protecting the legitimate rights and interests of shareholders, continuously improved its corporate governance capability during the Reporting Period, established communication with relevant stakeholders through various channels to give back the expectations of the stakeholders, and gave full play to the advantages of shareholders to obtain corporate governance supervision and technical support. The Bank reshaped the comprehensive risk management mechanism, built a comprehensive risk management organizational framework to strengthen policy guidance, and improve the transmission mechanism of risk strategies and risk preferences.

Responsibility to customers

By adhering to the corporate mission of creating wealth for customers, the Bank has continuously strengthened the protection of consumers' rights and interests and established and improved the working mechanism for the protection of consumers' rights and interests. In accordance with the relevant requirements of regulatory agencies, the Bank has performed anti-money laundering duties to effectively protect the legitimate rights and interests of consumers. As a result of fighting against the COVID-19 pandemic in the year, the Bank actively innovated its products and services and enhanced its ability of convenience services.

Responsibility to employees

As supported by talent promotion, the Bank has optimized human resources management, and maintained and protected the legitimate rights and interests of employees. The Bank implemented the"535" talent project and the construction of the training system for internal trainers to achieve the high-end talent reserve training. The Bank has paid attention to the career development of employees, encourages employees to achieve their self-worth and enhances their work enthusiasm.

Responsibility for the environment

The Bank's social responsibility work has adhered to the green concept and carried out various public welfare activities for environmental protection. The Bank actively implemented the national green credit policy, deepened green credit work, enhanced its own environmental and social performance, promoted the healthy development of its green industrial projects and helped the green transformation of the economy. The Bank established a green credit team to enhance relevant professional capabilities. Under the premise of effective risk control and commercial sustainability, the Bank promoted the research, development and improvement of green financial products and services, actively developed financial products and services related to the green, low-carbon and circular economy, highlighted the specific requirements for green credit in market access, and provided a "green" channel for research and development, approval and promotion of green credit products and financial services, creating green credit with Jinzhou Bank's characteristics.

Responsibility to society

The Bank has continuously deepened its participation methods and service areas in public welfare activities, serving urban and rural residents and fulfilling its social responsibilities.

Confronted with the sudden outbreak of the pandemic, the Bank has continued to increase the protection of financial services, launched the "Chunjin Plan" (春錦計劃), and precisely supported major projects and key enterprises affected by the pandemic to help companies resume operation and production. The Bank has conducted multiple investigations, conducted in-depth analyses, combined with the actual situation and innovative ideas, and created 10 exclusive products, such as government financing guarantee loans, procurement loans and medical insurance credit loans, to consolidate the foundation and refine the initiatives for the promotion and implementation of the "Chunjin Plan", and continuously improved the mechanism, personnel, and product guarantees. During the Reporting Period, the Bank provided financial support of RMB258.0 billion to its customers, effectively relieving the pressure on short-term liquidity and costs of enterprises and making due contributions to economic and social development. At the same time, the Bank relies on financial technology to provide enterprises with special and differentiated financial services and multi-channel financial products, and opens the function of the "Chunjin Plan" on the "Jinzhou Portal" application, setting up ten exclusive product modules, including the government financing guarantee loan, procurement loan, medical insurance credit loan, sales financing portal, chain financing portal, cargo guarantee loan, e-ticket portal, forest guarantee loan, order loan and self-service revolving loan, so as to effectively help enterprises to relieve difficulties and get rid of hardships, and help them to resume work and production.

The Bank publishes the Environmental, Social and Governance Report on an annual basis in accordance with the requirements of the Hong Kong Stock Exchange and publicly discloses to the society.

Chapter 13 Internal Control and Internal Audit

I. Internal Control System and Control Activities

(I) Internal Control Organization System

The Bank has established a standardized corporate governance structure and the rules of procedures in accordance with the Commercial Bank Law (《商業銀行法》), the Basic Norms of Corporate Internal Control (《企業內部控制基本規範》) and its supporting guidelines, the Guidelines on Internal Control of Commercial Banks (《商業銀行內部控制指引》) and other related laws and regulations and the Articles of Association, through a standardized internal control organisation structure to delineate the duties and permitted authorities in the areas of decision-making, implementation supervision and reporting, so as to form an scientific and effective mechanism for the division of responsibilities and balance of powers.

The Board of Directors of the Bank, as the decision-making body, is responsible to the general meeting and is ultimately accountable for the Bank's internal controls, and the Board of Directors and its Risk Management Committee are accountable to and report to the general meeting for the internal controls; The Board of Supervisors, as the supervisory body, represents the general meeting and supervises the performance of the internal control duties of the Board of Directors and its Risk Management Committee, senior management and the internal control and compliance department under its leadership; The senior management, as the executive body, leads the Internal Control and Compliance Department and implements the decisions of the Board of Directors and its Risk Management Committee regarding the decisions of the Bank's internal controls, and reports to the Board of Directors and its Risk Management Committee; The Internal Control and Compliance Department assumes responsibility for internal control management and works under the leadership of senior management and maintains its independence; On behalf of the Board of Directors, the Internal Audit Department provides oversight of the performance of internal control and compliance duties by the senior managements and the Internal Control and Compliance Department under its direction. The internal control compliance departments of each branch/directly subordinate branch reports to the Head Office of the internal control compliance department and the management at this level in two lines, and the internal control and compliance officers of each unit report to the internal control and compliance department at the same level (or higher level) and the person chiefly in charge of the unit in two lines.

(II) The Internal Control System

The Bank has formulated the Regulations on Internal Control and Compliance Management of Bank of Jinzhou (《錦州銀行內控合規管理規定》) as the programmatic system in the field of internal control of the whole bank, and has formulated a comprehensive, systematic and standardized control system under its framework, and all business activities and management activities are carried out in accordance with the system of priority principles. The Bank attaches great importance to the establishment of system and has formulated the Rules and Regulations Management Measures of Bank of Jinzhou (《錦州銀行規章制度管理辦法》), set up a three-tier system of the regulations, measures, rules for procedures, implemented the life-cycle management of system, carried out regular system combing and evaluation, set up a system suggestion mailbox for the whole bank, and relevant departments can revise the system in a timely manner according to the system defects reflected by various channels. The relevant departments can revise the system in a timely manner according to the system deficiencies reflected through various channels, and continuously improve the internal control system.

(III) The Establishment of Internal Control

During the Reporting Period, the Bank strengthened the overall establishment of internal controls. First, the internal control environment is continuously optimized, the Board of Directors reviewed and approved the Regulations on Internal Control and Compliance Management of Bank of Jinzhou to continuously improve the internal control system; with the chairman and president taking the lead in conveying the correct concept of internal control compliance to all employees. Complete the adjustment of organizational structure, set up internal organizations rationally, and clearly divide responsibilities and rights; carry out the year of internal control and compliance theme activities, and implement the core concept of compliance culture. Second, the level of risk management continued to improve, the comprehensive risk management system was revised, and the risk appetite indicator system was improved. Third, the effectiveness of control activities was further enhanced, the Internal Control Manual (《內部控制手冊》) was prepared, practical tools for internal control management were established, and the process combing and transformation of business and management activities were promoted. Fourth, information communication was made smoother, bank-wide data governance was promoted, information disclosure management was improved, and reputation risk management was strengthened. Fifth, internal supervision and evaluation continued to be effective, improved the Measures for Internal Control Appraisal of Bank of Jinzhou to monitor and evaluate the effectiveness and adequacy of internal control of the Bank, establishing a three-dimensional linkage and coordinated supervision and inspection mechanism, carrying out remediation and cleanup of non-compliance issues, establishing a non-compliance accountability system, and solidly carrying out non-performing loan responsibility determination.

(IV) Supervision and Appraisal of Internal Control

During the Reporting Period, the Internal Audit Department of the Bank conducted an evaluation of the soundness and effectiveness of the Bank's internal controls in accordance with the requirements of the Basic Norms of Corporate Internal Control (《企業內部控制基本規範》), Trial Measures for Internal Control Appraisal of Commercial Banks (《商業銀行內部控制評價試行辦法》) and Measures for Internal Control Appraisal of the Bank of Jinzhou (《錦州銀行內部控制評價辦法》). No major deficiencies in the design and implementation of the Bank's internal controls were identified. By carrying out supervision and evaluation, follow-up and rectification, and recognition of responsibility, the Bank has continuously strengthened its compliance inspection and internal control evaluation functions, optimized the mechanism for rectification of non-compliance issues, and enhanced its ability to recognize responsibility for its work. We always maintain the high pressure of the "three line of defense" from identification of issues, rectification of issues to handling of issues, so as to continuously improve the staff's awareness of compliance and the consciousness of system implementation, and gradually enhance the compliance capability and internal control standard of the Bank.

(V) Building an Internal Control Culture

During the Reporting Period, the Bank carried out the Compliance Remodeling Foundation Year Activity, based on the compliance concepts of "compliance creating value" and "compliance starting from the top", and put forward the core concept of compliance culture of "legal compliance and sound control, everyone is responsible for the unity of knowledge and practice and risk management with high efficiency and stability". The activity focuses on system construction, publicity and training, assessment and evaluation, accountability and rectification etc., and actively builds the internal control compliance management culture system led by overall development strategy, centered on compliance construction planning, with special theme activities as the mainstay, assisted by diversified publicity and cultivation, and gripped by staff behavior management and care. The internal control compliance culture construction activities all employees of the Bank, effectively enhancing the compliance awareness of all bank employees and creating a good compliance culture atmosphere.

II. Internal Audit

The Bank has established an independent and sound internal audit management structure. The Audit Committee is formed under the Board of Directors to conduct audit and supervision on the progress of internal audit work. The Special Internal Audit Department established by the Bank is accountable to the Board of Directors and the Audit Committee, and has laid the foundation for carrying out independent and objective internal audit work. The Internal Audit Department of the Bank is authorized by the Board of Directors to conduct internal audits independently, without interference from other departments and individuals, and it will not participate in the operating activities within the scope of duties of other departments. The Bank has established an improved internal audit system by adapting to its own current development conditions and adhering to risk-oriented audit vision. The management effectiveness considerations were explored. Audit projects are conducted seriously according to the audit manual, the scope of audit covers all business lines and branches and sub-branches of the Bank, and the audits are carried out according to the auditing process and reporting system. Opinions and proposals will be provided to tackle deficiencies in internal control discovered in the course of auditing, and the implementation of rectifications will be continuously tracked to facilitate the transformation of audit result to achieve audit value growth.

During the Reporting Period, the Internal Audit Department of the Bank, with enhancing risk management and elevating the standard of internal control as major working objectives, regulatory developments and actual developments of the Bank as the guiding directions, the scope and meticulousness of audit had been increasing. Combined with the actual development of the department in continuously standardizing the basic work flow of auditing, optimizing the management model audit project on key areas in risk business lines and regulatory departments and strictly enforcing discipline in auditing work, a strong guarantee for the development of the audit work was provided. In order to overcome the impact of the pandemic, the Internal Audit Department of the Bank actively innovated auditing means, made use of various information system platforms and used audit methods including Big data analysis, telephone interviews, questionnaires, remote research, to increase off-site audit analysis, and provided strong support for the effective development of audit work. On the basis of high quality and efficient completion of the auditing task, the Internal Audit Department of the Bank further sorted out and improved the construction of internal audit management system in accordance with the supervision standards and the business situation of the Bank, so as to capture the key of regulatory and guidance, try the best to standardise business behavior, and earnestly guard against financial risks.

I. Significant Asset Reorganization of the Bank in 2020

In order to improve the quality of the assets of the Bank, enhance capital adequacy ratio and optimize equity structure and asset structure, the Bank implemented a major asset reorganization during the Reporting Period, which included the Proposed Private Placement, the Disposal and the Debt Instrument Subscription.

(i) Proposed Private Placement

On the basis the Capital Increase and Expansion Plan of the Bank to issue up to 6.2 billion Domestic Shares approved at the 2018 annual general meeting held by the Bank on 18 October 2019, on 23 January 2020, the Bank entered into a subscription agreement with Chengfang Huida and Liaoning Financial Holding, to issue a total of 6.2 billion new Domestic Shares of RMB1.00 each at a subscription price of RMB1.95 per Share. The Proposed Private Placement was approved by the Bank at the 2020 first extraordinary general meeting of the Bank held on 10 July 2020 and was approved by the Approval of CBIRC Liaoning Bureau on the Capital Increase and Expansion Plan of Jinzhou Bank and the Qualification of Relevant Shareholders (Liao Yin Bao Jian Fu [2020] No. 330) issued by the regulatory authorities on 7 August 2020. On 30 September 2020, the Bank issued 5.27 billion Domestic Shares and 0.93 billion Domestic Shares to Chengfang Huida and Liaoning Financial Holding respectively, representing 37.69% and 6.65% of total number of Ordinary Shares of the Bank after the completion of the Proposed Private Placement, respectively. On the same day, the Bank completed the registration of the change of Shareholders in relation to the Proposed Private Placement and the Proposed Private Placement was completed. The total nominal value of the newly issued 6.2 billion Domestic Shares under the Proposed Private Placement is RMB6.2 billion, representing 44.34% of the Bank's total issued share capital immediately after the completion of the Proposed Private Placement was completed. Immediately after the completion of the Proposed Private Placement, the registered capital of the Bank has been increased from RMB7,781,615,684 to RMB13,981,615,684 and the total number of Shares of the Bank has been increased from 7,781,615,684 Shares to 13,981,615,684 Shares, comprising of 10,464,295,684 Domestic Shares and 3,517,320,000 H Shares.

The Bank issued a total of 6.2 billion new Domestic Shares to Chengfang Huida and Liaoning Financial Holding at a subscription price of RMB1.95 per share (the market price of the Bank's H Shares on the date of the relevant subscription agreement was HK$2.43 per H Share), pursuant to which the net proceeds raised from the Proposed Private Placement (after deduction the relevant fees) announced to approximately RMB12.09 billion, which has been fully utilized to replenish the core tier-one capital of the Bank.

In addition, in respect of the Proposed Private Placement, Chengfang Huida was not required to make a mandatory general offer as required under the Hong Kong Takeovers Code despite having become a controlling Shareholder of the Bank within the meaning of the Listing Rules upon completion of the Proposed Private Placement.

(ii) The Disposal and the Debt Instrument Subscription

On 31 March 2020, the Bank (as vendor) and Chengfang Huida (as purchaser) entered into a framework disposal agreement in relation to the disposal of certain credit assets and other assets with a balance of debts investment of the Bank of RMB150.0 billion. The Disposal constituted a very substantial disposal of the Bank and was approved by the Shareholders of the Bank at the first extraordinary general meeting of 2020 held on 10 July 2020. On 27 July 2020, the Bank and Chengfang Huida further entered into specific asset disposal agreement under the framework disposal agreement, pursuant to which the relevant conditions precedent were fulfilled, the Disposal was completed and the relevant assets were disposed of in full and no longer included in the combined financial statements of the Bank.

In addition, as part of a series of retractions under the asset reorganization plan of the Bank, on 31 March 2020, the Bank entered into an agreement to subscribe for a directional debt instrument in the principal amount of RMB75 billion issued by Jinzhou Jinyin Enterprise Management Partnership (LLP) (錦州錦銀企業管理合夥企業(有限合夥)), an entity established by an enterprise wholly-owned by Liaoning Financial Holdings (as a limited partner) and the Deposit Insurance Fund Management Co., Ltd. (存款保險基金管理有限責任公司), a PBOC's wholly-owned subsidiary (as a general partner). The subscription was completed on the completion date of the Disposal.

Following the completion of the Disposal on 27 July 2020 and the completion of the Proposed Private Placement on 30 September 2020, the Bank's major asset reorganization as proposed in the Bank's announcement dated 26 December 2019 has completed.

The completion of the major asset reorganization can effectively enhance the Bank's capital adequacy ratio, improve the Bank's asset quality and risk resilience, and further optimize the Bank's asset structure. The Bank will continue to strengthen its corporate governance and control the direction of development through the major asset reorganization, so as to ensure the establishment of a sound internal governance structure and the steady operation of the Bank as a whole, as well as to further enhance the Bank's comprehensive competitive strength and promote its sustainable development.

For details of the major asset reorganization of the Bank in 2020, please refer to the announcements of the Bank dated 27 September 2019, 18 October 2019, 26 December 2019, 10 March 2020, 31 March 2020, 1 April 2020, 3 April 2020, 29 April 2020, 29 May 2020, 30 June 2020, 10 July 2020, 27 July 2020, 10 August 2020, 14 August 2020 and 9 October 2020, respectively, and the circulars of the Bank dated 8 October 2019 and 30 June 2020.

II. Issuance of Debt Securities

(I) Debt Securities Issued

Upon the approval of Former CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of Former CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

(II) Interbank Certificates of Deposit Issued

As at the end of the Reporting Period, the Bank issued 56 interbank certificates of deposit (issued in the market which are not matured yet) in total with an aggregate balance of RMB64,623 million.

(III) Proposed Issuance of Debt Securities

1. The Board has resolved, and the Shareholders have approved at the 2015 annual general meeting of the Bank held on 29 June 2016 that, subject to the approvals from regulatory authorities having been obtained, the Bank will issue the following debt securities:

   Financial bonds for small and micro enterprises in an aggregate principal amount of up to RMB10.0 billion (inclusive) will be issued to members of the inter-bank bond market in China, for a term of maturity of less than five years (inclusive) at a fixed interest rate to be determined by the Bank and the lead underwriter according to the market environment at the time of issuance. The proceeds from the issuance of such bonds will be used for loans to small and micro enterprises. Upon consideration and approval at the 2018 first extraordinary general meeting of the Bank held on 21 September 2018, the Bank extends term of validity of the bonds specialized for small and micro enterprises and the relevant authorization matters for 24 months, i.e. from 29 June 2018 to 28 June 2020. Upon consideration and approval at the 2019 annual general meeting of the Bank held on 11 September 2020, the Bank extends term of validity of the bonds specialized for small and micro enterprises and the relevant authorization matters for 24 months, i.e. from 29 June 2020 to 28 June 2022. Other than the extension of the term of validity of financial bonds specialized for small and micro enterprises and the relevant authorization matters, the other details on bonds specialized for small and micro enterprises disclosed in the circular of the Bank dated 13 May 2016 remain unchanged and will continue to be effective.

   The Bank has received the Letter of Decision for the Grant of Administrative Authorization from PBOC (Yin Shi Chang Xu Zhun Yu Zi [2020] No. 81) and the Approval of CBIRC Liaoning Regulatory Bureau (Liao Yin Bao Jian Fu [2020] No. 168), respectively, in respect of the issue of the financial bonds specialised for small and micro enterprises. For details, please refer to the announcement of the Bank dated 28 June 2020. The Bank will issue the bonds in accordance with the actual situation and business development.

2. The Board has resolved, and the Shareholders have approved at the 2019 annual general meeting of the Bank held on 11 September 2020 that, subject to the approvals from regulatory authorities having been obtained, the Bank will issue the following debt securities:

   The Bank shall issue the financial bonds with nominal value of no more than RMB14.0 billion in one or more tranches for a term of no more than five years to the members in the national interbank bond market (excluding the subscribers as prohibited by the China's laws and regulations), at a coupon rate determined through the book building method for centralized placement or in accordance with the results of public tendering on the bonds issuance system of the PBOC according to the market conditions before the issuance. The raising funds shall be utilized in line with the laws and regulation, the approval from the regulatory authorities and bond types.

III. Related-party Transactions

No material related-party transactions that had an adverse impact on the Bank's business results and financial position occurred during the Reporting Period.

IV. Material Litigation and Arbitration

As at the end of the Reporting Period, there is one pending material litigation to which the Bank was a defendant, which involved RMB22,236,007.29. The abovementioned litigation would not materially and adversely affect the business operations of the Bank.

V. Penalties Imposed on the Bank and its Directors, Supervisors and Senior Management

During the Reporting Period, none of the Bank, or all its Directors, Supervisors and senior management members had been subject to inspections, administrative penalties and circulating criticisms by CSRC or public censures by the Hong Kong Stock Exchange, or penalties by relevant regulatory bodies that caused a significant impact on the Bank's operation.

VI. Amendments to the Articles of Association

The Bank convened the 2020 first extraordinary general meeting on 10 July 2020 and the 2019 annual general meeting on 11 September 2020, respectively, at which the amendments to the relevant articles of the Articles of Association were approved. Such amendments shall become effective subject to the approval from the relevant regulatory authorities. For details, please refer to the announcements of the Bank dated 13 December 2019, 10 July 2020, 22 July 2020 and 11 September 2020, and the circulars of the Bank dated 27 December 2019 and 28 July 2020.

VII. Material Contracts and Their Performance

Save as disclosed in this annual report, the Bank had no material contracts and performance during the Reporting Period.

VIII. Material Acquisition and Disposal of Assets of Subsidiaries and Associates and Business Combinations

On 31 March 2020, the Bank (as vendor) and Chengfang Huida (as the purchaser) entered into a framework disposal agreement in relation to the disposal of certain credit assets and other assets with a balance of debts investment of the Bank of RMB150.0 billion. The Disposal constituted a very substantial disposal of the Bank and was approved by the Shareholders of the Bank at the first extraordinary general meeting of 2020 held on 10 July 2020. On 27 July 2020, the Bank and Chengfang Huida further entered into specific asset disposal agreement under the framework disposal agreement, pursuant to which the relevant conditions precedent were fulfilled, the Disposal was completed and the relevant assets were disposed of in full and no longer included in the consolidated financial statements of the Bank. For details, please refer to the paragraph headed "Important Events –I. Significant Asset Reorganization of the Bank in 2020" in this annual report.

Except as disclosed in this annual report, the Bank had no material acquisition and disposal of assets of subsidiaries and associates and business combinations during the Reporting Period.

IX. Implementation of New Accounting Standards

The Bank has adopted relevant new accounting standards since 1 January 2020. For details, please refer to note 2 to the annual financial statements of this annual report.

X. Engagement and Dismissal of Auditors

Upon the consideration and approval at the 2018 annual general meeting, the Bank has re-appointed Crowe (HK) CPA Limited as the auditor of the Bank for 2019. Upon the consideration and approval at the 2019 annual general meeting, the Bank has re-appointed Crowe (HK) CPA Limited the auditor of the Bank for 2020.

XI. Appropriation of Profits during the Reporting Period

As approved by the Board of Directors of the Bank at its meeting held on 29 March 2021, the Bank's profit distribution plan for the year ended 31 December 2020 is as follows.

– Withdrawal of legal surplus reserve amounted to RMB62.07 million.

– The balance of general reserves has exceeded 1.5% of its gross risk-bearing assets at each year end, and no general reserves will be made.

– The Board has decided not to pay dividends for 2020.

The above profit distribution plan shall be reviewed and approved at the Shareholders' general meeting.

As approved by the Board of Directors of the Bank at its meeting held on 20 August 2020, the dividend distribution plan for Offshore Preference Shares of the Bank on 27 October 2020 is as follows:

– The preference share dividend of US$91 million (being approximately RMB611 million) shall be distributed to holders of Offshore Preference Shares.

As approved by the annual general meeting of the Bank held on 11 September 2020, the Bank's profit distribution plan for the year ended 31 December 2019 was follows:

– In view of the loss for the year 2019, no general provision will be made.

– The Board resolved no dividend was paid.

XII. Publication of Annual Report

This annual report is prepared in both English and Chinese versions, in the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

Chapter 15 Independent Auditor's Report And Financial Statements

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

Independent auditor's report to the shareholders of Bank of Jinzhou Co., Ltd.
(A joint stock company incorporated in the People's Republic of China (the "PRC") with limited liability)

Opinion

We have audited the consolidated financial statements of Bank of Jinzhou Co., Ltd. ("the Bank") and its subsidiaries ("the Group") set out on pages 165 to 304, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional 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.

Key audit matters

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

Loss allowances of loans and financial assets measured at amortised cost

Refer to note 18 and note 21 to the consolidated financial statements and the accounting policies stated in note 2(6).

Key audit matters	How the matter was addressed in our audit
The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.	Our audit procedures to assess the impairment of loans and financial assets measured at amortised cost included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and financial assets measured at amortised cost, the credit grading process and the measurement of loss allowances. For the key underlying systems used for the processing of transactions in above processes, we assessed the design, implementation and operating effectiveness of the key internal controls over these underlying systems, including controls over access to these systems and controls over data and change management; • assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;

Key audit matters *(continued)*

Loss allowances of loans and financial assets measured at amortised cost *(continued)*

Refer to note 18 and note 21 to the consolidated financial statements and the accounting policies stated in note 2(6).

Key audit matters

The determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for corporate loans and financial assets are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the Reporting Period.

We identified the impairment of loans and advances to customers and financial assets measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.

How the matter was addressed in our audit

- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original documentary agreements, we compared the total balance of the loan and financial assets list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and assets information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and assets list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;

- for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged the Group's revisions to estimates and input parameters, compared with prior period and on transition to the new accounting standard and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;

- for key parameters which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis;

Key audit matters *(continued)*

Loss allowances of loans and financial assets measured at amortised cost *(continued)*

Refer to note 18 and note 21 to the consolidated financial statements and the accounting policies stated in note 2(6).

Key audit matters	How the matter was addressed in our audit
	• evaluating the validity of management's assessment on whether the credit risk of the loan and advance granted and the financial investments at amortized cost has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired. We analysed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk. We checked loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses; • for selected samples of loans and financial assets measured at amortised cost that are credit－impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, considered the viability of the Group's recovery plans, and evaluated other credit enhancements that are integral to the contract terms; • recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of loans and assets where the credit risk of the loan has not, or has, increased significantly since initial recognition, respectively; and • evaluating whether the disclosures on impairment of loans and financial assets measured at amortised cost meet the disclosure requirements in the prevailing accounting standards.

Key audit matters *(continued)*

Consolidation of structured entities

Refer to note 45 to the consolidated financial statements.

Key audit matters

Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan or an asset-backed security.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and the Group's exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.

How the matter was addressed in our audit

Our audit procedures to assess the consolidation of structured entities included the following:

- making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;

- selecting significant structured entities of each key product type and performing the following procedures for each entity selected:

  – inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;

Key audit matters *(continued)*

Consolidation of structured entities *(continued)*

Refer to note 45 to the consolidated financial statements.

Key audit matters

We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position and relevant regulatory capital requirements could be significant.

How the matter was addressed in our audit

- – reviewing the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;

- – reviewing management's analyses of the structured entity including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity;

- – assessing management's judgement over whether the structured entity should be consolidated or not; and

- considering the disclosures in the consolidated financial statements in relation to structured entities with reference to the disclosure requirements of the prevailing accounting standards.

Key audit matters *(continued)*

Valuation of the fair value of financial instruments

Refer to note 51 to the consolidated financial statements.

Key audit matters

Financial instruments measured at fair value are one of the significant assets held by the Group and the fair value adjustments may affect profit or loss or other comprehensive income.

The valuation of the Group's financial instruments at fair value is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement.

We have identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.

How the matter was addressed in our audit

Our audit procedures to assess the fair value of financial instruments included the following:

- assessing the design, implementation and operating effectiveness of management's key internal controls over the valuation, independent price verification, front office/back office reconciliations and valuation model approval for financial instruments;

- evaluating the valuation models used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations of level 2 and level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current and emerging practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; and

- assessing whether the consolidated financial statement disclosures appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the relevant accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence as well as the actions taken to eliminate adverse effects or the preventive measures applied (where applicable).

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Wai Dune, Charles.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong

29 March 2021

Chan Wai Dune, Charles
Practising Certificate Number P00712

(Expressed in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Notes	For the year ended 31 December 2020	2019
Interest income		**37,344,545**	47,820,476
Interest expense		**(28,045,398)**	(28,475,443)
Net interest income	3	**9,299,147**	19,345,033
Fee and commission income		**243,753**	422,292
Fee and commission expense		**(69,063)**	(190,578)
Net fee and commission income	4	**174,690**	231,714
Net trading (losses)/gains	5	**(118,122)**	3,372,617
Dividend income		**1,440**	1,200
Net gains arising from investment securities	6	**1,721**	240,556
Net foreign exchange losses		**(78,105)**	(42,008)
Other net operating income		**28,522**	20,587
Operating income		**9,309,293**	23,169,699
Operating expenses	7	**(3,318,583)**	(3,761,683)
Operating profit before impairment		**5,990,710**	19,408,016
Impairment losses on assets	10	**(5,662,563)**	(20,846,120)
Profit/(loss) before tax		**328,147**	(1,438,104)
Income tax (expenses)/credit	11	**(174,620)**	327,858
Profit/(loss) for the year		**153,527**	(1,110,246)
Attributable to:			
Equity shareholders of the Bank		**404,569**	(958,545)
Non-controlling interests		**(251,042)**	(151,701)
Profit/(loss) for the year		**153,527**	(1,110,246)
Basic and diluted loss per share (In RMB)	12	**(0.02)**	(0.12)

The notes on pages 172 to 304 form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	For the year ended 31 December 2020	2019
Profit/(loss) for the year		**153,527**	(1,110,246)
Other comprehensive income/(loss) for the year:			
Items that will be reclassified subsequently to profit or loss:			
—Debt instruments measured at fair value through other comprehensive income			
—Change in fair value		**(114,542)**	48,535
—Change in impairment provision		**104,985**	(4,717)
—Reclassified to the profit or loss upon disposal		**(3,384)**	(214,664)
Items that will not be subsequently reclassified to profit or loss:			
—Remeasurement of defined benefit obligation	33(b)	**708**	(976)
—Equity instruments at fair value through other comprehensive income			
—Change in fair value		**123,619**	(24,452)
Related income tax effect	25(b)	**(6,448)**	48,825
Other comprehensive income/(loss) for the year		**104,938**	(147,449)
Total comprehensive income/(loss) for the year		**258,465**	(1,257,695)
Attributable to:			
Equity shareholders of the Bank		**509,507**	(1,105,994)
Non-controlling interests		**(251,042)**	(151,701)
Total comprehensive income/(loss) for the year		**258,465**	(1,257,695)

The notes on pages 172 to 304 form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	At 31 December 2020	2019
Assets			
Cash and deposits with the central bank	13	**55,826,576**	105,176,537
Deposits with banks and other financial institutions	14	**4,748,291**	8,301,592
Placements with banks and other financial institutions	15	**6,062,898**	5,643,864
Positive fair value of derivatives	16	**117,633**	84,969
Financial assets held under resale agreements	17	**4,273,751**	–
Loans and advances to customers	18	**495,464,197**	452,695,511
Financial assets at fair value through profit or loss	19	**23,020,107**	55,157,171
Financial assets at fair value through other comprehensive income	20	**21,921,180**	12,559,843
Financial assets measured at amortised cost	21	**135,760,163**	165,149,391
Finance lease receivables	22	**3,248,825**	6,408,314
Property and equipment	24	**6,684,729**	7,015,575
Deferred tax assets	25	**11,743,169**	11,841,585
Other assets	26	**9,120,805**	6,659,839
Total assets		**777,992,324**	836,694,191
Liabilities and equity			
Liabilities			
Borrowing from the central bank	28	**105,816**	33,079,647
Deposits from banks and other financial institutions	29	**135,044,341**	178,117,754
Placements from banks and other financial institutions	30	**22,645,854**	27,731,363
Financial liabilities at fair value through profit or loss		**7,822**	6,282,210
Negative fair value of derivatives	16	**164,764**	100,011
Financial assets sold under repurchase agreements	31	**35,102,853**	10,106,602
Deposits from customers	32	**439,223,670**	407,112,779
Accrued staff costs	33	**369,510**	334,976
Income taxes payable	34	**31,719**	1,622,478
Other tax payable	34	**677,273**	412,966
Debt securities issued	35	**71,270,006**	110,108,837
Provisions	36	**410,284**	613,313
Other liabilities	37	**1,696,232**	1,565,806
Total liabilities		**706,750,144**	777,188,742

The notes on pages 172 to 304 form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 December 2020

	Notes	At 31 December 2020	2019
Equity			
Share capital	39	**13,981,616**	7,781,616
Other equity instruments including:			
Offshore preference shares	40	**9,897,363**	9,897,363
Capital reserve	41	**26,493,374**	20,583,321
Surplus reserve	42	**3,056,744**	2,994,679
General reserve	42	**11,800,217**	11,800,217
Retained earnings	43	**2,429,877**	2,614,222
Total equity attributable to equity shareholders of the Bank		**67,659,191**	55,671,418
Non-controlling interests		**3,582,989**	3,834,031
Total equity		**71,242,180**	59,505,449
Total liabilities and equity		**777,992,324**	836,694,191

Approved and authorised for issue by the board of directors on 29 March 2021.

Wei Xuekun	**Guo Wenfeng**	**Yu Jun**	**Company chop**
Chairman	*President*	*Chief Financial Officer*	

The notes on pages 172 to 304 form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Notes	Attributable to shareholders of the Bank								
		Share Capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2020		**7,781,616**	**9,897,363**	**20,583,321**	**2,994,679**	**11,800,217**	**2,614,222**	**55,671,418**	**3,834,031**	**59,505,449**
Changes in equity for the year:										
Profit for the year		**–**	**–**	**–**	**–**	**–**	**404,569**	**404,569**	**(251,042)**	**153,527**
Other comprehensive income	41	**–**	**–**	**104,938**	**–**	**–**	**–**	**104,938**	**–**	**104,938**
Total comprehensive income		**–**	**–**	**104,938**	**–**	**–**	**404,569**	**509,507**	**(251,042)**	**258,465**
Shareholders' investment and capital reduction										
– Shareholders' investment	39, 41	**6,200,000**	**–**	**5,890,000**	**–**	**–**	**–**	**12,090,000**	**–**	**12,090,000**
Appropriation of profits	43									
– Withdrawal to of surplus reserve		**–**	**–**	**–**	**62,065**	**–**	**(62,065)**	**–**	**–**	**–**
– Appropriation to shareholders		**–**	**–**	**–**	**–**	**–**	**(611,734)**	**(611,734)**	**–**	**(611,734)**
Other comprehensive income carried forward to retained earnings	41	**–**	**–**	**(84,885)**	**–**	**–**	**84,885**	**–**	**–**	**–**
Balance at 31 December 2020		**13,981,616**	**9,897,363**	**26,493,374**	**3,056,744**	**11,800,217**	**2,429,877**	**67,659,191**	**3,582,989**	**71,242,180**
Balance at 1 January 2019		7,781,616	9,897,363	20,730,770	2,994,679	11,802,132	3,570,852	56,777,412	3,985,732	60,763,144
Changes in equity for the year:										
Loss for the year		–	–	–	–	–	(958,545)	(958,545)	(151,701)	(1,110,246)
Other comprehensive loss	41	–	–	(147,449)	–	–	–	(147,449)	–	(147,449)
Total comprehensive loss		–	–	(147,449)	–	–	(958,545)	(1,105,994)	(151,701)	(1,257,695)
Appropriation of profits	43									
– Reversal of general reserve		–	–	–	–	(1,915)	1,915	–	–	–
Balance at 31 December 2019		7,781,616	9,897,363	20,583,321	2,994,679	11,800,217	2,614,222	55,671,418	3,834,031	59,505,449

The notes on pages 172 to 304 form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	Notes	For the year ended 31 December 2020	2019
Cash flows from operating activities			
Profit/(loss) for the years		**153,527**	(1,110,246)
Adjustments for:			
Impairment losses on assets		**5,662,563**	20,846,120
Depreciation and amortisation		**560,545**	556,207
Interest expense on lease liabilities		**13,741**	18,499
Dividend income		**(1,440)**	(1,200)
Unrealised foreign exchange (gains)/losses		**(74,639)**	61,363
Net losses/(gains) on derivative financial instruments		**28,820**	(226)
Net gains arising from investment securities		**(1,721)**	(240,556)
Net losses/(gains) on disposal of trading securities		**247,722**	(159,461)
Revaluation gains on financial instruments at fair value through profit or loss		**(158,419)**	(3,212,930)
Interest expense on debts securities issued		**4,472,319**	3,282,233
Net losses on disposal of property and equipment and other long term assets		**3,210**	2,326
Income tax expenses/(credit)		**174,620**	(327,858)
Subtotal		**11,080,848**	19,714,271
Changes in operating assets			
Net (increase)/decrease in deposits with the central bank, banks and other financial institutions		**(230,968)**	14,950,979
Net increase in placements with banks and other financial institutions		**–**	(5,651,582)
Net increase in loans and advances to customers		**(88,886,976)**	(68,879,251)
Net decrease in finance lease receivables		**2,803,885**	675,187
Net increase in other operating assets		**(15,319,074)**	(10,666,872)
Subtotal		**(101,633,133)**	(69,571,539)
Changes in operating liabilities			
Net (decrease)/increase in borrowing from central bank		**(32,934,750)**	32,931,953
Net increase in deposits from banks and other financial institutions		**1,965,622**	14,662,756
Net (decrease)/increase in placements from banks and other financial institutions		**(5,003,084)**	6,918,901
Net increase/(decrease) in financial assets sold under repurchase agreements		**24,934,659**	(33,306,708)
Net increase/(decrease) in deposits from customers		**33,047,399**	(37,457,909)
Income tax paid		**(1,673,411)**	(2,950,815)
Net decrease in other operating liabilities		**(269,243)**	(1,841,831)
Subtotal		**20,067,192**	(21,043,653)
Net cash flows used in operating activities		**(70,485,093)**	(70,900,921)

The notes on pages 172 to 304 form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

For the year ended 31 December 2020

	Notes	For the year ended 31 December 2020	2019
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		**156,030,173**	223,408,842
Dividend received		**1,440**	1,200
Proceeds from disposal of property and equipment and other assets		**13,735**	1,404
Payments on acquisition of investments		**(102,069,762)**	(120,834,638)
Payments on acquisition of property and equipment, intangible assets and other assets		**(154,384)**	(935,351)
Net cash flows generated from investing activities		**53,821,202**	101,641,457
Cash flows from financing activities			
Proceeds from capital contribution by equity shareholders		**12,090,000**	–
Proceeds from issue of debt securities		**252,377,369**	182,834,970
Repayment of debts securities issued		**(295,340,000)**	(165,090,000)
Interest paid on debts securities issued		**(348,519)**	(587,148)
Dividend paid		**(623,341)**	(86,554)
Payment of lease liabilities		**(105,384)**	(102,185)
Net cash flows (used in)/generated from financing activities		**(31,949,875)**	16,969,083
Effect of foreign exchange rate changes on cash and cash equivalents		**(79,351)**	(61,364)
Net (decrease)/increase in cash and cash equivalents	47(a)	**(48,693,117)**	47,648,255
Cash and cash equivalents as at 1 January		**67,534,887**	19,886,632
Cash and cash equivalents as at 31 December	47(b)	**18,841,770**	67,534,887
Interest received		**26,392,527**	39,180,312
Interest paid (excluding interest expense on debts securities issued)		**(24,323,795)**	(27,313,186)

The notes on pages 172 to 304 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. Background information

Bank of Jinzhou Co., Ltd. (the "Bank") was established on 22 January 1997 with approval of the PBOC (Yin Fu 1997 No.29).

The Bank obtained its finance permit No. B0127H221070001 from the China Banking Regulatory Commission (the ("CBRC"), which was renamed as China Banking and Insurance Regulatory Commission ("CBIRC") on 8 April 2018). The Bank obtained its business license with unified social credit code No. 912107002426682145 from the State Administration for Industry and Commerce of the PRC. The legal representative is Wei Xuekun and the address of the registered office is No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC.

In December 2015, the Bank's H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 0416). As at 31 December 2020, the share capital of the Bank is RMB13,982 million.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") are the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the CBRC. The Group operates in Mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. As of 31 December 2020, the Bank has 15 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi and Yingkou.

2. Significant accounting policies

(1) Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the "IFRSs") and related interpretations, issued by the International Accounting Standards Board (the "IASB"), as well as with the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 2(2) provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2020 comprise the Bank and its subsidiaries.

2. Significant accounting policies *(continued)*

(1) Statement of compliance and basis of preparation *(continued)*

Unless stated otherwise, the financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Bank.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 55.

The measurement basis used in the preparation of the financial statements is historical cost basis, with the exception of certain financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(6).

(2) Application of new and amendments to International Financial Reporting Standards

In the current year, the Group has applied the following new and amendments to IFRSs issued by the IASB:

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

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS and the amendments to IFRSs, which had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(3) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2. Significant accounting policies *(continued)*

(3) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

In the Bank's statement of financial position, investment in subsidiaries are stated at cost less impairment losses (Note 2(15)), unless the investment is classified as held for sale.

(4) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the Reporting Period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in capital reserve.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

2. Significant accounting policies *(continued)*

(6) Financial instruments

(i) Recognition and initial measurement of financial assets and liabilities

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(ii) Classification and subsequent measurement of financial assets

Classification of financial assets

The Group classifies financial assets into different categories upon initial recognition based on the business model for managing the financial assets and the contractual cash flow characteristics of financial assets:

– Financial assets measured at amortised cost, including loans and advances to customers and financial investments measured at amortised cost;

– Financial assets at fair value through other comprehensive income ("FVOCI"), including loans and advances to customers at FVOCI and financial investments at FVOCI; and

– Financial assets at fair value through profit or loss ("FVPL").

Financial assets may not be reclassified after initial recognition unless the Group changes the business model for managing the financial assets, in which case, all affected financial assets are reclassified on the first day of the first Reporting Period after the business model changes.

Financial assets not designated as FVPL that meet the following conditions are classified as financial assets measured at amortised cost:

– The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows;

– The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

2. Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(ii) Classification and subsequent measurement of financial assets *(continued)*

Classification of financial assets (continued)

The Group classifies financial assets not designated as FVPL that meet the following conditions as financial assets at FVOCI:

– The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows and to sell the financial assets;

– The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

For equity investment not held for trading, the Group may irrevocably designate it as financial asset at FVOCI upon initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.

Except for the above-mentioned financial assets that are measured at amortised cost and at FVOCI, the Group classifies all other financial assets into financial assets at FVPL. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should be measured at amortised cost or FVOCI as financial assets at FVPL.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the sources of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

2. Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(ii) Classification and subsequent measurement of financial assets *(continued)*

Subsequent measurement of financial assets

– Financial assets at FVPL

Subsequent to initial recognition, the financial assets are measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in profit or loss, unless the financial asset is part of a hedging relationship.

– Financial assets measured at amortised cost

Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition and amortisation using the effective interest method or recognition of impairment.

– Financial assets at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.

– Equity investments at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Dividend income is recognised in profit or loss; other gains or losses are recognised in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred to retained earnings.

2. Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(iii) Classification and subsequent measurement of financial liabilities

The Group classifies financial liabilities into financial liabilities at FVPL, financial guarantee contract liabilities, and financial liabilities carried at amortised cost.

– Financial liabilities at FVPL

The financial liabilities include trading financial liabilities and financial liabilities designated at FVPL. Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Subsequent to initial recognition, the financial liabilities are measured at fair value. Any resulting gains or losses (including interest expenses), unless related to hedge accounting, are recognised in profit or loss.

– Financial guarantee contract liabilities

Financial guarantee contracts refer to contracts that require the Group to make specified payments to reimburse the contract holder for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the original or revised terms of a debt instrument.

The financial guarantee contract liabilities are subsequently measured at the higher of the amount of a provision determined in accordance with the principles for impairment of financial instruments and the amount initially recognised less accumulated amortisation.

– Financial liabilities measured at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

2. Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(iv) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised directly in profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

(v) Impairment

The Group recognises provision for expected credit loss on:

– Financial assets measured at amortised cost;

– Debt instruments at FVOCI; and

– Credit commitments.

Other financial assets measured at fair value, including financial assets at FVPL, equity investments designated at FVOCI and derivative financial assets, are not subject to the expected credit loss assessment.

2. Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(v) Impairment *(continued)*

Measurement of ECLs

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the end of the Reporting Period (or a shorter period if the expected life of the instrument is less than 12 months).

The Group applies a 'three-stage model' for measuring ECL. For the measurement and segmentation of ECL of financial instruments of the Group, see Note 50(a).

Presentation of provision for ECLs

ECLs are remeasured at the end of each Reporting Period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, provision is offset against their carrying amounts in the statement of financial position. The Group recognises provision for debt instruments at FVOCI in other comprehensive income and does not deduct the carrying amount of the financial assets.

2. Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(v) Impairment *(continued)*

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(vi) Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the following conditions are met:

– The Group's contractual rights to the cash flows from the financial asset expire;

– The financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;

– The financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

– The carrying amount of the financial asset transferred measured at the date of derecognition;

– The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged.

2. Significant accounting policies *(continued)*

(6) Financial instruments *(continued)*

(vii) Offsetting

Financial assets and financial liabilities are presented separately in the statement of financial position and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the statement of financial position when both of the following conditions are satisfied:

– The Group currently has a legally enforceable right to set off the recognised amounts;

– The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(7) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(8) Fair value measurement

Unless otherwise stated, the Group measure the fair value based on below principles:

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Three valuation techniques mainly include the market approach, the income approach and the cost approach.

2. Significant accounting policies *(continued)*

(9) Preference shares

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

When the issued preference shares contain equity and liability components, the Group follows the same accounting policy as for convertible bonds with equity components. For the issued preference shares which do not contain equity component, the Group follows the accounting policy as accounting for the convertible bonds only with liability component.

For the issued preference shares that should be classified as equity instruments, they will be recognised as equity in actual amount received. Dividend payables are recognised as distribution of profits. When the preference shares are redeemed according to the contractual terms, the redemption price is charged to equity.

(10) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in profit or loss.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. The precious metals deposited in the Group are measured at fair value both on initial recognition and in subsequent measurement.

2. Significant accounting policies *(continued)*

(11) Property and equipment and construction in progress

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment loss (Note 2(15)). Construction in progress is stated in the statement of financial position at cost less impairment loss (Note 2(15)).

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as a separate property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	40 years	4%	2.4%
Motor vehicles	5years	5%	19.0%
Others	5-10years	0%-5%	9.5%-20.0%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

2. Significant accounting policies *(continued)*

(12) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group, as a lessor or lessee, assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

- the lessee has the right to direct the use of the asset. The lessee has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the lessee has the right to direct the use of the asset if either:

- the lessee has the right to operate the asset; or

- the lessee designed the asset in a way that predetermines how and for what purpose it will be used.

IFRS 16 is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(13) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortization and impairment loss (Note 2(15)). The cost of intangible assets less residual value and impairment loss is amortised on the straight-line method over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Computer software	10 years

2. Significant accounting policies *(continued)*

(14) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(15) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the Reporting Period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- construction in progress
- intangible assets
- investment in subsidiaries
- Right-of-use assets

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU 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. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the greater of its fair value less costs of disposal and value in use. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines there recoverable amount of the asset group to which the assets belongs.

An asset's fair value less costs of disposal is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The value in use of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. Significant accounting policies *(continued)*

(15) Provision for impairment losses on non-financial assets *(continued)*

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(16) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The employee benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. For employee benefits payable for more than one year after the Reporting Period, if the discounted impact is material, the Group states it at its present value.

(i) Retirement benefits

Defined contribution plans – social pension schemes
Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Supplementary retirement benefits
The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognized in profit or loss, and the actuarial gains and losses arising from remeasurement are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits".

(ii) Housing fund and other social insurances

In addition to the retirement benefits, the Group has joined defined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances mentioned above at the applicable rates based on the amounts stipulated by the relevant government organizations. The contributions are charge to profit or loss on an accrual basis.

2. Significant accounting policies *(continued)*

(17) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items that are recognised in other comprehensive income or directly in equity, in which case the relevant amounts are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the period, and any adjustment to tax payable in respect of previous periods.

At the end of the Reporting Period, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in at rans action that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss).

At the end of the Reporting Period, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the end of the Reporting Period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the end of the Reporting Period, deferred tax assets and liabilities are offset if all the following conditions are met:

– the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

– they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which either intend to settle the current tax liabilities and assets on a net basis, or to simultaneously realise the assets and settle the liabilities in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. Significant accounting policies *(continued)*

(18) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

The Group used the expected credit loss model to measure losses incurred because a specified debtor fails to make payment when due, and included them in provisions. Refer to Note2(6)(v) for details of the expected credit loss model.

(ii) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(19) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

2. Significant accounting policies *(continued)*

(20) Income recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

For performance obligations being satisfied, revenue is recognised by the Group when the customer obtains control of the relevant goods or services.

When one of the following conditions are met, the Group perform its performance obligations over time, and otherwise, at a point in time:

– The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

– The Group's performance creates and enhances an asset that the customer controls as the Group performs; or

– The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations performed over time, the Group recognises revenue over time according to the performance progress. When the performance progress cannot be determined, the Group is expected to be reimbursed for the costs already incurred, and recognises the revenue based on the costs already incurred until the performance progress can be reasonably determined.

For performance obligations performed at a point in time, the Group recognises revenue at the point when the customer obtains control of the promised good or service. When judging whether the customer obtains control of the promised good or service, the Group should consider the following indications:

– The Group has a present right to payment for the good or service;

– The Group has transferred physical possession of the good to the customer;

– The Group has transferred legal title or the significant risks and rewards of ownership of the good to the customer;

– The customer has accepted the good or service.

2. Significant accounting policies *(continued)*

(20) Income recognition *(continued)*

The specific accounting policies related to the revenue of the Group's principal activities are described below:

(i) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-earning asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the Reporting Period. 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 Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points 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.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the actual progress. For other services, fee and commission income is recognised when the transactions are completed.

(iii) Other income

Other income is recognised on an accrual basis.

(21) Expenses recognition

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognised on an accrual basis.

(22) Dividend

Dividend or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the Reporting Period are not recognised as a liability at the end of the Reporting Period but disclosed separately in the notes to the financial statements.

2. Significant accounting policies *(continued)*

(23) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(24) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.

(Expressed in thousands of Renminbi, unless otherwise stated)

3. Net interest income

	For the year ended 31 December	
	2020	2019
Interest income arising from		
Deposits with the central bank	**704,814**	783,992
Deposits with banks and other financial institutions	**127,585**	274,390
Placements with banks and other financial institutions	**277,582**	378,505
Loans and advances to customers		
– Corporate loans and advances	**26,344,475**	27,649,787
– Personal loans	**417,313**	635,024
– Discounted bills	**251,795**	460,055
Financial assets held under resale agreements	**134,629**	75,467
Financial assets at fair value through other comprehensive income	**506,964**	1,102,253
Financial assets measured at amortised cost	**8,262,111**	15,816,158
Finance lease receivables	**317,277**	644,845
Subtotal	**37,344,545**	47,820,476
Interest expense arising from		
Borrowing from the central bank	**23,891**	666,284
Deposits from banks and other financial institutions	**7,771,528**	7,239,261
Placements from banks and other financial institutions	**469,524**	1,175,230
Deposits from customers		
– Corporate customers	**1,818,985**	4,158,425
– Individual customers	**13,085,537**	11,196,591
Financial assets sold under repurchase agreements	**403,614**	757,419
Debt securities issued	**4,472,319**	3,282,233
Subtotal	**28,045,398**	28,475,443
Net interest income	**9,299,147**	19,345,033

(Expressed in thousands of Renminbi, unless otherwise stated)

4. Net fee and commission income

	For the year ended 31 December	
	2020	2019
Fee and commission incomes		
Agency services fees	**18,309**	56,579
Settlement and clearing fees	**56,341**	84,912
Wealth management service fees	**129,090**	172,926
Underwriting and advisory fees	**19,209**	49,422
Bank card service fees	**13,922**	11,683
Others	**6,882**	46,770
Subtotal	**243,753**	422,292
Fee and commission expenses		
Settlement and clearing fees	**34,546**	41,826
Others	**34,517**	148,752
Subtotal	**69,063**	190,578
Net fee and commission income	**174,690**	231,714

5. Net trading (losses)/gains

	For the year ended 31 December	
	2020	2019
Trading financial instruments		
– Debt securities issued	**(247,722)**	3,324,615
– Derivative financial instruments	**(28,820)**	(382)
– Precious metals	**1**	1
Subtotal	**(276,541)**	3,324,234
Financial instruments designated at fair value through profit or loss	**158,419**	48,383
Total	**(118,122)**	3,372,617

The above amounts mainly include gains and losses arising from the purchase and sale of, interest income and changes in the fair value of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

(Expressed in thousands of Renminbi, unless otherwise stated)

6. Net gains arising from investment securities

	For the year ended 31 December	
	2020	2019
Net revaluation gains reclassified from other comprehensive income on disposal	**3,384**	214,664
Net revaluation gains from financial assets at fair value through other comprehensive income on disposal	**(1,582)**	25,907
Net gains on disposal of financial assets measured at amortised cost	**(81)**	(15)
Total	**1,721**	240,556

7. Operating expenses

	For the year ended 31 December	
	2020	2019
Staff costs		
– Salaries and bonuses	**1,140,689**	1,350,363
– Social insurance	**106,324**	262,470
– Housing allowances	**119,959**	110,868
– Staff welfares	**61,328**	54,435
– Supplementary retirement benefits	**24,391**	2,425
– Other long-term staff welfares	**16,199**	24,032
– Others	**45,702**	52,848
Subtotal	**1,514,592**	1,857,441
Premises and equipment expenses		
– Depreciation of property and equipment	**362,346**	361,496
– Depreciation of right-of-use assets	**143,651**	150,493
– Rental and property management expenses	**6,415**	4,225
– Amortisation of other long-term assets	**2,789**	1,847
– Amortisation of intangible assets	**51,759**	42,371
Subtotal	**566,960**	560,432
Tax and surcharges	**307,338**	281,934
Interest expense on lease liabilities	**13,741**	18,499
Other general and administrative expenses (Note)	**915,952**	1,043,377
Total	**3,318,583**	3,761,683

Note: Auditors' remuneration for the year ended 31 December 2020 was RMB4 million (2019: RMB4 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

8. Directors' and supervisors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	For the year ended 31 December 2020						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Wei Xuekun	–	468	528	996	7	108	1,111
Guo Wenfeng	–	468	488	956	7	109	1,072
Kang Jun	–	240	200	440	4	104	548
Yu Jun	–	240	200	440	4	110	554
Yang Weihua	–	–	–	–	–	–	–
Non-executive directors							
Zhao Chuanxin	–	–	–	–	–	–	–
Ning Jie	–	–	–	–	–	–	–
Gu Jihong	–	–	–	–	–	–	–
Lyu Fei	–	–	–	–	–	–	–
Luo Nan	–	–	–	–	–	–	–
Independent non-executive directors							
Xiao Geng (Note i)	–	253	–	253	–	–	253
Wu Jun	–	253	–	253	–	–	253
Xie Taifeng	–	253	–	253	–	–	253
Wang Xiongyuan	–	253	–	253	–	–	253
Su Mingzheng	–	253	–	253	–	–	253
Supervisors							
Zhang Tao (Note ii)	–	468	308	776	7	50	833
Liu Liguo	–	113	228	341	5	65	411
Wu Hai'ou	–	114	228	342	58	76	476
Wu Zhengkui	–	–	–	–	–	–	–
Tang Fang	–	–	–	–	–	–	–
External supervisors							
Meng Xuefeng	–	253	–	253	–	–	253
Guo Limao	–	253	–	253	–	–	253
Hu Guojie	–	253	–	253	–	–	253
Total	–	4,135	2,180	6,315	92	622	7,029

(Expressed in thousands of Renminbi, unless otherwise stated)

8. Directors' and supervisors' emoluments *(continued)*

	For the year ended 31 December 2019						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Wei Xuekun	–	156	–	156	27	45	228
Guo Wenfeng	–	156	–	156	27	37	220
Kang Jun	–	80	–	80	15	30	125
Yu Jun	–	80	–	80	15	36	131
Yang Weihua	–	–	–	–	–	–	–
Non-executive directors							
Zhao Chuanxin	–	–	–	–	–	–	–
Ning Jie	–	–	–	–	–	–	–
Gu Jihong	–	–	–	–	–	–	–
Lyu Fei	–	–	–	–	–	–	–
Luo Nan	–	–	–	–	–	–	–
Independent non-executive directors							
Wu Jun	–	–	–	–	–	–	–
Xie Taifeng	–	–	–	–	–	–	–
Wang Xiongyuan	–	–	–	–	–	–	–
Su Mingzheng	–	–	–	–	–	–	–
Supervisors							
Zhang Tao	–	99	–	99	18	29	146
Liu Liguo	–	113	308	421	72	80	573
Wu Hai'ou	–	113	308	421	72	80	573
Wu Zhengkui	–	–	–	–	–	–	–
Tang Fang	–	–	–	–	–	–	–
External supervisors							
Meng Xuefeng	–	–	–	–	–	–	–
Guo Limao	–	–	–	–	–	–	–
Hu Guojie	–	–	–	–	–	–	–
Former executive directors							
Zhang Wei	–	468	1,440	1,908	369	186	2,463
Huo Lingbo	–	468	1,200	1,668	327	204	2,199
Wang Jing	–	360	480	840	164	133	1,137
Sun Jing	–	306	446	752	143	169	1,064
Wang Xiaoyu	–	113	308	421	72	79	572

(Expressed in thousands of Renminbi, unless otherwise stated)

8. Directors' and supervisors' emoluments *(continued)*

	For the year ended 31 December 2019						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Former non-executive directors							
Li Dongjun	–	–	–	–	–	–	–
Liu Hong	–	468	1,200	1,668	327	204	2,199
Gu Jie	–	–	–	–	–	–	–
Meng Xiao	–	–	–	–	–	–	–
Tang Fang	–	–	–	–	–	–	–
Former independent non-executive directors							
Choon Yew Khee	–	–	–	–	–	–	–
Lin Yanjun	–	–	–	–	–	–	–
Chang Peng'ao	–	–	–	–	–	–	–
Peng Taoying	–	–	–	–	–	–	–
Tan Ying	–	–	–	–	–	–	–
Former supervisors							
Cai Hongguang	–	468	1,200	1,668	327	169	2,164
Dai Shujun	–	240	563	803	160	130	1,093
Cao Wenqing	–	132	1,084	1,216	250	344	1,810
Li Wei	–	170	485	655	118	122	895
Li Xiu	–	113	434	547	101	101	749
He Baosheng	–	–	–	–	–	–	–
Chen Tanguang	–	–	–	–	–	–	–
He Mingyan	–	–	–	–	–	–	–
Former external supervisors							
Jiang Daxing	–	–	–	–	–	–	–
Deng Xiaoyang	–	–	–	–	–	–	–
Nie Ying	–	–	–	–	–	–	–
Li Tongyu	–	–	–	–	–	–	–
Zhao Hongxia	–	–	–	–	–	–	–
Total	–	4,103	9,456	13,559	2,604	2,178	18,341

(Expressed in thousands of Renminbi, unless otherwise stated)

8. Directors' and supervisors' emoluments *(continued)*

There was no amount paid during the Reporting Period to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the Reporting Period.

Notes:

(i) On 18 October 2019, as audited and approved by shareholders at the 2018 annual general meeting, the Bank elected the sixth session of the Board of Directors ahead of schedule and each of the Directors (except Mr. Xiao Geng) has performed his directorships in 2019. On 21 January 2020, the Bank received approval from the CBIRC Liaoning Bureau for Mr. Xiao Geng to serve as a director for a term commencing on 21 January 2020 until the expiration of the term of the sixth session of the Board of Directors.

(ii) On 5 January 2021, Mr. Zhang Tao resigned as an employee representative supervisor and chairman of the Board of Supervisors of the Bank due to his work arrangement, and his resignation will be effective from the date which he formally performed his duties as a supervisor. The Bank will make announcement and disclosure in due course according to the actual situation.

9. Individuals with highest emoluments

Two of the five individuals with the highest emoluments are directors (2019: one director). The aggregate of the emoluments of the five highest paid individuals are as follows:

	For the year ended 31 December	
	2020	**2019**
Salaries and other emoluments	**2,154**	1,733
Discretionary bonuses	**2,563**	8,066
Contributions to pension schemes	**195**	1,838
Others	**946**	1,628
Total	**5,858**	13,265

The emoluments of the remaining individuals with the highest emoluments are within the following bands:

	2020	**2019**
HKD1,000,001 – HKD1,500,000	**2**	–
HKD1,500,001 – HKD2,000,000	**1**	–
HKD2,000,001 – HKD2,500,000	**–**	–
HKD2,500,001 – HKD3,000,000	**–**	3
HKD3,000,001 – HKD3,500,000	**–**	1

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)

10. Impairment losses on assets

	For the year ended 2020	For the year ended 2019
Loans and advances to customers		
– ECL over the next 12 months	**855,369**	2,756,326
– Lifetime ECL – not credit-impaired loans	**1,890,762**	(1,268,789)
– Lifetime ECL – credit-impaired loans	**2,944,698**	19,694,520
Subtotal	**5,690,829**	21,182,057
Deposits and placements with banks and other financial institutions	**(110,757)**	366,436
Financial assets at fair value through other comprehensive income	**104,985**	(4,717)
Financial assets measured at amortised cost	**(510,109)**	3,879
Finance lease receivables	**428,219**	401,341
Credit commitments	**(203,029)**	(1,117,372)
Others	**262,425**	14,496
Total	**5,662,563**	20,846,120

(Expressed in thousands of Renminbi, unless otherwise stated)

11. Income tax expenses/(credit)

(a) Income tax expenses/(credit):

	Note	For the year ended 31 December 2020	2019
Current income tax		**82,652**	3,991,484
Deferred income tax	25(b)	**91,968**	(4,319,342)
Total		**174,620**	(327,858)

(b) Reconciliations between income tax expenses/(credit) and accounting profit/(loss) are as follows:

	For the year ended 31 December 2020	2019
Profit/(loss) before tax	**328,147**	(1,438,104)
Statutory tax rate	**25%**	25%
Income tax calculated at statutory tax rate	**82,037**	(359,526)
Non-deductible expenses		
– Staff costs	**8**	153
– Others	**82,049**	44,578
Subtotal	**82,057**	44,731
Non-taxable income		
– Interest income from the PRC government bonds	**(16,227)**	(28,036)
– Others	**(15,374)**	(29,097)
Effect of deductible temporary differences or deductible losses on unrecognized deferred income tax assets	**27,586**	–
Effect of income taxes in respect of previous periods	**14,541**	44,750
Making up losses for previous years' losses	**–**	(680)
Total	**174,620**	(327,858)

12. Basic and diluted losses per share

	For the year ended 31 December	
	2020	2019
Net profit/(loss) attributable to equity shareholders of the Bank	**404,569**	(958,545)
Less: Net profit attributable to other equity holders of the Bank	**(611,734)**	–
Net loss attributable to equity shareholders of the Bank	**(207,165)**	(958,545)
Weighted average number of ordinary shares (in thousands)	**9,718,054**	7,781,616
Basic and diluted losses per share attributable to equity shareholders of the Bank (in RMB)	**(0.02)**	(0.12)

The Bank issued non-cumulative preference shares on 27 October 2017 under the terms and conditions as detailed in Note 40. In calculating basic earnings per ordinary share, the non-cumulative preferred dividends declared for the period should be deducted from net profit attributable to ordinary equity holders of the Bank. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2020 and 2019 and therefore the conversion feature of preference shares has no effect on the calculation of basic and diluted losses per share.

There is no difference between basic and diluted losses per share as there were no potentially dilutive shares outstanding during the relevant years.

	For the year ended 31 December	
Weighted average number of ordinary shares	**2020**	2019
Number of ordinary shares as at 1 January (in thousands)	**7,781,616**	7,781,616
Effect of ordinary shares issued (in thousands)	**1,936,438**	–
Weighted average number of ordinary shares (in thousands)	**9,718,054**	7,781,616

(Expressed in thousands of Renminbi, unless otherwise stated)

13. Cash and deposits with the central bank

	Notes	At 31 December 2020	2019
Cash on hand		**737,286**	945,499
Deposits with the central bank			
– Statutory deposit reserves	(a)	**44,518,714**	43,799,399
– Surplus deposit reserves	(b)	**10,374,142**	60,266,060
– Fiscal deposits		**174,505**	144,081
Subtotal		**55,067,361**	104,209,540
Interests receivable		**21,929**	21,498
Total		**55,826,576**	105,176,537

Notes:

(a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at 31 December 2020 and 2019, the statutory deposit reserve ratios applicable to the Bank were follows:

	At 31 December 2020	2019
Reserve ratio for RMB deposits	**10.50%**	11.00%
Reserve ratio for foreign currency deposits	**5.00%**	5.00%

The statutory deposit reserves are not available for the Group's daily business. The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

(b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

(Expressed in thousands of Renminbi, unless otherwise stated)

14. Deposits with banks and other financial institutions

(a) Analysed by type and location of counterparty

	At 31 December 2020	2019
Deposits in Mainland China		
– Banks	**4,535,096**	7,676,255
– Other financial institutions	**4,411**	3,111
Subtotal	**4,539,507**	7,679,366
Deposits outside Mainland China		
– Banks	**415,463**	660,943
Interests receivable	**89,581**	177,381
Impairment provision	**(296,260)**	(216,098)
Total	**4,748,291**	8,301,592

(b) Movements of provision for impairment losses

	For the year ended 31 December 2020	2019
As at 1 January	**(216,098)**	(41,006)
Net charge for the year	**(80,254)**	(174,662)
Other movements	**92**	(430)
As at 31 December	**(296,260)**	(216,098)

(Expressed in thousands of Renminbi, unless otherwise stated)

15. Placements with banks and other financial institutions

(a) Analysed by type and location of counterparty

	At 31 December	
	2020	2019
Placements in Mainland China		
– Other financial institutions	**5,700,000**	5,700,000
Subtotal	**5,700,000**	5,700,000
Interests receivable	**363,661**	135,638
Impairment provision	**(763)**	(191,774)
Total	**6,062,898**	5,643,864

(b) Movements of provision for impairment losses

	For the year ended 31 December	
	2020	2019
As at 1 January	**(191,774)**	–
Net release/(charge) for the year	**191,011**	(191,774)
As at 31 December	**(763)**	(191,774)

16. Derivatives

Derivative financial instruments include foreign exchange swap and option trading. The Group uses derivative financial instruments in the management of its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and the corresponding fair values at the end of the Reporting Period. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the Reporting Period, they do not represent amounts at risk.

(Expressed in thousands of Renminbi, unless otherwise stated)

16. Derivatives *(continued)*

(a) Analysed by nature of contract

	At 31 December 2020		
		Fair value	
	Notional amount	Assets	Liabilities
Derivatives			
– Option trading	**2,008,244**	**27,827**	**(27,827)**
– Foreign exchange swap	**5,290,275**	**89,806**	**(136,937)**
Total	**7,298,519**	**117,633**	**(164,764)**

	At 31 December 2019		
		Fair value	
	Notional amount	Assets	Liabilities
Derivatives			
– Foreign exchange swap	11,159,955	84,969	(100,011)
Total	11,159,955	84,969	(100,011)

(b) Analysed by credit risk-weighted amounts

	At 31 December	
	2020	2019
Derivatives		
– Option trading	**5,021**	–
– Foreign exchange swap	**13,226**	27,900

Note: The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions, which are calculated with reference to the guidelines issued by the CBIRC.

(Expressed in thousands of Renminbi, unless otherwise stated)

17. Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	At 31 December 2020	2019
In Mainland China		
– Banks	**1,075,000**	–
– Other financial institutions	**3,198,584**	–
Interests receivable	**167**	–
Total	**4,273,751**	–

(b) Analysed by type of security held

	At 31 December 2020	2019
Debt securities		
– Financial bonds	**475,000**	–
– Governmental bonds	**600,000**	–
Negotiable certificates deposit	**3,198,584**	–
Subtotal	**4,273,584**	–
Interests receivable	**167**	–
Total	**4,273,751**	–

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers

(a) Analysed by nature

	At 31 December 2020	At 31 December 2019
Measured at amortised cost:		
Corporate loans and advances	**467,387,803**	478,058,240
Personal loans		
– Personal business loans	**7,461,706**	8,844,841
– Residential and commercial properties mortgage loans	**2,085,147**	1,349,141
– Personal consumption loans	**345,922**	468,807
– Credit card overdrafts	**236,472**	169,203
– Others	**212**	288
Subtotal	**10,129,459**	10,832,280
Gross loans and advances to customers measured at amortised cost	**477,517,262**	488,890,520
Measured at fair value through other comprehensive income:		
– Discounted bills	**19,232,486**	226,427
Gross loans and advances to customers measured at fair value through other comprehensive income	**19,232,486**	226,427
Gross loans and advances to customers	**496,749,748**	489,116,947
Add: Interests receivable	**19,147,848**	6,916,601
Less: Provision for impairment losses		
– Loans and advances to customers measured at amortised cost	**(20,433,399)**	(43,338,037)
Net loans and advances to customers	**495,464,197**	452,695,511
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(6,071)**	(5,134)

As at 31 December 2020, part of discounted bills of the loans and advances to customers was pledged for repurchase agreements (Note 27(a)).

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

(b) Analysed by industry sector

	At 31 December 2020		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	226,013,818	45.50%	76,412,283
Manufacturing	102,602,634	20.65%	40,753,082
Leasing and commercial services	35,403,695	7.13%	19,811,817
Real estate	28,161,856	5.67%	25,989,899
Transportation, storage and postal services	10,487,171	2.11%	2,793,284
Construction	8,466,842	1.70%	4,193,117
Education	6,492,654	1.31%	1,450,930
Electricity, gas and water production and supply	5,153,481	1.04%	2,120,049
Water, environment and public utility management	4,300,240	0.87%	2,600,440
Public management and social organisation	4,019,490	0.81%	35,000
Scientific research and technical services	3,541,040	0.71%	3,228,040
Mining	1,946,980	0.39%	286,680
Agriculture, forestry, animal husbandry and fishery	1,040,773	0.21%	938,039
Others	29,757,129	5.99%	10,177,485
Total of corporate loans and advances	467,387,803	94.09%	190,790,145
Personal loans	10,129,459	2.04%	8,353,427
Discounted bills	19,232,486	3.87%	–
Gross loans and advances to customers	496,749,748	100.00%	199,143,572
Add: Interests receivable	19,147,848		
Less: Provision for impairment losses			
– Loans and advances to customers measured at amortised cost	(20,433,399)		
Net loans and advances to customers	495,464,197		
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(6,071)		

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

(b) Analysed by industry sector *(continued)*

	At 31 December 2019		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	227,296,037	46.47%	67,526,296
Manufacturing	97,315,189	19.90%	50,304,240
Leasing and commercial services	43,653,896	8.92%	22,007,189
Real estate	35,035,141	7.16%	32,815,081
Transportation, storage and postal services	10,793,156	2.21%	3,417,106
Science research and technological services	7,298,272	1.49%	3,777,272
Education	7,197,553	1.47%	1,727,440
Electricity, gas and water production and supply	6,600,856	1.35%	2,685,356
Mining	5,139,382	1.05%	2,157,570
Construction	4,541,158	0.93%	2,642,606
Public management and social organisation	4,146,060	0.85%	35,000
Water, environment and public utility management	3,602,950	0.74%	1,851,550
Agriculture, forestry, animal husbandry and fishery	1,166,923	0.24%	979,663
Others	24,271,667	4.96%	10,840,922
Total of corporate loans and advances	478,058,240	97.74%	202,767,291
Personal loans	10,832,280	2.21%	8,765,554
Discounted bills	226,427	0.05%	–
Gross loans and advances to customers	489,116,947	100.00%	211,532,845
Add: Interests receivable	6,916,601		
Less: Provision for impairment losses			
– Loans and advances to customers measured at amortised cost	(43,338,037)		
Net loans and advances to customers	452,695,511		
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(5,134)		

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

(c) Analysed by type of collateral

	At 31 December 2020	At 31 December 2019
Unsecured loans	**49,932,378**	17,138,867
Guaranteed loans	**247,673,798**	260,445,235
Secured loans		
– By tangible assets other than monetary assets	**122,970,446**	147,589,293
– By monetary assets	**76,173,126**	63,943,552
Subtotal	**199,143,572**	211,532,845
Gross Loans and advances to customers	**496,749,748**	489,116,947
Add: Interests receivable	**19,147,848**	6,916,601
Less: Provision for impairment losses		
– Loans and advances to customers measured at amortised cost	**(20,433,399)**	(43,338,037)
Net loans and advances to customers	**495,464,197**	452,695,511
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(6,071)**	(5,134)

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

(d) Overdue loans analysed by overdue period

	At 31 December 2020				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	–	–	31,206	3,125	34,331
Guaranteed loans	2,569,970	1,611,264	2,106,336	141,855	6,429,425
Secured loans					
– By tangible assets other than monetary assets	2,453,535	1,639,058	2,806,920	388,771	7,288,284
– By monetary assets	761,025	359,173	692,092	67,151	1,879,441
Total	5,784,530	3,609,495	5,636,554	600,902	15,631,481
As a percentage of gross loans and advances to customers	1.16%	0.73%	1.13%	0.12%	3.14%

	At 31 December 2019				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	551,916	32,080	3,935	1,802	589,733
Guaranteed loans	6,096,839	22,711,811	2,741,570	439,291	31,989,511
Secured loans					
– By tangible assets other than monetary assets	8,563,339	16,506,968	2,318,019	484,868	27,873,194
– By monetary assets	1,455,077	5,251,258	448,573	123,629	7,278,537
Total	16,667,171	44,502,117	5,512,097	1,049,590	67,730,975
As a percentage of gross loans and advances to customers	3.41%	9.10%	1.13%	0.21%	13.85%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

(e) Loans and advances and provision for impairment losses

As at 31 December 2020, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	At 31 December 2020			
	ECL over the next 12 months	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
Gross loans and advances to customers	434,956,302	50,635,430	11,158,016	496,749,748
Add: Interests receivable	19,147,848	–	–	19,147,848
Less: Provision for impairment losses				
– Loans and advances to customers measured at amortised cost	(11,873,361)	(3,157,902)	(5,402,136)	(20,433,399)
Net loans and advances to customers	442,230,789	47,477,528	5,755,880	495,464,197

As at 31 December 2019, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	At 31 December 2019			
	ECL over the next 12 months	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
Gross loans and advances to customers	374,981,556	57,756,195	56,379,196	489,116,947
Add: Interests receivable	6,916,601	–	–	6,916,601
Less: Provision for impairment losses				
– Loans and advances to customers measured at amortised cost	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)
Net loans and advances to customers	369,747,047	53,442,143	29,506,321	452,695,511

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

(f) Movements of provision for impairment losses

(i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	For the year ended 31 December 2020			
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January	**(12,151,110)**	**(4,314,052)**	**(26,872,875)**	**(43,338,037)**
Transferred:				
– to ECL over the next 12 months	**(244,198)**	**150,564**	**93,634**	**–**
– to lifetime ECL – not credit-impaired	**676,165**	**(865,055)**	**188,890**	**–**
– to lifetime ECL – credit-impaired	**224,062**	**263,763**	**(487,825)**	**–**
Net charge for the year	**(855,369)**	**(1,890,762)**	**(2,944,698)**	**(5,690,829)**
Write-offs	**477,089**	**3,497,640**	**24,620,738**	**28,595,467**
As at 31 December	**(11,873,361)**	**(3,157,902)**	**(5,402,136)**	**(20,433,399)**

	For the year ended 31 December 2019			
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
Transferred:				
– to ECL over the next 12 months	(4,182,527)	3,342,190	840,337	–
– to lifetime ECL – not credit-impaired	113,521	(3,826,601)	3,713,080	–
– to lifetime ECL – credit-impaired	345,649	1,186,374	(1,532,023)	–
Net (charge)/release for the year	(2,756,326)	1,268,789	(19,694,520)	(21,182,057)
Write-offs	–	–	736,095	736,095
As at 31 December	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)

Notes:

(a) In the year of 2020, the Group adjusted the five-tier classification and customer rating of loans and advance to customers, and the loan principal of lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired were transferred to ECL over the next 12 months of RMB1,074 million. The loan principal from ECL over the next 12 months and lifetime ECL-credit-impaired transferred to lifetime ECL-not credit-impaired were RMB22,060 million. The principal of the loan transferred from ECL over the next 12 months and lifetime ECL-not credit-impaired loans to lifetime ECL-credit-impaired were RMB4,159 million.

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

(f) Movements of provision for impairment losses *(continued)*

(i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost: *(continued)*

Notes: *(continued)*

(b) In the year of 2019, the Group adjusted the five-tier classification and customer rating of loans and advance to customers, and the loan principal of lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired were transferred to ECL over the next 12 months of RMB347,241 million. The loan principal from ECL over the next 12 months and lifetime ECL-credit-impaired transferred to lifetime ECL-not credit-impaired were RMB117,892 million. The principal of the loan transferred from ECL over the next 12 months and lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired were RMB29,347 million.

(c) The ECL movement was caused by origination or purchase as well as changes in probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") and stages as a result of regular update of parameters.

(ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income are set out as follows:

	For the year ended 31 December 2020			
	ECL over the next 12 months	**Lifetime ECL-not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
As at 1 January	**(5,134)**	**–**	**–**	**(5,134)**
Net charge for the year	**(937)**	**–**	**–**	**(937)**
As at 31 December	**(6,071)**	**–**	**–**	**(6,071)**

	For the year ended 31 December 2019			
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January	(11,586)	–	–	(11,586)
Net release for the year	6,452	–	–	6,452
As at 31 December	(5,134)	–	–	(5,134)

Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income are recognised in other comprehensive income, while the impairment losses are recognised in profit or loss. Besides, the carrying amount of the financial assets presented in the statement of financial position is not reduced.

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

(g) Analysed by geographical sector

	At 31 December 2020		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou Region	**270,403,209**	**54.43%**	**104,431,250**
Other Northeastern China Region	**132,134,591**	**26.60%**	**62,801,245**
Northern China Region	**94,211,948**	**18.97%**	**31,911,077**
Gross loans and advances to customers	**496,749,748**	**100.00%**	**199,143,572**

	At 31 December 2019		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou Region	256,030,958	52.35%	120,415,009
Other Northeastern China Region	140,285,894	28.68%	65,840,195
Northern China Region	92,800,095	18.97%	25,277,641
Gross loans and advances to customers	489,116,947	100.00%	211,532,845

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

(g) Analysed by geographical sector *(continued)*

At the end of each of the relevant years, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitute 10% or more of gross loans and advances to customers are as follows:

	At 31 December 2020	
	Impaired loans and advances	**Provision for impairment losses**
Jinzhou Region	**5,058,085**	**(2,820,101)**
Other Northeastern China Region	**4,168,036**	**(1,880,759)**
Northern China Region	**1,931,895**	**(701,276)**

	At 31 December 2019	
	Impaired loans and advances	Provision for impairment losses
Jinzhou Region	19,531,593	(10,320,561)
Other Northeastern China Region	22,179,586	(9,829,628)
Northern China Region	14,668,017	(6,722,686)

The definitions of the regional distributions are set out in Note 49(b).

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Financial assets at fair value through profit or loss

	Notes	At 31 December 2020	2019
Debt instruments held for trading	(a)	**5,072,766**	5,560,214
Certificates of deposit	(a)	**–**	397,037
Beneficial interest transfer plans	(b)	**17,173,518**	42,307,325
Asset-backed securities		**154,025**	–
Balance with a bank		**411,548**	405,214
Wealth management products		**200,226**	200,129
Subtotal		**23,012,083**	48,869,919
Financial assets designated at fair value through profit or loss	(c)	**8,024**	6,287,252
Total		**23,020,107**	55,157,171

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Financial assets at fair value through profit or loss *(continued)*

Notes:

(a) Debt instruments held for trading

	At 31 December	
	2020	2019
Debt securities issued by institutions in Mainland China		
– Banks and other financial institutions	**2,896,004**	3,232,894
Debt securities issued by institutions outside Mainland China		
– Banks and other financial institutions	**2,176,762**	2,327,320
Total	**5,072,766**	5,560,214
Listed	**2,896,004**	3,232,894
Unlisted	**2,176,762**	2,327,320
Total	**5,072,766**	5,560,214

As at 31 December 2020 and 2019, some of the debt instruments held for trading and certificates of deposit are used for the pledge of the repurchase agreements (Note 27(a)).

(b) Beneficial interest transfer plans

Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, securities companies, insurance companies and asset management companies.

(c) Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss represented debt investments offered by the Group from principal-guaranteed wealth management programs managed and measured at fair value. The Group accounts for the corresponding investment funds of the above assets under financial liabilities designated at fair value through profit or loss. The gains from movements on fair value of these investments was RMB0.37 million in 2020 (2019: RMB143 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

20. Financial assets at fair value through other comprehensive income

	At 31 December 2020	At 31 December 2019
Debt instruments issuers in Mainland China		
– Government	3,456,145	2,747,714
– Banks and other financial institutions	15,637,452	7,975,166
– Corporations	773,419	473,621
Subtotal	19,867,016	11,196,501
Certificate of deposit	487,638	–
Equity investments		
– Listed	171,762	66,469
– Unlisted	1,150,418	1,165,027
Add: Interests receivable	244,346	131,846
Total	21,921,180	12,559,843

(i) The Group designates the investments listed in the table below as equity instruments at fair value through other comprehensive income. Details are as follows:

	At 31 December 2020	Dividend income recognized for the year ended 31 December 2020	At 31 December 2019	Dividend income recognized for the year ended 31 December 2019
China UnionPay Co.,Ltd.* 中國銀聯股份有限公司	8,000	1,440	8,000	1,200
Clearing Centre For City Commercial Banks* 城市商業銀行資金清算中心	250	–	250	–
Bank Of Liaoyang Co.,Ltd. * 遼陽銀行股份有限公司	64,182	–	78,791	–
Yingkou Port Liability Co.,Ltd. * 營口港務集團有限公司	494,415	–	494,415	–
Northern Heavy Industries Group Co.,Ltd. * 北方重工集團有限公司	266,659	–	266,659	–
Bohai Steel Group Co., Ltd. * 天津渤鋼三號企業管理合夥企業（有限合夥）	316,912	–	316,912	–
Total	1,150,418	1,440	1,165,027	1,200
Unlisted	1,150,418	1,440	1,165,027	1,200
Total	1,150,418	1,440	1,165,027	1,200

As at 31 December 2020 and 2019, some of the debt securities and certificates of deposit issued by governments, banks and other financial institutions in the PRC are used for the pledge of repurchase agreements (Note 27(a)).

* *English name for identification purpose only*

(Expressed in thousands of Renminbi, unless otherwise stated)

20. Financial assets at fair value through other comprehensive income *(continued)*

The movements of impairment provision for financial assets at fair value through other comprehensive income during the year are as follows:

	For the year ended 31 December 2020			
	ECL over the next 12 months	**Lifetime ECL-not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
As at 1 January	**(2,192)**	**–**	**–**	**(2,192)**
Transferred:				
– to lifetime ECL—not credit-impaired	**426**	**(426)**	**–**	**–**
Net charge for the year	**(2,903)**	**(101,145)**	**–**	**(104,048)**
As at 31 December	**(4,669)**	**(101,571)**	**–**	**(106,240)**

	For the year ended 31 December 2019			
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL- credit-impaired	Total
As at 1 January	(457)	–	–	(457)
Net charge for the year	(1,735)	–	–	(1,735)
As at 31 December	(2,192)	–	–	(2,192)

Notes:

(a) Provision for impairment of financial investments of at fair value through other comprehensive income is recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the consolidated statement of financial position is not reduced.

(b) As at 31 December 2020, the debt instruments with a principal amount of RMB200 million in the Stage 1 have been transferred to the Stage 2. The remaining debt instruments are in the Stage 1.

(c) The Group designates non-trading equity investments as at financial assets at fair value through other comprehensive income. As at 31 December 2020, the amount for these non-trading equity investments was RMB1,322.18 million (2019: RMB1,231.50 million). For the year ended 31 December 2020, the dividend income from these non-trading equity investments amounted to RMB1.44 million (2019: RMB1.20 million) and was included in profit or loss. During the year ended 31 December 2020, the Group disposed of its non-trading equity investments and the cumulative gain transferred from other comprehensive income to retained earnings amounted to RMB84.89 million (2019: RMB0 million). The fair value gain on these investments were RMB38.73 million during the year ended 31 December 2020 (2019: fair value loss of RMB24.45 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

21. Financial assets measured at amortised cost

	At 31 December 2020	At 31 December 2019
Debt securities issued by the following institutions in Mainland China		
– Government	**1,980,683**	1,989,281
– Banks and other financial institutions	**501,107**	1,240,000
– Corporations	**75,280,626**	19,956
Subtotal	**77,762,416**	3,249,237
Debt securities issued by the following institiutions outside Mainland China		
– Corporations	**1,850,599**	1,744,050
Beneficial interest transfer plans	**54,575,270**	165,999,362
Add: Interests receivable	**6,557,809**	3,389,639
Less: Provision for impairment losses	**(4,985,931)**	(9,232,897)
Total	**135,760,163**	165,149,391

As at 31 December 2020 and 2019, some of investments in certain debt securities issued by the Government, banks and other financial institutions in Mainland China are used for the pledge of repurchase agreements (Note 27(a)).

(Expressed in thousands of Renminbi, unless otherwise stated)

21. Financial assets measured at amortised cost *(continued)*

The movements of provision for financial assets at amortised cost are as follows:

	For the year ended 31 December 2020			
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL- credit-impaired	Total
As at 1 January	**(3,149,459)**	**(4,734,250)**	**(1,349,188)**	**(9,232,897)**
Transferred				
– to ECL over the next 12 months	**(701,184)**	**701,184**	**–**	**–**
– to lifetime ECL – not credit-impaired	**41,543**	**(41,543)**	**–**	**–**
– to lifetime ECL – credit-impaired	**41,390**	**374,252**	**(415,642)**	**–**
Net release/(charge) for the year	**2,524,669**	**1,641,001**	**(3,655,561)**	**510,109**
Net written-off for the year	**403,562**	**1,839,504**	**1,493,791**	**3,736,857**
As at 31 December	**(839,479)**	**(219,852)**	**(3,926,600)**	**(4,985,931)**

	For the year ended 31 December 2019			
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL- credit-impaired	Total
As at 1 January	(3,614,372)	(1,764,202)	(3,850,444)	(9,229,018)
Transferred				
– to ECL over the next 12 months	(136,579)	136,579	–	–
– to lifetime ECL – not credit-impaired	196,247	(1,735,926)	1,539,679	–
– to lifetime ECL – credit-impaired	–	21,858	(21,858)	–
Net (charge)/release for the year	405,245	(1,392,559)	983,435	(3,879)
As at 31 December	(3,149,459)	(4,734,250)	(1,349,188)	(9,232,897)

(Expressed in thousands of Renminbi, unless otherwise stated)

21. Financial assets measured at amortised cost *(continued)*

Notes:

(a) In the year of 2020, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the financial assets measured at amortised cost from lifetime ECL-not credit-impaired was transferred to ECL over the next 12 months of RMB5,898 million. The financial assets measured at amortised cost from ECL over the next 12 months to lifetime ECL-not credit-impaired was RMB1,743 million. The financial assets measured at amortised cost from ECL over the next 12 months and lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired was RMB9,127 million.

(b) In the year of 2019, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the principal of financial assets measured at amortised cost transferred from lifetime ECL-not credit-impaired to ECL over the next 12 months was RMB7,263 million. The principal of financial assets measured at amortised cost transferred from ECL over the next 12 months and lifetime ECL-credit-impaired to lifetime ECL-not credit-impaired was RMB12,896 million. The principal of financial assets measured at amortised cost transferred from lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired was RMB1,180 million.

(c) The ECL movement wasl caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters.

22. Finance lease receivables

	At 31 December	
	2020	2019
Minimum finance lease receivables	**5,033,333**	7,837,218
Less: Unearned finance lease income	**(572,432)**	(645,047)
Present value of finance lease receivables	**4,460,901**	7,192,171
Less: Provision for impairment losses	**(1,212,076)**	(783,857)
Net balance	**3,248,825**	6,408,314

(Expressed in thousands of Renminbi, unless otherwise stated)

22. Finance lease receivables *(continued)*

	At 31 December 2020			
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL- credit-impaired	Total
Total finance lease receivables	1,458,813	1,553,753	1,448,335	4,460,901
Less: Provision for impairment losses	(44,761)	(413,893)	(753,422)	(1,212,076)
Finance lease receivables, net	1,414,052	1,139,860	694,913	3,248,825

	At 31 December 2019			
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL- credit-impaired	Total
Total finance lease receivables	4,690,019	1,613,718	888,434	7,192,171
Less: Provision for impairment losses	(96,942)	(294,316)	(392,599)	(783,857)
Finance lease receivables, net	4,593,077	1,319,402	495,835	6,408,314

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

	At 31 December					
	2020			2019		
	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables
Less than 1 year	1,324,307	(117,290)	1,207,017	3,238,746	(349,836)	2,888,910
1 year to 2 years	490,010	(180,354)	309,656	2,812,300	(176,780)	2,635,520
2 years to 3 years	955,517	(80,297)	875,220	1,089,146	(32,295)	1,056,851
3 years to 4 years	1,045,835	(96,244)	949,591	95,317	(3,291)	92,026
4 years to 5 years	251,079	(40,942)	210,137	–	–	–
More than 5 years	–	–	–	–	–	–
Indefinite*	966,585	(57,305)	909,280	601,709	(82,845)	518,864
Total	5,033,333	(572,432)	4,460,901	7,837,218	(645,047)	7,192,171

* *The indefinite period amount represents the balances being impaired or overdue.*

(Expressed in thousands of Renminbi, unless otherwise stated)

22. Finance lease receivables *(continued)*

The movement of provision for impairment losses is as follows:

	For the year ended 31 December 2020			
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL- credit-impaired	Total
As at 1 January	(96,942)	(294,316)	(392,599)	(783,857)
– to ECL over the next 12 months	10,535	(9,839)	(696)	–
– to lifetime ECL – not credit-impaired	–	75,813	(75,813)	–
Net (charge)/release for the year	41,646	(185,551)	(284,314)	(428,219)
As at 31 December	(44,761)	(413,893)	(753,422)	(1,212,076)

	For the year ended 31 December 2019			
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL- credit-impaired	Total
As at 1 January	(53,031)	(121,791)	(207,694)	(382,516)
– to lifetime ECL – not credit-impaired	10,208	(10,208)	–	–
– to lifetime ECL -credit-impaired	976	125,672	(126,648)	–
Net charge for the year	(55,095)	(287,989)	(58,257)	(401,341)
As at 31 December	(96,942)	(294,316)	(392,599)	(783,857)

(Expressed in thousands of Renminbi, unless otherwise stated)

23. Investments in subsidiaries

	Notes	At 31 December 2020	2019
Taihe Jinyin Village Bank Co., Ltd. ("錦州太和錦銀村鎮銀行股份有限公司")	(a)	**60,450**	60,450
Yixian Jinyin Village Bank Co., Ltd. ("遼寧義縣錦銀村鎮銀行股份有限公司")	(b)	**63,240**	63,240
Beizhen Jinyin Village Bank Co., Ltd. ("遼寧北鎮錦銀村鎮銀行股份有限公司")	(c)	**49,290**	49,290
Heishan Jinyin Village Bank Co., Ltd. ("遼寧黑山錦銀村鎮銀行股份有限公司")	(d)	**57,750**	57,750
Kazuo Jinyin Village Bank Co., Ltd. ("遼寧喀左錦銀村鎮銀行股份有限公司")	(e)	**49,900**	49,900
Linghai Jinyin Village Bank Co., Ltd. ("遼寧凌海錦銀村鎮銀行股份有限公司")	(f)	**49,900**	49,900
Huanren Jinyin Village Bank Co., Ltd. ("遼寧桓仁錦銀村鎮銀行股份有限公司")	(g)	**49,000**	49,000
Bank of Jinzhou Financial Leasing Co., Ltd. ("錦銀金融租賃有限責任公司")	(h)	**1,500,000**	1,500,000
Total		**1,879,530**	1,879,530

Notes:

(a) Taihe Jinyin Village Bank Co., Ltd. ("Taihe Jinyin") was incorporated on 27 January 2010 at Jinzhou, Liaoning Province, with registered capital of RMB103.21 million. The principal activities of Taihe Jinyin are the provision of corporate and retail banking services. The Bank holds 58.57% of equity interest and voting rights of Taihe Jinyin.

(b) Yixian Jinyin Village Bank Co., Ltd. ("Yixian Jinyin") was incorporated on 8 November 2010 at Jinzhou, Liaoning Province, with registered capital of RMB128.49 million. The principal activities of Yixian Jinyin are the provision of corporate and retail banking services. The Bank holds 49.22% of equity interest and 61.67% voting rights of Yixian Jinyin.

(c) Beizhen Jinyin Village Bank Co., Ltd. ("Beizhen Jinyin") was incorporated on 2 March 2011 at Jinzhou, Liaoning Province, with registered capital of RMB103.25 million. The principal activities of Beizhen Jinyin are the provision of corporate and retail banking services. The Bank holds 47.74% of equity interest and 93.55% voting rights of Beizhen Jinyin.

(d) Heishan Jinyin Village Bank Co., Ltd. ("Heishan Jinyin") was incorporated on 28 January 2014 at Jinzhou, Liaoning Province, with registered capital of RMB119.00 million. The principal activities of Heishan Jinyin are the provision of corporate and retail banking services. The Bank holds 48.53% of equity interest and 100.00% of voting rights of Heishan Jinyin.

(e) Kazuo Jinyin Village Bank Co., Ltd. ("Kazuo Jinyin") was incorporated on 27 November 2015 at Chaoyang, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Kazuo Jinyin are the provision of corporate and retail banking services. The Bank holds 49.90% of equity interest and 64.90% of voting rights of Kazuo Jinyin.

(f) Linghai Jinyin Village Bank Co., Ltd. ("Linghai Jinyin") was incorporated on 16 December 2016 at Jinzhou, Liaoning Province, with registered capital of RMB100.47 million. The principal activities of Linghai Jinyin are the provision of corporate and retail banking services. The Bank holds 49.67% of equity interest and 59.62% of voting rights of Linghai Jinyin.

(g) Huanren Jinyin Village Bank Co., Ltd. ("Huanren Jinyin") was incorporated on 20 December 2016 at Benxi, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Huanren Jinyin are the provision of corporate and retail banking services. The Bank holds 49.00% of equity interest and 100.00% of voting rights of Huanren Jinyin.

(h) Bank of Jinzhou Financial Leasing Co., Ltd. ("Jinyin Leasing") was incorporated on 1 December 2015 at Shenyang, Liaoning Province, with the original registered capital of RMB1.00 billion. The principal activities of Jinyin Leasing are the provision of financial leasing services. In March 2016, the registered capital increased from RMB1.00 billion to RMB4.90 billion and the Bank subscribed RMB0.9 billion. As at 31 December 2020, the Bank holds 30.61% of equity interest and 100.00% voting rights of Jinyin Leasing.

(Expressed in thousands of Renminbi, unless otherwise stated)

24. Property and equipment

	Premises	Construction in progress	Transportation equipment	Leasehold improvements	Others	Total
Cost						
As at 1 January 2019	7,451,841	170,551	78,546	210,083	811,917	8,722,938
Additions	710,269	26,622	4,763	24,703	60,948	827,305
Transfers in/(out) of construction in progress	108,721	(108,721)	–	–	–	–
Transfers out to other assets	–	(51,240)	–	–	–	(51,240)
Disposals	–	(44)	(2,516)	–	(3,058)	(5,618)
As at 31 December 2019	8,270,831	37,168	80,793	234,786	869,807	9,493,385
As at 1 January 2020	**8,270,831**	**37,168**	**80,793**	**234,786**	**869,807**	**9,493,385**
Additions	**11,282**	**41,611**	**2,006**	**6,676**	**25,592**	**87,167**
Transfers in/(out) of construction in progress	**7,481**	**(7,481)**	**–**	**–**	**–**	**–**
Transfers out to other assets	**–**	**(47,195)**	**–**	**–**	**–**	**(47,195)**
Disposals	**–**	**(417)**	**(4,693)**	**(895)**	**(12,957)**	**(18,962)**
As at 31 December 2020	**8,289,594**	**23,686**	**78,106**	**240,567**	**882,442**	**9,514,395**
Accumulated Depreciation						
As at 1 January 2019	(1,397,050)	–	(64,575)	(111,169)	(548,731)	(2,121,525)
Charge for the year	(257,603)	–	(5,873)	(22,995)	(75,025)	(361,496)
Disposals	–	–	2,390	–	2,821	5,211
As at 31 December 2019	(1,654,653)	–	(68,058)	(134,164)	(620,935)	(2,477,810)
As at 1 January 2020	**(1,654,653)**	**–**	**(68,058)**	**(134,164)**	**(620,935)**	**(2,477,810)**
Charge for the year	**(270,105)**	**–**	**(3,174)**	**(29,074)**	**(59,993)**	**(362,346)**
Disposals	**–**	**–**	**4,043**	**895**	**5,552**	**10,490**
As at 31 December 2020	**(1,924,758)**	**–**	**(67,189)**	**(162,343)**	**(675,376)**	**(2,829,666)**
Net book value						
As at 31 December 2019	6,616,178	37,168	12,735	100,622	248,872	7,015,575
As at 31 December 2020	**6,364,836**	**23,686**	**10,917**	**78,224**	**207,066**	**6,684,729**

As at 31 December 2020, title deeds were not yet finalised for the premises with a carrying amount of RMB1,282 million (31 December 2019: RMB1,799 million). Among them, the carrying amount of premises that the Group has obtained housing property title certificates issued by the authorities but no land use certificates was RMB984 million (31 December 2019: RMB1,020 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

24. Property and equipment *(continued)*

The net book values of premises at the end of each of the reporting periods are analysed by the remaining terms of the land leases as follows:

	At 31 December 2020	2019
Held in Mainland China		
– Long-term leases (over 50 years)	**82,342**	118,405
– Medium-term leases (10 – 50 years)	**6,131,359**	6,478,274
– Short-term leases (less than 10 years)	**151,135**	19,499
Total	**6,364,836**	6,616,178

25. Deferred tax assets

(a) Analysed by nature

	At 31 December 2020	2019
Deferred tax assets	**11,743,169**	11,841,585

(b) Movements of deferred tax

	Provision for impairment losses Note (i)	Staff cost payable	Net gains from fair value changes of financial instruments Note (ii)	Others	Net balance of deferred tax assets
As at 1 January 2019	7,635,954	72,425	(259,091)	24,130	7,473,418
Recognised in profit or loss	4,680,665	7,665	(312,570)	(56,418)	4,319,342
Recognised in other comprehensive income	1,179	–	47,646	–	48,825
As at 31 December 2019	12,317,798	80,090	(524,015)	(32,288)	11,841,585
Recognised in profit or loss	(6,681,455)	9,353	553,137	6,026,997	(91,968)
Recognised in other comprehensive income	(26,246)	–	19,798	–	(6,448)
As at 31 December 2020	**5,610,097**	**89,443**	**48,920**	**5,994,709**	**11,743,169**

(Expressed in thousands of Renminbi, unless otherwise stated)

25. Deferred tax assets *(continued)*

(b) Movements of deferred tax *(continued)*

Notes:

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected credit loss model at the end of the Reporting Period. The amount of income tax deductible is calculated as 1% of the total book value of qualifying assets at the end of the Reporting Period and the amount of write offs that meet the specific criteria set out in the PRC Income Tax Law and are approved by the tax authorities.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

26. Other assets

		At 31 December	
	Notes	**2020**	2019
Interests receivable	(a)	**879,899**	3,806,744
Repossessed assets	(b)	**1,335,519**	1,196,377
Intangible assets		**258,890**	255,880
Long-term deferred expense		**5,526**	7,623
Deferred expense		**30,470**	42,468
Value-added tax		**118,471**	135,078
Other receivables		**249,539**	195,436
Right-of-use assets	(c)	**439,461**	524,549
Transfer of assets receivable	(d)	**2,888,255**	–
Other assets	(e)	**2,914,775**	495,684
Total		**9,120,805**	6,659,839

Notes:

(a) Interests receivable

As at 31 December 2020, all of the interests receivable are classified as Stage 1 under the ECL model and there was no transfer to/from the other stages.

(b) Repossessed assets

	At 31 December	
	2020	2019
Commercial properties	**1,313,549**	1,172,900
Residential properties	**5,939**	5,576
Others	**16,031**	17,901
Total	**1,335,519**	1,196,377

The total book value of repossessed assets disposed of during the year ended 31 December 2020 amounted to RMB8.89 million (2019: RMB4.40 million). The Group plans to dispose of the repossessed assets held at 31 December 2020 by auction, bidding or transfer.

(Expressed in thousands of Renminbi, unless otherwise stated)

26. Other assets *(continued)*

Notes: *(continued)*

(c) Right-of-use assets

	Leased properties and buildings
Cost	
As at 1 January 2019	638,457
Additions for the year	36,585
Decrease for the year	(2,792)
As at 31 December 2019	672,250
As at 1 January 2020	**672,250**
Additions for the year	**58,951**
Decrease for the year	**(73,339)**
As at 31 December 2020	**657,862**
Accumulated Depreciation	
As at 1 January 2019	–
Charge for the year	(150,493)
Decrease for the year	2,792
As at 31 December 2019	(147,701)
As at 1 January 2020	**(147,701)**
Charge for the year	**(143,651)**
Decrease for the year	**72,951**
As at 31 December 2020	**(218,401)**
Book value	
As at 31 December 2020	**439,461**
As at 31 December 2019	524,549

(d) The balance of the asset transfer receivable represents receivables from the Group's disposal of non-performing assets, which have been fully recovered as at the date of this report.

(e) Other assets mainly represented advance payments.

(Expressed in thousands of Renminbi, unless otherwise stated)

27. Pledged assets

(a) Assets pledged as collateral

	Notes	At 31 December 2020	2019
For repurchase agreements:			
—Discounted bills	18(a)	**18,787,785**	–
—Financial assets at fair value through profit or loss	19	**1,066,000**	2,621,000
—Financial assets at fair value through other comprehensive income	20	**14,902,000**	5,245,900
—Financial assets measured at amortised cost	21	**1,469,800**	2,317,800
Total		**36,225,585**	10,184,700

(b) Collateral accepted as securities for assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at the end of the Reporting Period, the Group did not hold any collateral for resale agreements which was permitted to be sold or repledged in the absence of default for the transactions.

28. Borrowing from the central bank

	At 31 December 2020	2019
Borrowing (Note)	**105,550**	33,040,300
Interests payable	**266**	39,347
Total	**105,816**	33,079,647

Note: On 31 December 2020, the balance of borrowing from the central bank mainly represents the refinancing. On 31 December 2019, the balance of borrowing from the central bank mainly represents the standing lending facility.

(Expressed in thousands of Renminbi, unless otherwise stated)

29. Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	At 31 December 2020	2019
Deposits in Mainland China		
—Banks	**14,206,220**	50,154,053
—Other financial institutions	**119,438,149**	126,524,695
Interests payable	**1,399,972**	1,439,006
Total	**135,044,341**	178,117,754

30. Placements from banks and other financial institutions

Analysed by type and location of counterparty

	At 31 December 2020	2019
Deposits in Mainland China		
—Banks	**22,500,000**	27,506,346
Deposits outside Mainland China		
—Banks	**3,262**	–
Interests payable	**142,592**	225,017
Total	**22,645,854**	27,731,363

(Expressed in thousands of Renminbi, unless otherwise stated)

31. Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	At 31 December	
	2020	2019
In Mainland China		
– Banks	**21,470,576**	5,081,027
– Other financial institutions	**13,544,110**	4,999,000
Interests payable	**88,167**	26,575
Total	**35,102,853**	10,106,602

(b) Analysed by collateral

	At 31 December	
	2020	2019
Debt securities	**15,901,750**	10,080,027
Discounted Bills	**18,657,936**	–
Interbank certificates of deposit	**455,000**	–
Interests payable	**88,167**	26,575
Total	**35,102,853**	10,106,602

(Expressed in thousands of Renminbi, unless otherwise stated)

32. Deposits from customers

	At 31 December	
	2020	2019
Demand deposits		
– Corporate customers	**41,430,983**	42,252,845
– Individual customers	**25,422,058**	24,407,499
Subtotal	**66,853,041**	66,660,344
Time deposits		
– Corporate customers	**16,438,991**	31,596,252
– Individual customers	**287,421,313**	226,239,705
Subtotal	**303,860,304**	257,835,957
Pledged deposits		
– Acceptances	**42,183,696**	38,031,473
– Letters of guarantees	**174,160**	166,813
– Letters of credit	**804,716**	1,265,223
– Others	**12,860**	8,302
Subtotal	**43,175,432**	39,471,811
Inward and outward remittances	**190,094**	176,341
Structured deposits		
– Corporate customers	**–**	5,640,000
– Individual customers	**14,994,175**	26,525,933
Subtotal	**14,994,175**	32,165,933
Interests payable	**10,150,624**	10,802,393
Total	**439,223,670**	407,112,779

(Expressed in thousands of Renminbi, unless otherwise stated)

33. Accrued staff costs

	Notes	At 31 December 2020	2019
Salary and welfare payable		**182,744**	164,224
Pension payable	(a)	**28,853**	29,817
Supplementary retirement benefits payable	(b)	**61,338**	38,847
Other long-term staff welfare payable	(c)	**96,575**	102,088
Total		**369,510**	334,976

Notes:

(a) Pension scheme

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution scheme for the employees arranged by local government labor and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.

As a result of the impact of the COVID-19 pandemic, according to the notice of the Ministry of Human Resources and Social Security (2020) No. 11 of the Ministry of Human Resources and Social Security, the Ministry of Finance and the General Administration of Taxation on the phased reduction and exemption of enterprise social insurance premiums and the notice of the Ministry of Human Resources and Social Security (2020) No. 49 of the Ministry of Human Resources and Social Security, the Ministry of Finance and the General Administration of Taxation on the extension of the implementation period of the policy of phased reduction and exemption of enterprise social insurance premiums and other issues, from February 2020, the Group is exempted from levying the unit contribution portion of basic pension insurance for a period ending at the end of December 2020.

In 2020, the Group enjoyed a total amount of RMB97 million of phased relief from basic pension insurance.

(b) Supplementary retirement benefits ("SRB")

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of each of the Reporting Period. The Group's obligations in respect of the SRB were assessed using projected unit credit method by qualified staff (a member of Society of Actuaries in America) of Towers Watson Management Consulting Co., Ltd., an external independent actuary.

(i) The balances of SRB of the Group are as follows:

	At 31 December 2020	2019
Present value of SRB obligation	**61,338**	38,847

(Expressed in thousands of Renminbi, unless otherwise stated)

33. Accrued staff costs *(continued)*

Notes: *(continued)*

(b) Supplementary retirement benefits ("SRB") *(continued)*

(ii) Movements of SRB of the Group are as follows:

	For the year ended 31 December	
	2020	2019
As at 1 January	**38,847**	36,129
Service cost	**23,044**	1,172
Interest cost	**1,347**	1,253
Actuarial losses	**(708)**	976
Payments made	**(1,192)**	(683)
As at 31 December	**61,338**	38,847

Service cost and interest cost were recognised in staff costs, see Note 7.

(iii) Principal actuarial assumptions of the Group are as follow:

	At 31 December	
	2020	2019
Discount rate	**3.75%**	3.50%
Mortality	**CL5/CL6**	CL5/CL6
Demission rate	**2.00%**	2.00%
Normal retirement age		
– Male	**60**	60
– Female	**55**	55

(iv) Sensitivity analysis:

	At 31 December			
	2020		2019	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(10,045)**	**13,202**	(6,536)	8,621
Demission rate (1% movement)	**(3,693)**	**4,292**	(2,470)	2,877

Although the analysis does not take account of the full distribution of cash flows expected under the SRB, it does provide an approximation of the sensitivity of the assumptions shown.

(Expressed in thousands of Renminbi, unless otherwise stated)

33. Accrued staff costs *(continued)*

Notes: *(continued)*

(c) Other long-term staff welfare payable

The Group pays compensation for long-term absence of eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of each of the Reporting Period. The Group's obligations in respect of other long-term staff welfare payable were assessed using projected unit credit method by qualified staff (a member of Society of Actuaries in America) of Towers Watson Management Consulting Co., Ltd., an external independent actuary.

(i) The balances of other long-term staff welfare payable of the Group are as follows:

	At 31 December	
	2020	2019
Present value of other long-term staff welfare payable obligation	**96,575**	102,088

(ii) Movements of other long-term staff welfare of the Group are as follows:

	For the year ended 31 December	
	2020	2019
As at 1 January	**102,088**	100,527
Interest cost	**2,811**	2,769
Actuarial losses	**13,388**	21,263
Payments made	**(21,712)**	(22,471)
As at 31 December	**96,575**	102,088

(iii) Principal actuarial assumptions of the Group are as follow:

	At 31 December	
	2020	2019
Discount rate	**3.00%**	3.00%
Mortality	**CL5/CL6**	CL5/CL6
Early retirement wage growth rate	**4.00%**	4.00%

(Expressed in thousands of Renminbi, unless otherwise stated)

33. Accrued staff costs *(continued)*

Notes: *(continued)*

(c) Other long-term staff welfare payable *(continued)*

(iv) Sensitivity analysis:

	At 31 December			
	2020		2019	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(1,163)**	**1,192**	(4,913)	5,446
Early retirement wage growth rate (1% movement)	**4,339**	**(4,014)**	4,782	(4,405)

Although the analysis does not take account of the full distribution of cash flows expected under other long-term staff welfare payable, it does provide an approximation of the sensitivity of the assumptions shown.

Except as mentioned in Notes (a), (b) and (c) above, the Group has no significant responsibilities to pay any other retirement benefits to retired employees.

34. Taxes payable

	At 31 December	
	2020	2019
Income taxes payable	**31,719**	1,622,478
Value-added tax and surcharge payable	**631,508**	364,782
Others	**45,765**	48,184
Total	**708,992**	2,035,444

(Expressed in thousands of Renminbi, unless otherwise stated)

35. Debt securities issued

	Notes	At 31 December 2020	2019
Tier-two capital bonds issued	(a)	**6,495,245**	6,494,110
Negotiable certificates of deposit issued	(b)	**64,623,225**	103,454,484
Interests payable		**151,536**	160,243
Total		**71,270,006**	110,108,837

Notes:

(a) Tier-two capital bonds issued

	Notes	At 31 December 2020	2019
Fixed rate tier-two capital bonds maturing in December 2026	(i)	**2,499,072**	2,497,937
Fixed rate tier-two capital bonds maturing in March 2028	(ii)	**3,996,173**	3,996,173
Total		**6,495,245**	6,494,110

Notes:

(i) Fixed rate tier-two capital bonds of RMB2,500 million with a term of ten years was issued on 26 December 2016. The coupon rate is 4.30%. The Group has an option to redeem the bonds on 27 December 2021 at the nominal amount.

(ii) Fixed rate tier-two capital bonds of RMB4,000 million with a term of ten years was issued on 26 March 2018. The coupon rate is 4.90%. The Group has an option to redeem the bonds on 28 March 2023 at the nominal amount.

As at 31 December 2020, the fair value of the total tier-two capital bonds issued amounts to RMB6,468 million (2019: RMB6,803 million).

(b) Negotiable certificates of deposit issued

As at 31 December 2020, 56 (2019: 120) negotiable certificates of deposit were issued by the Group at a total cost of RMB64,623 million (2019: RMB103,454 million). The fair value of the negotiable certificates of deposit mentioned above approximates to RMB63,922 million (2019: RMB102,767 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

36. Provisions

	Note	At 31 December 2020	2019
Expected credit loss of credit commitments	(a)	**408,009**	611,038
Litigation provisions		**2,275**	2,275
Total		**410,284**	613,313

Note:

(a) Expected credit loss of credit commitments

	For the year ended 2020			
	ECL over the next 12 months	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Total**
As at 1 January	**611,038**	**–**	**–**	**611,038**
Release for the year	**(203,029)**	**–**	**–**	**(203,029)**
As at 31 December	**408,009**	**–**	**–**	**408,009**

	For the year ended 2019			
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total
As at 1 January	1,150,031	456,939	121,440	1,728,410
Release for the year	(538,993)	(456,939)	(121,440)	(1,117,372)
As at 31 December	611,038	–	–	611,038

(Expressed in thousands of Renminbi, unless otherwise stated)

37. Other liabilities

	Note	At 31 December 2020	2019
Asset backed security payable		**27,400**	76,958
Payment and collection clearance accounts		**189,814**	36,373
Dividend payable		**334,392**	345,999
Deferred income		**12,314**	9,363
China Value-added tax payable		**379,385**	282,522
Other payable		**445,303**	467,076
Lease liabilities	(a)	**307,624**	347,515
Total		**1,696,232**	1,565,806

Note:

(a) Lease liabilities

	At 31 December 2020	At 31 December 2019
Within one year	**85,339**	86,473
One to two years	**73,850**	74,245
Two to three years	**47,032**	62,797
Three to five years	**70,990**	83,519
More than five years	**79,511**	89,396
Total undiscounted lease liabilities	**356,722**	396,430
Balance of lease liabilities	**307,624**	347,515

Note:

Details of the maturity analysis of the Group's lease liabilities are set out in Note 50(c).

(Expressed in thousands of Renminbi, unless otherwise stated)

38. Movement in components of equity

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the Reporting Period are set out below:

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal
Balance as at 1 January 2020	7,781,616	9,897,363	20,582,844	2,994,679	11,719,119	2,775,514	55,751,135
Profit for the year	–	–	–	–	–	620,652	620,652
Other comprehensive income	–	–	104,938	–	–	–	104,938
Total comprehensive income	–	–	104,938	–	–	620,652	725,590
Capital injection by equity shareholders	6,200,000	–	5,890,000	–	–	–	12,090,000
Appropriation of profits							
– Appropriation to surplus reserve	–	–	–	62,065	–	(62,065)	–
– Appropriation to general reserve	–	–	–	–	–	–	–
– Appropriation to shareholders	–	–	–	–	–	(611,734)	(611,734)
Other comprehensive income carried forward to retained earnings	–	–	(84,885)	–	–	84,885	–
Balance as at 31 December 2020	13,981,616	9,897,363	26,492,897	3,056,744	11,719,119	2,807,252	67,954,991

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal
Balance as at 1 January 2019	7,781,616	9,897,363	20,730,293	2,994,679	11,719,119	3,555,897	56,678,967
Loss for the year	–	–	–	–	–	(780,383)	(780,383)
Other comprehensive loss	–	–	(147,449)	–	–	–	(147,449)
Total comprehensive loss	–	–	(147,449)	–	–	(780,383)	(927,832)
Capital injection by equity shareholders	–	–	–	–	–	–	–
Appropriation to profits							
– Appropriation to surplus reserve	–	–	–	–	–	–	–
– Appropriation to general reserve	–	–	–	–	–	–	–
– Appropriation to shareholders	–	–	–	–	–	–	–
Balance as at 31 December 2019	7,781,616	9,897,363	20,582,844	2,994,679	11,719,119	2,775,514	55,751,135

39. Share capital

Share capital of the Group as at 31 December 2020 and 2019 represented share capital of the Bank, which is fully paid. Share capital as at the end of the Reporting Period are as follows:

	At 31 December 2020	2019
Number of shares authorised, issued and fully paid at par value of RMB1 per share (in thousands):		
As at 1 January	**7,781,616**	7,781,616
Shares issued	**6,200,000**	–
As at 31 December	**13,981,616**	7,781,616

Note: On 30 September 2020, the Bank issued additional 6.2 billion Domestic Shares with a par value of RMB1.00 each at an issue price of RMB1.95 per Share. The premium arising from the issuance of new shares was RMB58,900 million, which was included in capital surplus. There was no change in its share capital in 2019.

40. Preference shares

(a) Preference shares outstanding at the end of the year

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Issued number of shares (thousand share)	In original currency (thousand)	In RMB (thousand)	Maturity	Conversion condition	Conversion
US dollar Offshore Preference Shares										
USD	27/10/2017	Equity	5.50%	USD 20/Share	74,800	1,496,000	9,944,360	None	Mandatory	No
Total							9,944,360			
Less: Issue fee							(46,997)			
Book value							9,897,363			

40. Preference shares *(continued)*

(b) Main clauses

(i) Dividend

Fixed dividend rate for a certain period (5 years) after issuance. Dividend rate reset every 5 years thereafter to the sum of the benchmark rate and a fixed spread of 3.486% per annum. The fixed spread will remain unchanged throughout the term of the preference shares. The dividend rate shall not at any time exceed 27.44% per annum. Dividend will be paid annually.

(ii) Conditions to distribution of dividend

The Group could pay dividend while the Group still has distributable after-tax profit (which is the undistributed profit as shown in the financial statements of the parent company prepared in accordance with the PRC GAAP or IFRS, whichever amount is lower), after making up previous years' losses, contributing to the statutory reserve and making general reserve, and the Group's capital adequacy ratio meets regulatory requirements, and the Board having passed a resolution to declare such dividend in accordance with the Articles of Association. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividend. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

(iii) Dividend stopper

If the resolution for the Group to cancel all or part of the dividend to the Preference Shareholders is passed at a Shareholders' general meeting, the Group undertakes that any resolution passed at a Shareholders' general meeting that cancels a Dividend (in whole or in part) on the Offshore Preference Shares will be a Parity Obligation Dividend Cancellation Resolution, and shall not make any dividend distribution to ordinary shareholders before the Group pays the dividend for the current dividend period to the Preference Shareholders in full.

40. Preference shares *(continued)*

(b) Main clauses *(continued)*

(iv) Order of distribution and liquidation method

The USD Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to holders of all liabilities of the Bank including subordinated liabilities and obligations issued or guaranteed by the Bank that rank, or are expressed to rank, but will be senior to the ordinary shareholders.

(v) Mandatory conversion trigger events

Upon the occurrence of an additional tier-one capital trigger event (namely, the core tier-one capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, obtained the approval of the CBIRC but without the need for the consent of the preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier-one capital adequacy ratio of the Bank to above 5.125%. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

Upon the occurrence of a tier-two capital trigger event, the Bank shall have the right to convert, without the consent of the preference shareholders, all of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier-two capital trigger event means the earlier of the following events: (1) the CBIRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

(vi) Redemption

Under the premise of obtaining the approval of the CBIRC and conditions of redemption, the Group has right to redeem all or some of overseas preference shares in first call date and subsequent any dividend payment date. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Liquidation Preference plus any declared but unpaid Dividend in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption. The First Redemption Date of USD Preference Shares is five years after issuance, 27 October 2022.

(vii) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

(Expressed in thousands of Renminbi, unless otherwise stated)

41. Capital reserve

	At 31 December 2020	2019
Share premium	**26,374,617**	20,484,617
Other comprehensive income		
– Fair value changes on financial assets at fair value through other comprehensive income	**35,487**	94,881
– Impairment of financial assets at fair value through other comprehensive income	**84,233**	5,494
– Changes on remeasurement of defined benefit liabilities	**(9,112)**	(9,820)
Other	**8,149**	8,149
Total	**26,493,374**	20,583,321

Accumulated amount of other comprehensive income attributable to the shareholders of the Bank in consolidated statement of financial position:

	Net gains on financial assets measured at fair value through other comprehensive income	Changes on remeasurement of defined benefit liabilities	Total
Balance as at 1 January 2019	246,848	(8,844)	238,004
Changes in amount for the previous year:	(146,473)	(976)	(147,449)
– Accruals in other comprehensive income for the previous year	(146,473)	(976)	(147,449)
Balance as at 31 December 2019	100,375	(9,820)	90,555
Changes in amount for the year:	**19,345**	**708**	**20,053**
– Accruals in other comprehensive income for the year	**104,230**	**708**	**104,938**
– Retained earnings carried forward in other comprehensive income	**(84,885)**	**–**	**(84,885)**
Balance as at 31 December 2020	**119,720**	**(9,112)**	**110,608**

(Expressed in thousands of Renminbi, unless otherwise stated)

41. Capital reserve *(continued)*

Accrual amount of other comprehensive income:

	At 31 December	
	2020	2019
Items that may be reclassified subsequently to profit or loss:		
Debt instruments measured at fair value through other comprehensive income:		
– Change in fair value	**(114,542)**	48,535
– Change in impairment provision	**104,985**	(4,717)
– Reclassified to the profit or loss upon disposal	**(3,384)**	(214,664)
Subtotal	**(12,941)**	(170,846)
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	**708**	(976)
Equity instruments at fair value through other comprehensive income		
– Change in fair value	**123,619**	(24,452)
Subtotal	**124,327**	(25,428)
Related income tax effect	**(6,448)**	48,825
Total	**104,938**	(147,449)

(Expressed in thousands of Renminbi, unless otherwise stated)

42. Surplus reserve and general reserve

(a) Surplus reserve

	Statutory surplus reserve	Discretionary surplus reserve	Total
As at 1 January 2019	2,982,653	12,026	2,994,679
Appropriation during the year	–	–	–
As at 31 December 2019 and 1 January 2020	2,982,653	12,026	2,994,679
Appropriation during the year	62,065	–	62,065
As at 31 December 2020	3,044,718	12,026	3,056,744

The Bank is required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after this capitalisation is not less than 25% of the registered capital immediately before capitalisation.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(b) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

43. Appropriation of profits

(a) In accordance with the resolution of the Bank's Board of Directors meeting on 29 March 2021, the proposed profit appropriations for the year ended 31 December 2020 is listed as follows:

– Withdrawal of legal surplus reserve amounted to RMB62.07 million.

– The general provision balance has exceeded 1.5% of the ending balance of the risk assets and no general provision is made.

– The Board resolved not to declare any dividend for 2020.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

(b) In accordance with the resolution of the Bank's Board of directors meeting on 20 August 2020, the Bank's offshore preference shares distribution plan, which was distributed on 27 October 2020, is listed as follows:

– Declaration of preference share dividend to holders of offshore preference shares of USD91 million, approximately RMB611 million.

(c) As approved by the annual general meeting of the Bank held on 11 September 2020, the Bank's profit distribution plan for the year ended 31 December 2019 was as follows:

– In view of the loss for the year 2019, no general provision will be made.

– The Board resolved no dividend was paid.

44. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt instruments held by counterparties as collateral under repurchase. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognized a financial liability for cash collateral received.

As at 31 December 2020 and 2019, none of the above-mentioned financial assets which did not qualify for derecognition was transferred to third parties.

Very Substantial Disposal in Relation to the Disposal of Assets of the Bank

On 31 March 2020, the Bank entered into a disposal framework agreement (the "**Disposal Framework Agreement**") with Beijing Chengfang Huida Enterprise Management Co., Ltd., pursuant to which the Bank conditionally agreed to sell and Chengfang Huida conditionally agreed to purchase certain credit assets and other assets held by the Bank (the "**Disposed Assets**") for a cash consideration of RMB45 billion. Among the Disposed Assets, the principal amount of loans and advances to customers was RMB98.37 billion, the principal amount of the beneficial interest transfer scheme measured at amortized cost was RMB41.64 billion, and the principal amount of the beneficial interest transfer scheme measured at fair value through profit or loss was RMB9.99 billion, with a total principal amount of debts of approximately RMB150 billion.

At the same time, the Bank subscribed for a directional debt instrument with a principal amount of approximately RMB75 billion, which was issued by a partnership established by a company controlled by Liaoning Financial Holding and Deposit Insurance Fund Management Co. Limited, with an initial maturity of 15 years (the "**Debt Instrument Subscription**"). The Debt Instrument Subscription and the Disposed Assets are a series of transactions under the Bank's reorganisation plan.

The transaction was approved at the extraordinary general meeting on 10 July 2020. On 27 July 2020, the Bank issued an announcement that all conditions precedent set out in the Disposal Framework Agreement for the Disposed Assets and the Framework Agreement in respect of the relevant specific asset disposal agreements entered into have been fulfilled and the Bank has entered into specific asset disposal agreements with the Purchaser for all the Disposed Assets and the consideration has been settled in full. Accordingly, the Disposed Assets has been completed and the Disposed Assets have been disposed of in full and are no longer accounted for the Bank's consolidated financial statements. In addition, taking into account that the Debt Instrument Subscription and the Disposed Assets were a series of transactions under the Bank's restructuring plan and the Disposed Assets was completed, the Debt Instrument Subscription was also completed.

(Expressed in thousands of Renminbi, unless otherwise stated)

45. Involvement with unconsolidated structured entities

(a) Structured entities sponsored by third party institutions in which the Group holds an interest:

The Group holds interests in certain structured entities sponsored by third party institutions through direct investments in the units issued by these structured entities. Such structured entities include entities set up for wealth management products and beneficial interest transfer plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third-party investors. These vehicles 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 Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised as at 31 December 2020 and 2019:

	At 31 December 2020		
	Financial assets at fair value through profit or loss	**Financial assets at amortised cost**	**Maximum exposure**
Investment management products	**16,256,498**	**18,082,462**	**34,338,960**
Investment management products under trust scheme	**8,024**	**33,781,825**	**33,789,849**
Wealth management products issued by financial institutions	**200,226**	**–**	**200,226**
Total	**16,464,748**	**51,864,287**	**68,329,035**

	At 31 December 2019		
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Maximum exposure
Investment management products	32,161,648	49,402,896	81,564,544
Investment management products under trust scheme	4,141,543	109,750,198	113,891,741
Wealth management products issued by financial institutions	200,129	–	200,129
Total	36,503,320	159,153,094	195,656,414

The maximum exposures to loss in the above investment management Scheme and wealth management products are the carrying amounts of the assets held by the Group at the end of the Reporting Period in accordance with the line items of these assets recognised in the statement of financial position.

45. Involvement with unconsolidated structured entities *(continued)*

(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services.

As at 31 December 2020, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB23,254.93 million (31 December 2019: RMB21,886.19 million).

(c) Unconsolidated structured entities sponsored by the Group in 2020 and 2019 which the Group does not have an interest in as at 31 December 2020 and 2019:

The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2020 but matured before 31 December 2020 amounted to RMB10,219.32 million (2019: RMB13,869.64 million).

(d) In 2020, the amount of fee and commission income received from the above mentioned structured entities by the Group amounted to RMB129.09 million (2019: RMB172.93 million).

46. Capital management

The Group's objectives on capital management are:

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth;
- to allocate capital using an efficient and risk-based approach to optimise the risk adjusted return to the shareholders; and
- to maintain an adequate capital base to support the development of its business.

The Group 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 Group may adjust its profit distribution policy, issue or redeem own shares, long-term subordinated bonds, etc.

Capital adequacy ratios and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBIRC. The required information is filed with the CBIRC by the Group and the Bank semi-annually and quarterly.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

Since 1 January 2013, the Group has begun to disclose the capital adequacy ratio in accordance with the "Capital Rules for Commercial Banks (Provisional)" and will continue to promote the content of this disclosure. According to the requirement of the CBRC, commercial banks should reach the regulatory requirement of capital adequacy ratio by 31 December 2018. The regulatory requirements request a commercial bank to maintain its core tier-one capital adequacy ratio above 7.5%, the tier-one capital adequacy ratio above 8.5% and the capital adequacy ratio above 10.5%.

(Expressed in thousands of Renminbi, unless otherwise stated)

46. Capital management *(continued)*

	At 31 December 2020	2019
Total core tier-one capital		
– Share capital	**13,981,616**	7,781,616
– Qualifying portion of capital reserve	**26,487,305**	20,578,189
– Surplus reserve	**3,056,744**	2,994,679
– General reserve	**11,800,217**	11,800,217
– Retained earnings	**2,429,877**	2,614,222
– Qualifying portions of non-controlling interests	**310,897**	583,418
Core tier-one capital deductions		
– Other intangible assets other than land use right	**(258,890)**	(255,880)
– Other net deferred tax assets that depend on future bank earnings	**–**	(7,231,939)
Net core tier-one capital	**57,807,766**	38,864,522
Other tier-one capital	**9,938,816**	9,975,152
Net tier-one capital	**67,746,582**	48,839,674
Tier-two capital		
– Instruments issued and share premium	**6,500,000**	6,500,000
– Surplus provision for loan impairment	**8,238,503**	5,553,557
– Qualifying portions of non-controlling interests	**82,906**	146,726
Net capital base	**82,567,991**	61,039,957
Total risk weighted assets	**702,372,570**	754,499,591
Core tier-one capital adequacy ratio	**8.23%**	5.15%
Tier-one capital adequacy ratio	**9.65%**	6.47%
Capital adequacy ratio	**11.76%**	8.09%

As at 31 December 2019, the capital adequacy ratios of the Group have fallen below the regulatory requirement. The CBIRC shall have the right of exercising regulations according to the Capitals Rules for Commercial Banks (Provisional).

(Expressed in thousands of Renminbi, unless otherwise stated)

47. Notes to consolidated cash flow statement

(a) Net (decrease)/increase in cash and cash equivalents

	For the year ended 31 December	
	2020	2019
Cash and cash equivalents as at 31 December	**18,841,770**	67,534,887
Less: Cash and cash equivalents as at 1 January	**(67,534,887)**	(19,886,632)
Net (decrease)/increase in cash and cash equivalents	**(48,693,117)**	47,648,255

(b) Analysis of Cash and cash equivalents

	At 31 December	
	2020	2019
Cash on hand	**737,286**	945,499
Deposits with the central bank	**10,374,142**	60,266,060
Deposits with banks and other financial institutions	**3,456,758**	6,323,328
Financial assets held under resale agreements	**4,273,584**	–
Total	**18,841,770**	67,534,887

(Expressed in thousands of Renminbi, unless otherwise stated)

47. Notes to consolidated cash flow statement *(continued)*

(c) Reconciliation of liabilities arising from financing activities

	Debt securities (Note 35)	Dividend payable (Note 37)	Lease Liabilities (Note 37)	Interests Payable of debt securities (Notes 35)	Total
At 1 January 2020	**109,948,594**	**345,999**	**347,515**	**160,243**	**110,802,351**
Changes from financing cash flows:					
Proceeds from issue of debt securities	**252,377,369**	**–**	**–**	**–**	**252,377,369**
Repayment of debt securities issued	**(295,340,000)**	**–**	**–**	**–**	**(295,340,000)**
Dividend paid	**–**	**(623,341)**	**–**	**–**	**(623,341)**
Payment for lease liabilities	**–**	**–**	**(105,384)**	**–**	**(105,384)**
Interest paid on debt securities issued	**–**	**–**	**–**	**(348,519)**	**(348,519)**
Total cash flows used in financing activities	**(42,962,631)**	**(623,341)**	**(105,384)**	**(348,519)**	**(44,039,875)**
Other changes:					
Interest expenses arising from debt securities issued (Note 3)	**4,132,507**	**–**	**–**	**339,812**	**4,472,319**
Interest expenses on lease liabilities (Note 7)	**–**	**–**	**13,741**	**–**	**13,741**
Increase in lease liabilities	**–**	**–**	**51,752**	**–**	**51,752**
Increase in dividend payable	**–**	**611,734**	**–**	**–**	**611,734**
At 31 December 2020	**71,118,470**	**334,392**	**307,624**	**151,536**	**71,912,022**
At 31 December 2018	89,392,786	432,553	–	275,996	90,101,335
Impact on initial application of IFRS 16 at 1 January 2019	–	–	389,458	–	389,458
At 1 January 2019	89,392,786	432,553	389,458	275,996	90,490,793
Changes from financing cash flows:					
Proceeds from issue of debt securities	182,834,970	–	–	–	182,834,970
Repayment of debt securities issued	(165,090,000)	–	–	–	(165,090,000)
Dividend paid	–	(86,554)	–	–	(86,554)
Payment for lease liabilities	–	–	(102,185)	–	(102,185)
Interest paid on debt securities issued	–	–	–	(587,148)	(587,148)
Total changes from financing cash flows	17,744,970	(86,554)	(102,185)	(587,148)	16,969,083
Other changes:					
Interest expenses arising from debt securities issued (Note 3)	2,810,838	–	–	471,395	3,282,233
Interest expenses on lease liabilities (Note 7)	–	–	18,499	–	18,499
Recognition of lease liabilities	–	–	41,743	–	41,743
At 31 December 2019	109,948,594	345,999	347,515	160,243	110,802,351

(Expressed in thousands of Renminbi, unless otherwise stated)

48. Related party relationships and transactions

(1) Related party relationships

(a) Substantial Shareholders

(i) *Major shareholders include those who hold 5% or more of the shares of the Bank or those who have appointed directors or supervisors in the Bank.*
Shareholding percentage of the Bank

	At 31 December 2020	2019
Beijing Chengfang Huida Enterprise Management Co., Ltd. (Note)	**37.69%**	–
Huida Asset Management Co., Ltd. (Note)	**37.69%**	–
Liaoning Financial Holding Group Co., Ltd.	**6.65%**	–
ICBC Financial Asset Investment Co, Ltd.	**6.02%**	10.82%
Cinda Investment Co., Ltd.	**3.61%**	6.49%
China Greatwall Assets Management Co., Ltd	**2.41%**	4.33%
Shanghai Greenland Hongtu Investment Development Co., Ltd.	**1.07%**	1.93%
Beijing Urban Construction Investment Development Co., Ltd.	**0.93%**	1.67%

Note: These shares are held by Chengfang Huida, which is wholly owned by Huida Asset Management Co., Ltd. ("**Huida Asset Management**"). By virtue of the SFO, Huida Asset Management is deemed to be interested in all the shares held by Chengfang Huida.

(ii) *Circumstances of Substantial Shareholders*

Name of Company	Place of Registration	Principal Business	Nature or Type of Economy	Legal Representative
Beijing Chengfang Huida Enterprise Management Co., Ltd.	Beijing	Corporate Management; Market Research	Limited Liability Company	Huang Mudong
Huida Asset Management Co., Ltd.	Beijing	Specialized in receiving and managing and disposing of assets left over previously from the PBOC	Limited Liability Company	Huang Mudong
Liaoning Financial Holding Group Corporation limited	Shenyang	Investment and capital management; capital investment services	Limited Liability Company	Liu Bo
ICBC Financial Asset Investment Co., Limited	Nanjing	The debt equity held by banks in enterprises for the purpose of debt-to-equity swap	Limited Liability Company	Zhang Zhenghua
Cinda Investment Co., Ltd.	Beijing	Foreign investment; Assets management; Assets restructuring	Limited Liability Company	Zhang Jushan
China Greatwall Assets Management Co., Ltd.	Beijing	Acquisition of and being entrusted to manage the non-performing assets of the financial institutions	Joint Stock Company Limited	Shen Xiaoming
Shanghai Greenland Hongtu Investment Development Co., Ltd.	Shanghai	Property development, operation; property management	Limited Liability Company	Xu Rongpu
Beijing Urban Construction Investment Development Co., Ltd.	Beijing	Property development; sale of commodity housing	Joint-Stock Limited Company	Chen Daihua

(Expressed in thousands of Renminbi, unless otherwise stated)

48. Related party relationships and transactions *(continued)*

(1) Related party relationships *(continued)*

(a) Substantial Shareholders *(continued)*

(iii) Registered capital of substantial shareholders and its changes:

Name of Company	Currency	At 31 December 2020	2019
Beijing Chengfang Huida Enterprise Management Co., Ltd.	RMB	**1,000**	1,000
Huida Asset Management Co., Ltd.	RMB	**100,000**	100,000
Liaoning Financial Holding Group Corporation limited	RMB	**20,000,000**	20,000,000
ICBC Financial Asset Investment Co., Limited	RMB	**12,000,000**	12,000,000
Cinda Investment Co., Ltd.	RMB	**2,000,000**	2,000,000
China Greatwall Assets Management Co., Ltd.	RMB	**51,233,610**	51,233,610
Shanghai Greenland Hongtu Investment Development Co., Ltd.	RMB	**1,290,000**	1,290,000
Beijing Urban Construction Investment Development Co., Ltd.	RMB	**2,256,538**	1,567,040

(iv) Connected transactions with major shareholders

Company Name	Transactions during the year	For the year ended 31 December 2020	2019
Beijing Chengfang Huida Enterprise Management Co., Ltd.	Interest expense	**153**	–
Huida Asset Management Co., Ltd.	Interest expense	**46,931**	–

Company Name	Balance at end of the year	At 31 December 2020	2019
Beijing Chengfang Huida Enterprise Management Co., Ltd.	Deposits from customers	**9,748**	–
Huida Asset Management Co., Ltd.	Deposits from interbank and other financial institutions	**2,929,904**	–
Beijing Urban Construction Investment Development Co., Ltd.	Deposits from customers	**42**	42

(b) Subsidiaries of the Bank

Detailed information on the subsidiaries of the Bank is set out in Note 23.

(c) Other related parties

Other related parties with whom the Group had related transactions during the reporting period include:

(i) Enterprises controlled by the close family members of senior management
Jinzhou Shiji Tongli Electric Co., Ltd.

(ii) Enterprises directly or indirectly controlled by the same major shareholders of the Group
Shenyang Chenyu Construction Group Co., Ltd. (瀋陽辰宇建設集團有限責任公司)
Beijing Zhuzong Science and Trade Holding Group Limited
Greenland Guomao Harbin Property Development Co., Ltd. (綠地國貿哈爾濱房地產開發有限公司)

(Expressed in thousands of Renminbi, unless otherwise stated)

48. Related party relationships and transactions *(continued)*

(2) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and subsidiaries

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and other related parties

	For the year ended 31 December	
	2020	2019
Transactions during the year:		
Interest income	**10,015**	180,974
Interest expense	**4,590**	26

	At 31 December	
	2020	2019
Balances at end of the year:		
Loans and advances to customers	**522,421**	–
Deposits from customers	**93,902**	1,907

The balances are unsecured and on terms similar to those offered to the major customers of the Group.

(3) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) Transactions between the Group and key management personnel

	For the year ended 31 December	
	2020	2019
Transactions during the year:		
Interest income	**44**	135
Interest expense	**1,129**	8,987

(Expressed in thousands of Renminbi, unless otherwise stated)

48. Related party relationships and transactions *(continued)*

(3) Key management personnel *(continued)*

(i) Transactions between the Group and key management personnel *(continued)*

	At 31 December	
	2020	2019
Balances at end of the year:		
Loans and advances to customers	**695**	6,923
Deposits from customers	**28,277**	30,331
Principal-guaranteed wealth management products	**–**	5,350
Non-principal-guaranteed wealth management products	**3,469**	20,060
Interests payable	**–**	8,022

The balances are unsecured and on terms similar to those offered to the major customers of the Group.

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	For the year ended 31 December	
	2020	2019
Short-term staff benefits	**33,500**	22,012
Retirement benefits		
– Basic social pension insurance	**2,539**	3,644

(4) Loans and advances to directors, supervisors and executive officers

Loans and advances to directors, supervisors and executive officers of the Group disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies Regulation (Disclosure of Information about Benefits of Directors) are as follows:

	At 31 December	
	2020	2019
Aggregate amount of relevant loans outstanding at the end of the year	**695**	719
Maximum aggregate amount of relevant loans outstanding during the reporting period	**1,900**	1,268

49. Segment reporting

Segment reporting is disclosed in accordance with the accounting policy set out in Note 2(24).

The Group manages its business by business lines and geographical areas. Interest income and expenses earned from third parties are referred to as "External net interest income/expense". Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expense".

Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reportable segments based on the following operating segments:

Corporate banking business

Corporate banking business covers the provision of financial products and services to corporate customers. The products and services include deposits, loans, settlement and clearing and other products and services relating to the trading business.

Retail banking business

Retail banking business covers the provision of financial products and services to retail customers. The products and services include deposits, bank cards and credit cards services, personal loans and collateral loans, and personal wealth management services.

Treasury business

Treasury business covers money market placements, investments and repurchasing, foreign exchange transactions, for the Group's own accounts or on behalf of customers.

Other business

This represents business other than corporate banking business, retail banking business and treasury business, whose assets, liabilities, income and expenses are not directly attributable or cannot be allocated to a segment on a reasonable basis.

The transfer prices among segments are determined by the capital sources and due time which should match with the level of lending and deposit rates and interbank market rates announced by the PBOC. Expenses are distributed.

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-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, intangible assets and other long-term assets.

(Expressed in thousands of Renminbi, unless otherwise stated)

49. Segment reporting *(continued)*

(a) Segment profit/(loss), assets and liabilities

	For the year ended 31 December 2020				
	Corporate banking business	Retail banking business	Treasury business	Other business and undistributed project	Total
Operating income					
External net interest income/(expense)	21,822,591	(12,607,575)	84,131	–	9,299,147
Internal net interest (expense)/income	(10,770,233)	13,199,922	(2,429,689)	–	–
Net interest income/(expense)	11,052,358	592,347	(2,345,558)	–	9,299,147
Net fee and commission income/(expense)	35,650	142,306	(3,266)	–	174,690
Net trading losses	–	–	(118,122)	–	(118,122)
Dividend income	–	–	1,440	–	1,440
Net gains arising from investment securities	–	–	1,721	–	1,721
Foreign exchange losses	–	–	(78,105)	–	(78,105)
Other net operating income	1,326	–	694	26,502	28,522
Total operating income	11,089,334	734,653	(2,541,196)	26,502	9,309,293
Operating expenses	(1,139,353)	(1,099,624)	(833,942)	(245,664)	(3,318,583)
Operating profit/(loss) before impairment	9,949,981	(364,971)	(3,375,138)	(219,162)	5,990,710
Impairment losses on assets	(2,827,238)	(163,537)	(2,651,335)	(20,453)	(5,662,563)
Segment profit/(loss) before tax	7,122,743	(528,508)	(6,026,473)	(239,615)	328,147
Segment assets	490,177,622	8,535,400	250,993,313	16,542,820	766,249,155
Deferred tax asset					11,743,169
Total assets					777,992,324
Segment liabilities	102,233,121	336,900,917	264,318,333	2,963,381	706,415,752
Dividend payable	–	–	–	334,392	334,392
Total liabilities	102,233,121	336,900,917	264,318,333	3,297,773	706,750,144
Other segment information					
– Depreciation and amortisation	(225,685)	(128,917)	(196,635)	(9,308)	(560,545)
– Capital expenditure	63,722	36,578	51,477	2,607	154,384

(Expressed in thousands of Renminbi, unless otherwise stated)

49. Segment reporting *(continued)*

(a) Segment profit/(loss), assets and liabilities *(continued)*

	For the year ended 31 December 2019				
	Corporate banking business	Retail banking business	Treasury business	Other business and undistributed project	Total
Operating income					
External net interest income/(expense)	23,948,114	(10,381,692)	5,778,611	–	19,345,033
Internal net interest (expense)/income	(11,096,764)	11,875,749	(778,985)	–	–
Net interest income	12,851,350	1,494,057	4,999,626	–	19,345,033
Net fee and commission income	44,131	178,984	8,599	–	231,714
Net trading gains	–	–	3,372,617	–	3,372,617
Dividend income	–	–	1,200	–	1,200
Net gains arising from investment securities	–	–	240,556	–	240,556
Foreign exchange losses	(13)	(4)	(41,991)	–	(42,008)
Other net operating income	–	–	–	20,587	20,587
Total operating income	12,895,468	1,673,037	8,580,607	20,587	23,169,699
Operating expenses	(1,082,988)	(1,219,707)	(1,107,908)	(351,080)	(3,761,683)
Operating profit/(loss) before impairment	11,812,480	453,330	7,472,699	(330,493)	19,408,016
Impairment losses on assets	(20,041,678)	(418,506)	(377,017)	(8,919)	(20,846,120)
Segment (loss)/profit before tax	(8,229,198)	34,824	7,095,682	(339,412)	(1,438,104)
Segment assets	450,446,832	10,995,608	350,691,133	12,719,033	824,852,606
Deferred tax asset					11,841,585
Total assets					836,694,191
Segment liabilities	164,813,489	246,595,913	364,358,588	1,074,753	776,842,743
Dividend payable	–	–	–	345,999	345,999
Total liabilities	164,813,489	246,595,913	364,358,588	1,420,752	777,188,742
Other segment information					
– Depreciation and amortisation	(171,212)	(78,938)	(225,127)	(80,930)	(556,207)
– Capital expenditure	492,115	20,235	388,207	34,794	935,351

(Expressed in thousands of Renminbi, unless otherwise stated)

49. Segment reporting *(continued)*

(b) Geographical information

The Group operates principally in Jinzhou Region, Other Northeastern China Region and Northern China Region.

Non-current assets include property and equipment, intangible assets and right-of-use assets. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries and the branches which generate income.

The distribution of the geographical areas is as follows:

- "Jinzhou Region" Including headquarters of the Bank of Jinzhou, Jinzhou branch and the five subsidiaries of the Group.
- "Other Northeastern China Region" Including the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi, Yingkou and the three subsidiaries of the Group.
- "Northern China Region" Including the following areas serviced by branches of the Bank: Beijing and Tianjin.

	Operating Income For the year ended 31 December	
	2020	2019
Jinzhou Region	**4,723,860**	17,368,117
Other Northeastern China Region	**3,240,386**	3,416,561
Northern China Region	**1,345,047**	2,385,021
Total	**9,309,293**	23,169,699

	Non-current Assets At 31 December	
	2020	2019
Jinzhou Region	**3,472,817**	3,206,652
Other Northeastern China Region	**3,282,721**	3,700,122
Northern China Region	**627,542**	889,230
Total	**7,383,080**	7,796,004

50. Risk management

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set internal control policies and systems for monitoring the risk level of the Group. Risk management policies and internal control systems are reviewed regularly by the Group to reflect the changes in market conditions or the Group's operational activities.

(a) Credit risk

Credit risk refers to the risk that a customer or counterparty may be unable or unwilling to meet its contractual obligations. The core of the Group's credit risk management system mainly includes the formulation of credit policies, due diligence, customer credit rating, collateral assessment, loan review and approval, loan disbursement management, post-provision management, non-performing loan management and accountability.

The credit and risk management department of the Group is the functional department responsible for the policy management, risk management and business monitoring of the credit business of the Bank; the credit approval department is responsible for credit management, rating management and lending control of the Bank, improving the credit approval system and workflow, and organizing meetings of the credit review and management committee; the risk asset management and disposal center is responsible for the collection, disposal and management of risky assets and potential risky assets that need to be disposed of, and implements a risk-based management or project-based management according to the characteristics of the collection work. With respect to the credit risk control and management, the Group specifies the respective duties and operating procedures of each department according to the principle of credit investigation and credit approval separation, management and review separation, and limit credit and review separation. The Group has established the operating mechanism of the Credit Approval Management Committee under the collective review system.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk.

50. Risk management *(continued)*

(a) Credit risk *(continued)*

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collaterals or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

(i) Credit risk measurement

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;

- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but are not considered credit-impaired are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments; and

- Stage III: Financial assets that are considered credit-impaired at the end of the year are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

***Measurement of ECL** (continued)*

The Group 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; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group 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 Group 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 asset
- Parameters for measuring ECL
- Forward-looking information
- Modification of contractual cash flows

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of each Reporting Period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group 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 Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of the reporting period 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 Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the rating or the probability of default (PD) of the financial instruments reaches a certain extent, comparing with the one at initial recognition.

Qualitative criteria

- The credit risk event of the debtor which is highly likely to lead to significant adverse effects;

- The debtor meets problems of cash flow or liquidity, i.e. overdue loans;

- The debtor is unwilling to repay the debt, i.e. debt dodge, fraud;

- The debtor defaults on loans outside the Group, resulting in non-performing assets in PBOC credit system;

- Credit spread increases significantly; and

- For collateralised and pledged loans, change of the value of collateral might incur a rise in credit risk.

Baseline criteria

- Be classified into Special Mention category.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- The debtor is more than 90 days past due on its contractual payment;
- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

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.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of "default"adopted by the internal management of credit risk.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include PD, LGD and EAD. Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group 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.

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Parameters of ECL measurement *(continued)*

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 Group'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 Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime. As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items at the end of the reporting period by the credit conversion factor.

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 Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. In this process, the Group mainly applies external data and supplements the internal experts' judgement. The Group 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, internal experts of the Group determine the weight of other possible scenarios based on the baseline economic scenario. The Group measures the weighted average ECL of 12 months (stage I) or life time (stage II and stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(ii) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of the Reporting Period.

(iii) Risk concentrations

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers, finance lease receivables and investments in debt instruments. Details of the composition of the Group's investments in debt instruments are set out in note 50(a) to the financial statement. The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	For the year ended 31 December	
	2020	2019
Wholesale and retail trade	**226,013,818**	227,296,037
Manufacturing	**102,602,634**	97,315,189
Leasing and commercial services	**35,403,695**	43,653,896
Real estate	**28,161,856**	35,035,141
Transportation, storage and postal services	**10,487,171**	10,793,156
Construction	**8,466,842**	4,541,158
Education	**6,492,654**	7,197,553
Electricity, gas and water production and supply	**5,153,481**	6,600,856
Water, environment and public utility management	**4,300,240**	3,602,950
Public management and social organisation	**4,019,490**	4,146,060
Scientific research and technical services	**3,541,040**	7,298,272
Mining	**1,946,980**	5,139,382
Agriculture, forestry, animal husbandry and fishery	**1,040,773**	1,166,923
Others	**29,757,129**	24,271,667
Subtotal of corporate loans and advances	**467,387,803**	478,058,240
Personal loans	**10,129,459**	10,832,280
Discounted bills	**19,232,486**	226,427
Total	**496,749,748**	489,116,947

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	At 31 December 2020	2019
Neither overdue nor impaired	**480,310,522**	419,917,654
Overdue but not impaired	**5,281,210**	12,820,097
Impaired	**11,158,016**	56,379,196
Total loans and advances	**496,749,748**	489,116,947
Add: Interests receivable	**19,147,848**	6,916,601
Less: Provision for impairment losses	**(20,433,399)**	(43,338,037)
Loans and advances to customers, net	**495,464,197**	452,695,511

Neither overdue nor impaired

The management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of Reporting Period.

The following table presents the types of loans and advances to customers which are neither overdue nor impaired as at the end of Reporting Period:

	At 31 December 2020 Normal	Special mention	Total
Unsecured loans	**49,795,688**	**97,472**	**49,893,160**
Guaranteed loans	**214,270,613**	**26,570,218**	**240,840,831**
Collateralised loans	**108,533,958**	**6,751,889**	**115,285,847**
Pledged loans	**62,387,462**	**11,903,222**	**74,290,684**
	434,987,721	**45,322,801**	**480,310,522**

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers *(continued)*

Neither overdue nor impaired *(continued)*

	At 31 December 2019		
	Normal	Special mention	Total
Unsecured loans	13,530,150	3,001,370	16,531,520
Guaranteed loans	193,873,280	33,872,966	227,746,246
Collateralised loans	100,279,120	4,641,003	104,920,123
Pledged loans	68,621,765	2,098,000	70,719,765
	376,304,315	43,613,339	419,917,654

Overdue but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group that are subject to credit risk which are past due but not impaired as at the end of Reporting Period:

	At 31 December	
	2020	2019
Overdue for:		
Less than three months	**5,281,210**	12,786,196
Three to six months	**–**	33,901
Over six months	**–**	–
Total	**5,281,210**	12,820,097

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers *(continued)*

Impaired

Impaired loans and advances are defined as loans and advances which have objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated.

The fair value of related collateral held by the Group as security is as follows:

	At 31 December	
	2020	2019
Fair value of collateral held against credit-impaired loans	**22,977,436**	37,008,171

The above collaterals mainly include real estate, land use rights and machinery and equipment etc. The fair value of collaterals was estimated by the Group based on the latest valuations available, adjusted in light of disposal experience and current market conditions.

Loans and advances to customers analysed by the five-tier loan classification and the three stage of the ECL as follows:

	At 31 December 2020			
	Stage I (12-month ECL)	**Stage II (Lifetime ECL-not-credit-impaired loans)**	**Stage III (Lifetime ECL-credit-impaired loans)**	**Total**
Normal	**434,956,302**	**–**	**220,125**	**435,176,427**
Special-mention	**–**	**50,635,430**	**649,990**	**51,285,420**
Substandard	**–**	**–**	**7,896,270**	**7,896,270**
Doubtful	**–**	**–**	**2,165,296**	**2,165,296**
Loss	**–**	**–**	**226,335**	**226,335**
Total loans and advances	**434,956,302**	**50,635,430**	**11,158,016**	**496,749,748**
Add: Interests receivable	**19,147,848**	**–**	**–**	**19,147,848**
Less: Allowance for impairment losses	**(11,873,361)**	**(3,157,902)**	**(5,402,136)**	**(20,433,399)**
Loans and advances to customers, net	**442,230,789**	**47,477,528**	**5,755,880**	**495,464,197**

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers *(continued)*

Impaired *(continued)*

	At 31 December 2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL-not-credit-impaired loans)	Stage III (Lifetime ECL-credit-impaired loans)	Total
Normal	374,981,556	1,322,759	–	376,304,315
Special-mention	–	56,433,436	18,694,160	75,127,596
Substandard	–	–	28,725,027	28,725,027
Doubtful	–	–	8,171,797	8,171,797
Loss	–	–	788,212	788,212
Total loans and advances	374,981,556	57,756,195	56,379,196	489,116,947
Add: Interests receivable	6,916,601	–	–	6,916,601
Less: Allowance for impairment losses	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)
Loans and advances to customers, net	369,747,047	53,442,143	29,506,321	452,695,511

(v) Finance lease receivables

	At 31 December	
	2020	2019
The lease amount		
Neither overdue nor impaired	**2,626,983**	4,690,019
Overdue but not impaired	**385,583**	1,613,718
Impaired	**1,448,335**	888,434
Subtotal	**4,460,901**	7,192,171
Less: Provision for impairment losses	**(1,212,076)**	(783,857)
Net balance	**3,248,825**	6,408,314

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(v) Finance lease receivables *(continued)*

	At 31 December 2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
Normal	**1,458,813**	**–**	**–**	**1,458,813**
Special-mention	**–**	**1,553,753**	**–**	**1,553,753**
Substandard	**–**	**–**	**1,046,406**	**1,046,406**
Doubtful	**–**	**–**	**401,929**	**401,929**
Subtotal	**1,458,813**	**1,553,753**	**1,448,335**	**4,460,901**
Less: Provision for impairment losses	**(44,761)**	**(413,893)**	**(753,422)**	**(1,212,076)**
Net balance	**1,414,052**	**1,139,860**	**694,913**	**3,248,825**

	At 31 December 2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
Normal	4,690,019	–	–	4,690,019
Special-mention	–	1,613,718	–	1,613,718
Substandard	–	–	888,434	888,434
Subtotal	4,690,019	1,613,718	888,434	7,192,171
Less: Provision for impairment losses	(96,942)	(294,316)	(392,599)	(783,857)
Net balance	4,593,077	1,319,402	495,835	6,408,314

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(vi) Debt instruments

Financial assets at amortised cost by five-tier classification and three-staging analysed as follows:

	At 31 December 2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
Normal	121,053,510	–	–	121,053,510
Special-mention	–	3,318,275	–	3,318,275
Substandard	–	–	9,816,500	9,816,500
Subtotal	121,053,510	3,318,275	9,816,500	134,188,285
Add: Interests receivable	6,557,809	–	–	6,557,809
Less: Provision for impairment losses	(839,479)	(219,852)	(3,926,600)	(4,985,931)
Net balance	126,771,840	3,098,423	5,889,900	135,760,163

	At 31 December 2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
Normal	108,788,789	–	–	108,788,789
Special-mention	–	59,502,480	–	59,502,480
Substandard	–	–	2,273,500	2,273,500
Doubtful	–	–	427,880	427,880
Subtotal	108,788,789	59,502,480	2,701,380	170,992,649
Add: Interests receivable	3,389,639	–	–	3,389,639
Less: Provision for impairment losses	(3,149,459)	(4,734,250)	(1,349,188)	(9,232,897)
Net balance	109,028,969	54,768,230	1,352,192	165,149,391

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(vi) Debt instruments *(continued)*

Debt instruments at fair value through other comprehensive income by five-tier classification and three-staging analysed as follows:

	At 31 December 2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
Normal	20,252,465	–	–	20,252,465
Special-mention	–	102,189	–	102,189
Subtotal	20,252,465	102,189	–	20,354,654
Add: Interests receivable	244,346	–	–	244,346
Net balance	20,496,811	102,189	–	20,599,000
Provision for impairment losses	(4,669)	(101,571)	–	(106,240)

	At 31 December 2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
Normal	11,196,501	–	–	11,196,501
Subtotal	11,196,501	–	–	11,196,501
Add: Interests receivable	131,846	–	–	131,846
Net balance	11,328,347	–	–	11,328,347
Provision for impairment losses	(2,192)	–	–	(2,192)

As at 31 December 2020, the Group's accumulated impairment charge on the debt instruments at fair value through other comprehensive income amounted to RMB106.24 million (2019: RMB2.19 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(vii) Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to 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 the end of each of the Reporting Period are as follows:

	At 31 December	
	2020	2019
Neither overdue nor impaired		
Ratings		
– AAA	**4,362,750**	3,588,254
– AA - to AA+	**3,256,488**	3,778,503
– C	**113,455**	–
– Unrated	**99,229,163**	15,058,872
Total	**106,961,856**	22,425,629

Note: Unrated debt securities mainly include debt securities issued by the Ministry of Finance, local governments, policy banks and other financial institutions and other issuers in China, which are not rated independently.

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

As at 31 December 2020, the ECL allowance of deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements amounted to RMB297 million (2019: RMB408 million) aggregately. All of them are classified as Stage 1 under the ECL model and there was no transfer to/from the other stages.

Amount due from banks and other financial institutions includes deposits and placements with banks and other financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions. The reversal of credit impairment for the amount due from banks and other financial institutions amounted to RMB111 million during the Reporting Period.

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(vii) Credit rating *(continued)*

The Group prefers more liquid collateral with a relatively stable market value and does not accept the collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loans. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral at 31 December 2020. There was no change in the Group's collateral policy during the year.

(b) Market risk

Market risk is the risk of potential loss, in respect of the Group's on-balance sheet/off-balance sheet operations, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The Group's market risk mainly includes interest rate risk and exchange rate risk. The Group aims to implement effective market risk management to control market risks within the limits that the Group can bear and to ensure that the market risks to be borne are commensurate with the Group's business objectives and development rules. The credit and risk management department is responsible for the continuous monitoring and evaluation of the adequacy and effectiveness of the Group's market risk management system. The asset and liability management department, financial markets department, asset management department and interbank business department are responsible for interest rate risk and exchange rate risk in their respective business areas.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

50. Risk management *(continued)*

(b) Market risk *(continued)*

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorizing each of the Group's interest-earning assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

(i) Interest rate risk

Interest rate risk is the risk of a loss of the Group's overall revenue and economic value resulting from an adverse change in the interest rate level, term structure and other elements of the Group's various interest-earning assets and interest-bearing liabilities. The Group distinguishes between bank books and trading books, and identifies, measures, monitors and controls the corresponding market risk based on the different nature and characteristics of bank books and trading books. The trading books includes investments that the Group intends to sell in the short term, to profit from actual or expected short-term price fluctuations or to lock in exposure. The banking book includes the operations other than the trading book. The interest rate risk management is mainly aimed to reduce the potential negative impact of changes in interest rates on net interest income and economic value. The Group mainly analyses the interest rate risk of the bank books.

Interest rate risk is included in the comprehensive risk management system and the Group's asset and liability management department is specifically responsible for interest rate risk management of the bank books.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

The following tables indicate the assets and liabilities as at the end of each of the Reporting Period by the expected next reset dates or by maturity dates, depending on which is earlier:

	At 31 December 2020					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	55,826,576	759,215	55,067,361	–	–	–
Deposits with banks and other financial institutions	4,748,291	89,581	4,633,510	25,200	–	–
Placements with banks and other financial institutions	6,062,898	363,661	–	5,699,237	–	–
Financial assets held under resale agreements	4,273,751	167	4,273,584	–	–	–
Loans and advances to customers (Note (i))	495,464,197	19,147,848	109,286,846	177,630,369	175,756,076	13,643,058
Investments (Note (ii))	180,701,450	8,124,335	20,619,641	21,561,907	46,325,472	84,070,095
Finance lease receivables (Note (iii))	3,248,825	–	681,884	477,198	2,089,743	–
Others	27,666,336	27,548,703	4,951	112,682	–	–
Total assets	777,992,324	56,033,510	194,567,777	205,506,593	224,171,291	97,713,153
Liabilities						
Borrowing from the central bank	105,816	266	20,690	84,860	–	–
Deposits from banks and other financial institutions	135,044,341	1,399,972	45,042,539	19,995,000	68,606,830	–
Placements from banks and other financial institutions	22,645,854	142,592	14,800,000	7,703,262	–	–
Financial assets sold under repurchase agreements	35,102,853	88,167	35,014,686	–	–	–
Deposits from customers	439,223,670	10,150,624	120,795,048	135,690,287	172,257,907	329,804
Debt securities issued	71,270,006	151,536	43,712,072	20,911,153	–	6,495,245
Others	3,357,604	2,469,386	296,344	359,790	159,879	72,205
Total liabilities	706,750,144	14,402,543	259,681,379	184,744,352	241,024,616	6,897,254
Asset-liability gap	71,242,180	41,630,967	(65,113,602)	20,762,241	(16,853,325)	90,815,899

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Trading interest rate risk *(continued)*

	At 31 December 2019					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	105,176,537	966,997	104,209,540	–	–	–
Deposits with banks and other financial institutions	8,301,592	177,381	7,979,211	145,000	–	–
Placements with banks and other financial institutions	5,643,864	135,638	5,508,226	–	–	–
Loans and advances to customers (Note (i))	452,695,511	6,916,601	52,051,669	123,315,312	260,520,603	9,891,326
Investments (Note (ii))	232,866,405	4,752,980	52,387,494	84,041,890	79,266,709	12,417,332
Finance lease receivables (Note (iii))	6,408,314	–	1,093,551	1,814,824	3,499,939	–
Others	25,601,968	25,516,999	82,746	2,223	–	–
Total assets	836,694,191	38,466,596	223,312,437	209,319,249	343,287,251	22,308,658
Liabilities						
Borrowing from the central bank	33,079,647	39,347	33,000,000	40,300	–	–
Deposits from banks and other financial institutions	178,117,754	1,439,006	126,495,918	45,572,830	4,610,000	–
Placements from banks and other financial institutions	27,731,363	225,017	22,541,005	4,965,341	–	–
Financial assets sold under repurchase agreements	10,106,602	26,575	10,080,027	–	–	–
Deposits from customers	407,112,779	10,802,393	133,243,139	103,793,678	159,264,472	9,097
Debt securities issued	110,108,837	160,243	49,961,503	53,492,981	–	6,494,110
Others	10,931,760	3,590,986	2,122,475	4,833,744	295,920	88,635
Total liabilities	777,188,742	16,283,567	377,444,067	212,698,874	164,170,392	6,591,842
Asset-liability gap	59,505,449	22,183,029	(154,131,630)	(3,379,625)	179,116,859	15,716,816

Notes:

(i) As at 31 December 2020, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB6,734 million (2019: RMB23,169 million).

(ii) Investments include debt investments at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. As at 31 December 2020, for investments, the category "Less than three months" includes overdue amounts (net of allowance of impairment loss) of RMB8,583 million (2019: RMB18,489 million).

(iii) As at 31 December 2020, for finance lease receivables, the category "Less than three months" includes overdue amounts of RMB682 million (2019: RMB316 million), net of provision of impairment loss.

50. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. Other variables remain unchanged, a hypothetical 100 basis point increase in interest rates at 31 December 2020 would result in an increase in net profit of RMB1,156 million and an increase in shareholders' equity of RMB1,711 million (31 December 2019: decrease in net loss of RMB2,170 million and increase in shareholders' equity of RMB2,562 million); a 100 basis point decrease in interest rates would result in an decrease in net profit of RMB1,159 million and an decrease in shareholders' equity of RMB1,749 million (31 December 2019: increase in net loss of RMB2,181 million and decrease in shareholders' equity of RMB2,602 million).

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

– Interest rate movements at the end of each of the Reporting Period apply to non-derivative financial instruments of the Group;

– At the end of the Reporting Period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rates;

– There are no other changes to the assets and liabilities portfolio;

– Other variables (including exchange rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the management.

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

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign currency risk

Exchange rate risk refers to the risk of loss in foreign exchange exposure arising from unbalanced currency structure of the foreign exchange assets and liabilities due to adverse movements in exchange rates. The objective of exchange rate risk management is to ensure the impact of exchange rate changes on the Bank's financial position and shareholders' equity is kept within an acceptable range.

Foreign exchange rate risk is incorporated into the comprehensive risk management system and the Group's asset and liability management department is specifically responsible for foreign exchange rate risk management.

The Group's currency exposures at the end of each of the Reporting Period are as follows:

	At 31 December 2020			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total
Assets				
Cash and deposits with the central bank	55,690,242	136,157	177	55,826,576
Deposits with banks and other financial institutions	4,266,286	430,291	51,714	4,748,291
Placements with banks and other financial institutions	6,062,898	–	–	6,062,898
Loans and advances to customers	494,876,693	578,211	9,293	495,464,197
Others	211,873,825	4,016,537	–	215,890,362
Total assets	772,769,944	5,161,196	61,184	777,992,324
Liabilities				
Borrowing from the central bank	105,816	–	–	105,816
Deposits from banks and other financial institutions	135,044,341	–	–	135,044,341
Placements from banks and other financial institutions	22,642,588	3,266	–	22,645,854
Deposits from customers	436,567,701	2,632,037	23,932	439,223,670
Debt securities issued	71,270,006	–	–	71,270,006
Others	38,259,005	201,452	–	38,460,457
Total liabilities	703,889,457	2,836,755	23,932	706,750,144
Net position	68,880,487	2,324,441	37,252	71,242,180
Off-balance sheet credit commitments	84,712,639	337,075	–	85,049,714

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign currency risk *(continued)*

	At 31 December 2019			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total
Assets				
Cash and deposits with the central bank	105,025,790	145,905	4,842	105,176,537
Deposits with banks and other financial institutions	7,451,347	729,388	120,857	8,301,592
Placements with banks and other financial institutions	5,643,864	–	–	5,643,864
Loans and advances to customers	452,217,365	463,449	14,697	452,695,511
Others	260,678,389	4,198,298	–	264,876,687
Total assets	831,016,755	5,537,040	140,396	836,694,191
Liabilities				
Borrowing from the central bank	33,079,647	–	–	33,079,647
Deposits from banks and other financial institutions	178,117,754	–	–	178,117,754
Placements from banks and other financial institutions	20,509,117	6,429,754	792,492	27,731,363
Deposits from customers	404,229,437	2,810,880	72,462	407,112,779
Debt securities issued	110,108,837	–	–	110,108,837
Others	21,035,933	2,399	30	21,038,362
Total liabilities	767,080,725	9,243,033	864,984	777,188,742
Net position	63,936,030	(3,705,993)	(724,588)	59,505,449
Off-balance sheet credit commitments	126,830,890	499,868	6,255	127,337,013

50. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign currency risk *(continued)*

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. As at 31 December 2020, assuming other variables remain unchanged, an appreciation of 1% in the US dollar against the RMB would increase the Group's net profit and increase the Group's equity by RMB7.46 million (31 December 2019: decrease the Group's net loss and increase the Group's equity by RMB12.94 million); a depreciation of 1% in the US dollar against the RMB would decrease the Group's net profit and the Group's equity decreased by RMB7.46 million (31 December 2019: increase the Group's net loss and decrease the Group's equity by RMB12.94 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions:

– The foreign exchange sensitivity is the gain and loss recognised as a result of 1% fluctuation in the foreign currency exchange rates against RMB;

– The fluctuation of exchange rates by 1% is based on the assumption of exchange rates movement over the next 12 months;

– The exchange rates against RMB for the US dollars change in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;

– The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;

– Other variables (including interest rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the management.

Due to the assumptions adopted, actual changes in the Group's net profit or loss and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

50. Risk management *(continued)*

(c) Liquidity Risk

Liquidity risk represents the risk that the commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy due liabilities, to perform other payment obligations and to satisfy other funds requirements of normal businesses. In extreme cases, liquidity insufficiency can lead to settlement risks of commercial banks. Significant growth in the demand for credit facilities, substantial performance of loan commitments, unexpected increase in non-performing loans, sharp decrease in deposit level and financing difficulty in the currency market may affect the Bank's liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, the Bank's own asset and liability structure and liquidity management capability are also important factors which affect the Bank's liquidity.

The Group has established asset and liability management strategies and liquidity management policy incorporated into its comprehensive risk management system. The Group's Board of Directors is responsible for reviewing and approving liquidity risk appetite, liquidity risk management strategy, important policies and procedures, and continuously monitors the liquidity risk status and reviews liquidity risk reports on a regular basis to keep abreast of liquidity risk level, management status and its significant changes. The Group's asset and liability management committee is responsible for liquidity management of the Bank as a whole and establishes liquidity management targets at the beginning of each year in accordance with the requirements of asset and liability management and regulatory indicators. The Group's asset and liability management department is responsible for the identification, measurement, monitoring and control of liquidity risk, and members of the asset and liability management committee are responsible for the implementation of liquidity management policies.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(c) Liquidity Risk *(continued)*

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the Reporting Period:

	At 31 December 2020							
	Indefinite Note(i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	44,715,148	11,111,428	–	–	–	–	–	55,826,576
Deposits with banks and other financial institutions	–	4,723,063	–	–	25,228	–	–	4,748,291
Placements with banks and other financial institutions	173,265	–	–	–	5,889,633	–	–	6,062,898
Financial assets held under resale agreements	–	–	4,273,751	–	–	–	–	4,273,751
Loans and advances to customers(ii)	6,912,884	1,456,843	36,497,920	71,860,569	182,209,335	178,370,561	18,156,085	495,464,197
Investments (iii)	10,978,791	16,502	4,397,144	9,062,544	23,028,721	47,784,052	85,433,696	180,701,450
Finance lease receivables	694,914	316,266	–	–	477,198	1,760,447	–	3,248,825
Others	27,548,703	–	175	4,775	112,683	–	–	27,666,336
Total assets	91,023,705	17,624,102	45,168,990	80,927,888	211,742,798	227,915,060	103,589,781	777,992,324
Liabilities								
Borrowing from the central bank	–	–	–	20,741	85,075	–	–	105,816
Deposits from banks and other financial institutions	–	10,705,623	10,828,879	23,025,063	21,150,910	69,333,866	–	135,044,341
Placements from banks and other financial institutions	–	–	9,851,954	5,032,752	7,761,148	–	–	22,645,854
Financial assets sold under repurchase agreements	–	–	24,395,285	10,707,568	–	–	–	35,102,853
Deposits from customers	–	72,215,368	14,034,669	37,400,562	138,903,886	176,331,666	337,519	439,223,670
Debt securities issued	–	–	10,090,547	33,724,026	20,960,188	–	6,495,245	71,270,006
Others	–	2,469,386	61,940	234,404	359,790	159,879	72,205	3,357,604
Total liabilities	–	85,390,377	69,263,274	110,145,116	189,220,997	245,825,411	6,904,969	706,750,144
Asset-liability gap	91,023,705	(67,766,275)	(24,094,284)	(29,217,228)	22,521,801	(17,910,351)	96,684,812	71,242,180

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(c) Liquidity Risk *(continued)*

	At 31 December 2019							
	Indefinite Notes(i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	43,964,829	61,211,708	–	–	–	–	–	105,176,537
Deposits with banks and other financial institutions	128,804	6,021,912	638	2,082,821	67,417	–	–	8,301,592
Placements with banks and other financial institutions	3,161,237	–	–	2,482,627	–	–	–	5,643,864
Loans and advances to customers(ii)	35,193,152	1,098,899	8,663,217	15,844,425	120,662,161	260,318,811	10,914,846	452,695,511
Investments(iii)	12,774,133	5,734,673	14,800,756	20,919,316	85,315,108	81,337,170	11,985,249	232,866,405
Finance lease receivables	601,709	–	–	902,114	1,986,796	2,917,695	–	6,408,314
Others	25,187,097	100,804	4,196	78,550	222,223	9,098	–	25,601,968
Total assets	121,010,961	74,167,996	23,468,807	42,309,853	208,253,705	344,582,774	22,900,095	836,694,191
Liabilities								
Borrowing from the central bank	–	–	33,039,326	–	40,321	–	–	33,079,647
Deposits from banks and other financial institutions	–	45,739,966	14,298,595	67,458,683	45,971,701	4,648,809	–	178,117,754
Placements from banks and other financial institutions	–	–	17,187,677	5,856,149	4,687,537	–	–	27,731,363
Financial assets sold under repurchase agreements	–	–	3,563,991	6,542,611	–	–	–	10,106,602
Deposits from customers	–	69,156,300	24,708,466	41,549,549	107,202,902	164,486,041	9,521	407,112,779
Debt securities issued	–	–	22,251,421	27,782,897	53,570,944	9,465	6,494,110	110,108,837
Others	–	3,474,918	679,590	1,442,884	4,833,744	298,889	201,735	10,931,760
Total liabilities	–	118,371,184	115,729,066	150,632,773	216,307,149	169,443,204	6,705,366	777,188,742
Asset-liability gap	121,010,961	(44,203,188)	(92,260,259)	(108,322,920)	(8,053,444)	175,139,570	16,194,729	59,505,449

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(c) Liquidity Risk *(continued)*

Notes:

(i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. The amount of deposits with banks and other financial institutions and placements with banks and other financial institutions with no defined term represent the portion of impaired deposits or balances or those that have been past due for more than one month. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.

(ii) Indefinite amount of loans and advances to customers includes all the impaired loans and advances, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand.

(iii) Investments with no impairment but overdue within one month are classified into the category of repayable on demand.

The following tables provide an analysis on utilisation of the contractual undiscounted cash flow of the non-derivative financial liabilities, loan commitments and credit card commitments and derivative financial instruments at the end of the reporting period:

	At 31 December 2020							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	Move than five years
Non-derivative financial liabilities								
Borrowing from the central bank	105,816	106,467	–	–	21,092	85,375	–	–
Deposits from banks and other financial institutions	135,044,341	160,141,078	11,319,055	11,237,754	26,070,023	24,191,604	87,322,642	–
Placements from banks and other financial institutions	22,645,854	22,781,334	–	9,859,826	5,068,722	7,852,786	–	–
Financial assets sold under repurchase agreements	35,102,853	35,169,898	–	24,409,371	10,760,527	–	–	–
Deposits from customers	439,223,670	480,589,537	72,218,159	14,485,907	38,504,870	145,057,125	209,641,400	682,076
Debt securities issued	71,270,006	74,620,812	–	10,222,995	34,335,023	21,506,605	1,516,363	7,039,826
Other financial liabilities	760,749	809,847	445,304	2,727	2,409	88,024	191,872	79,511
Total non-derivative financial liabilities	704,153,289	774,218,973	83,982,518	70,218,580	114,762,666	198,781,519	298,672,277	7,801,413
Loan commitments and credit card commitments	–	1,951,867	1,749,376	119,600	7,785	75,081	25	–

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(c) Liquidity Risk *(continued)*

	Within three months	Between three months and one year	Total
Derivative cash flows			
Cash outflow	**(1,920,019)**	**(3,409,932)**	**(5,329,951)**
Cash inflow	**1,782,012**	**3,536,599**	**5,318,611**

	At 31 December 2019							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	Move than five years
Non-derivative financial liabilities								
Borrowing from the central bank	33,079,647	33,151,146	–	33,110,825	–	40,321	–	–
Deposits from banks and other financial institutions	178,117,754	197,273,235	45,739,966	14,595,802	81,882,591	49,275,051	5,779,825	–
Placements from banks and other financial institutions	27,731,363	27,827,228	–	17,190,876	5,921,539	4,714,813	–	–
Financial assets sold under repurchase agreements	10,106,602	10,133,176	–	3,576,574	6,556,602	–	–	–
Deposits from customers	407,112,779	442,158,075	69,156,300	25,063,199	42,186,176	109,351,446	196,390,178	10,776
Debt securities issued	110,108,837	113,092,666	–	22,280,000	27,955,159	54,641,213	870,184	7,346,110
Other financial liabilities	7,089,956	7,138,870	344,163	559,906	1,213,574	4,490,399	441,432	89,396
Total non-derivative financial liabilities	773,346,938	830,774,396	115,240,429	116,377,182	165,715,641	222,513,243	203,481,619	7,446,282
Loan commitments and credit card commitments	–	3,197,415	3,165,968	5,848	21,180	4,419	–	–

	Within three months	Between three months and one year	Total
Derivative cash flows			
Cash outflow	(7,284,568)	(3,898,561)	(11,183,129)
Cash inflow	7,322,038	3,837,917	11,159,955

(i) This analysis on utilization of the non-derivative financial liabilities by contractual undiscounted cash might vary from actual results.

50. Risk management *(continued)*

(d) Operational risk

Operational risk refers to, in the process of operation and management of a commercial bank, the risk resulting from imperfect governance structure of the legal persons, unsound internal control system, deviation of operational procedures and standards, violation by business personnel of procedural requirements and the failure by the internal control system to effectively identify, warn and prevent non-compliance and improper operation. The Group has incorporated operational risk into its comprehensive risk management system and established an operational risk management structure consisting of the Board of Directors, senior management, the operational risk management committee and the "three lines of defense department". The Board of Directors assumes the ultimate responsibility for monitoring the effectiveness of operational risk management, while the senior management is responsible for implementing the operational risk management strategies, general policies and systems approved by the Board of Directors.

The Group's internal control and compliance department is responsible for the continuous monitoring, inspection and evaluation of the adequacy and effectiveness of the Group's operational risk management system and the supervision and review of the Group's internal control system and its implementation. The Group has established a database of operational risk key risk indicators and a loss event collection mechanism to regularly collect indicator data, analyze such data and report the operational risk status to the management.

51. Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for the determination and disclosure of the fair values of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices));and

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement operating procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial accounting department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. The management of the Group is responsible for verifying trade details and valuation models.

(Expressed in thousands of Renminbi, unless otherwise stated)

51. Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

The following tables show the fair value hierarchy of financial instruments measured or disclosed at fair value:

	At 31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss – debt instruments	–	3,050,028	19,962,055	23,012,083
Financial assets designated at fair value through profit or loss	–	–	8,024	8,024
Financial assets at fair value through other comprehensive income				
– debt instruments	–	20,354,654	–	20,354,654
– equity instruments	171,762	–	1,150,418	1,322,180
Loans and advances to customers – discounted bills	–	19,232,486	–	19,232,486
Positive fair value of derivatives	–	117,633	–	117,633
Total	171,762	42,754,801	21,120,497	64,047,060
Financial liabilities measured at fair value				
Financial liabilities designated at fair value through profit or loss	–	–	7,822	7,822
Negative fair value of derivatives	–	164,764	–	164,764
Total	–	164,764	7,822	172,586
Financial assets disclosed at fair value				
Financial assets measured at amortised cost	–	135,789,100	–	135,789,100
Financial liabilities disclosed at fair value				
Tier-two capital bonds issued	–	6,467,955	–	6,467,955
Negotiable certificates of deposit issued	–	63,922,026	–	63,922,026
Total	–	70,389,981	–	70,389,981

(Expressed in thousands of Renminbi, unless otherwise stated)

51. Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

	At 31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss – debt instruments	–	3,629,931	45,239,988	48,869,919
Financial assets designated at fair value through profit or loss	–	–	6,287,252	6,287,252
Financial assets at fair value through other comprehensive income				
– debt instruments	–	11,196,501	–	11,196,501
– equity instruments	66,469	–	1,165,027	1,231,496
Loans and advances to customers – discounted bills	–	226,427	–	226,427
Positive fair value of derivatives	–	84,969	–	84,969
Total	66,469	15,137,828	52,692,267	67,896,564
Financial liabilities measured at fair value				
Financial liabilities designated at fair value through profit or loss	–	–	6,282,210	6,282,210
Negative fair value of derivatives	–	100,011	–	100,011
Total	–	100,011	6,282,210	6,382,221
Financial assets disclosed at fair value				
Financial assets measured at amortised cost	–	165,206,726	–	165,206,726
Financial liabilities disclosed at fair value				
Tier-two capital bonds issued	–	6,802,961	–	6,802,961
Negotiable certificates of deposit issued	–	102,767,017	–	102,767,017
Total	–	109,569,978	–	109,569,978

(Expressed in thousands of Renminbi, unless otherwise stated)

51. Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

Debt instruments are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available, fair values are estimated on the basis of discounted cash flows or pricing models. For level 2 debt instruments, the fair values of these debts are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

The movement during the years ended 31 December 2020 and 2019 in the balance of level 3 fair value measurements are as follows:

	Financial assets at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income – equity instruments	Total financial assets	Financial liabilities designated at fair value through profit or loss	Total financial liabilities
At 1 January 2020	45,239,988	6,287,252	1,165,027	52,692,267	(6,282,210)	(6,282,210)
Total gains or losses:						
– in profit or loss for the year (included in net trading (losses)/gains)	(638,384)	306,969	–	(331,415)	(148,550)	(148,550)
– in other comprehensive income	–	–	(14,609)	(14,609)	–	–
Purchases/Issues	27,613,052	5,778,621	–	33,391,673	(5,778,621)	(5,778,621)
Settlements	(52,252,601)	(12,364,818)	–	(64,617,419)	12,201,559	12,201,559
At 31 December 2020	19,962,055	8,024	1,150,418	21,120,497	(7,822)	(7,822)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the period (included in net trading (losses)/gains)	(643,283)	368	–	(642,915)	(166)	(166)

(Expressed in thousands of Renminbi, unless otherwise stated)

51. Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

	Financial assets at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income – equity instruments	Derivative financial assets	Total financial assets	Financial liabilities designated at fair value through profit or loss	Derivative financial liabilities	Total financial liabilities
At 1 January 2019	41,482,355	16,586,787	609,330	339	58,678,811	(16,512,712)	(2)	(16,512,714)
Total gains or losses：								
– in profit or loss for the year (included in net trading gains(losses))	2,238,368	527,599	–	(339)	2,765,628	(479,216)	2	(479,214)
– in other comprehensive income	–	–	(27,875)	–	(27,875)	–	–	–
Purchases/Issues	45,458,247	13,542,178	583,572	–	59,583,997	(13,542,178)	–	(13,542,178)
Settlements	(43,938,982)	(24,369,312)	–	–	(68,308,294)	24,251,896	–	24,251,896
At 31 December 2019	45,239,988	6,287,252	1,165,027	–	52,692,267	(6,282,210)	–	(6,282,210)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the period (included in net trading gains/(losses))	991,848	142,742	–	–	1,134,590	(147,474)	–	(147,474)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(i) The debt instruments are not quoted in an active market. In the absence of any other relevant observable market, the fair values of debt instruments are estimated on the basis of pricing models or discounted cash flows. The significant unobservable inputs are price to earnings ratio and discount rate. The higher the price to earnings ratio and the lower the discount rate, the higher the fair value.

(ii) The fair values of tier-two capital bonds, financial assets measured at amortised cost and negotiable certificates of deposit are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows. The significant unobservable inputs are price to earnings ratio and discount rate.

(iii) The fair value of equity instrument is determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of recent transaction prices or discounted cash flow, where the significant input is discount rate. The higher the discount rate, the lower the fair value.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other financial institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

As at 31 December 2020, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

(Expressed in thousands of Renminbi, unless otherwise stated)

52. Entrusted lending business

Entrusted lending business of the Group includes the entrusted loans issued with funds entrusted by legal persons, unincorporated organisations, individual business and natural persons with full civil capacity. The funds exclude entrusted loans under cash management and entrusted loans under housing accumulation fund. The Group's entrusted loan business is not subject to any credit risk. The Group only holds and manages these assets and liabilities as an agent in accordance with the instructions of the entrusting party, and charges a handling fee for the services provided. Since the entrusted assets are not assets of the Group, they are not recognised in the statement of financial position.

	At 31 December	
	2020	2019
Entrusted loans	**47,133,540**	61,263,282
Entrusted funds	**47,133,540**	61,263,282

53. Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments mainly includes loans commitments, credit card commitments, acceptances, letters of credit and letters of guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	At 31 December	
	2020	2019
Loan commitments		
– Original contractual maturity within one year	**352,261**	2,359,907
– Original contractual maturity more than one year (inclusive)	**25**	–
Credit card commitments	**1,599,581**	837,508
Subtotal	**1,951,867**	3,197,415
Acceptances	**81,509,790**	119,543,175
Letters of guarantees	**188,228**	99,443
Letters of credit	**1,399,829**	4,496,980
Total	**85,049,714**	127,337,013

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

(Expressed in thousands of Renminbi, unless otherwise stated)

53. Commitments and contingent liabilities *(continued)*

(b) Capital commitments

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

	At 31 December 2020	2019
Contracted but not provided for		
– Purchase of property and equipment	**39,813**	47,169
Total	**39,813**	47,169

(c) Outstanding litigations and disputes

As at the end of the Reporting Period, the Group had a total of one major outstanding litigation case as defendant involving a subject amount of RMB22,236,007.29. The above litigation cases will not have a material adverse impact on the Group's operating activities.

The Group has been involved in a business trust dispute since 7 August 2020. The plaintiff filed a lawsuit in relation to the dispute arising from the three trust contracts with Jinzhou Bank. The Group appeared in court in December 2020 to answer the lawsuit and filed a defense. As at the end of the Reporting Period, the case was still in the first trial process and the possibility of the Group losing the case cannot be judged for the time being.

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Company-level statement of financial position

	At 31 December	
	2020	2019
Assets:		
Cash and deposits with the central bank	**55,026,364**	104,359,879
Deposits with banks and other financial institutions	**4,608,780**	8,273,858
Placements with banks and other financial institutions	**6,062,898**	6,793,864
Positive fair value of derivatives	**117,633**	84,969
Financial assets held under resale agreements	**4,273,751**	–
Loans and advances to customers	**493,022,863**	449,144,759
Financial assets at fair value through profit or loss	**23,020,107**	55,157,171
Financial assets at fair value through other comprehensive income	**21,921,180**	12,559,843
Financial assets measured at amortised cost	**135,760,163**	165,149,391
Investments in subsidiaries	**1,879,530**	1,879,530
Property and equipment	**6,469,079**	6,370,646
Deferred tax assets	**11,189,963**	11,473,434
Other assets	**8,584,889**	6,513,992
Total assets	**771,937,200**	827,761,336

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Company-level statement of financial position *(continued)*

	At 31 December 2020	2019
Liabilities and equity		
Liabilities:		
Borrowing from the central bank	**–**	33,039,325
Deposits from banks and other financial institutions	**140,957,354**	181,200,638
Placements from banks and other financial institutions	**22,645,854**	27,307,240
Financial liabilities at fair value through profit or loss	**7,822**	6,282,210
Negative fair value of derivatives	**164,764**	100,011
Financial assets sold under repurchase agreements	**35,102,853**	10,106,602
Deposits from customers	**430,752,747**	399,494,824
Accrued staff costs	**359,360**	328,217
Other taxes payable	**670,016**	406,870
Income taxes payable	**–**	1,588,759
Debts securities issued	**71,270,006**	110,108,837
Provisions	**410,284**	613,313
Other liabilities	**1,641,149**	1,433,355
Total liabilities	**703,982,209**	772,010,201
Equity:		
Share capital	**13,981,616**	7,781,616
Other equity instruments including: Preference shares	**9,897,363**	9,897,363
Capital reserve	**26,492,897**	20,582,844
Surplus reserve	**3,056,744**	2,994,679
General reserve	**11,719,119**	11,719,119
Retained earnings	**2,807,252**	2,775,514
Total equity	**67,954,991**	55,751,135
Total liabilities and equity	**771,937,200**	827,761,336

Approved and authorised for issue by the Board of Directors on 29 March 2021.

Wei Xuekun	**Guo Wenfeng**	**Yu Jun**	**Bank of Jinzhou Co., Ltd.**
Chairman	*President*	*Chief Financial Officer*	

55. Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts issued, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Refer to Note 50(a) for the explanation of the assumptions and estimation used in measuring ECL.

(b) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(c) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(d) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's selling price, related operating income and expenses and discount 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 related operating income and expenses based on reasonable and supportable assumption.

55. Significant accounting estimates and judgments *(continued)*

(e) Depreciation and amortisation

Property and equipment, intangible assets and right-of-use assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the Reporting Period. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(f) Determination of control over investees

Management applies its judgment to determine whether the control indicators set out in Note 2(3) indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 45.

(g) Defined benefit plan

The Group has established liabilities in connection with supplementary retirement benefits and other long-term benefits. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, mortality rates, demission rates and other factors. Management has made significant estimates when made these assumptions. The changes in assumptions may affect the Group's expenses related to its employee defined benefit obligations.

(Expressed in thousands of Renminbi, unless otherwise stated)

56. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
IFRS 17	Insurance contracts	1 January 2021

The Group is in the process of assessing the impact of these amendments in the period in which they are first applied.As of the date of the Report, the adoption of these amendments is unlikely to have a material impact on the consolidated financial statements.

57. Non-adjusting events after the reporting period

On 5 January 2021, Mr. Tao Zhang resigned as an employee representative supervisor and the chairman of the Board of Supervisors of the Group with effect from the date when the new supervisor succeeding to him officially performs the duties (being 5 March 2021). On 5 March 2021, Mr. Wang Zunzhou was elected as an employee representative supervisor of the Group at the employee representative meeting and was appointed as the chairman of the sixth session of the Board of Supervisors of the Group by the Board of Supervisors on 10 March 2021. For details, please refer to the announcements of the Group dated 5 January 2021, 8 March 2021 and 10 March 2021.

Chapter 16 Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

1. Liquidity coverage ratio and leverage ratio (%)

(a) Liquidity coverage ratio

	At 31 December 2020	Average for the year ended 31 December 2020
Liquidity coverage ratio (RMB and foreign currency)	**53.98%**	**64.42%**

	At 31 December 2019	Average for the year ended 31 December 2019
Liquidity coverage ratio (RMB and foreign currency)	74.86%	113.59%

(b) Leverage ratio

	At 31 December 2020	At 31 December 2019
Leverage ratio	**7.88%**	5.14%

Pursuant to the Leverage ratio Management of Commercial Banks issued by the CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

2. Currency concentrations

	USD Dollars (RMB equivalent)	**HK Dollars (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
At 31 December 2020				
Spot assets	**5,270,549**	**20,406**	**48,540**	**5,339,495**
Spot liabilities	**(2,906,760)**	**(3,683)**	**(20,425)**	**(2,930,868)**
Net long position	**2,363,789**	**16,723**	**28,115**	**2,408,627**
Net structural position	**–**	**–**	**–**	**–**
At 31 December 2019				
Spot assets	5,533,760	33,527	144,553	5,711,840
Spot liabilities	(9,470,010)	(3,342)	(866,224)	(10,339,576)
Net long position	(3,936,250)	30,185	(721,671)	(4,627,736)
Net structural position	–	–	–	–

(Expressed in thousands of Renminbi, unless otherwise stated)

3. International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims. International claims include loans and advances to customers, deposits with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At 31 December 2020		
	Bank and other financial institutions	Non-bank private sector	Total
Asia Pacific	**431,660**	**2,369,805**	**2,801,465**
of which: Hong Kong	**217,095**	**1,841,346**	**2,058,441**
Europe	**1,995,293**	**–**	**1,995,293**
North and South America	**376,599**	**–**	**376,599**
Total	**2,803,552**	**2,369,805**	**5,173,357**

	At 31 December 2019		
	Bank and other financial institutions	Non-bank private sector	Total
Asia Pacific	602,174	2,345,054	2,947,228
of which: Hong Kong	242,899	1,873,434	2,116,333
Europe	2,141,197	–	2,141,197
North and South America	596,746	–	596,746
Total	3,340,117	2,345,054	5,685,171

(Expressed in thousands of Renminbi, unless otherwise stated)

4. Loans and advances overdue for more than 90 days by geographical segments

	For the year ended 31 December	
	2020	2019
Jinzhou Region	**4,064,102**	15,760,176
Other Northeastern Region	**3,886,854**	21,343,186
Northern China Region	**1,895,995**	13,960,442
Total	**9,846,951**	51,063,804

5. Gross amount of loans and advances overdue for more than 90 days

	For the year ended 31 December	
	2020	2019
Loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**1,026,346**	31,803,148
– between 6 months and 1 year (inclusive)	**2,583,149**	12,698,969
– between 1 year and 3 years (inclusive)	**5,636,554**	5,512,097
– over 3 years	**600,902**	1,049,590
Total	**9,846,951**	51,063,804
As a percentage of total gross loans and advances:		
– between 3 and 6 months (inclusive)	**0.21%**	6.50%
– between 6 months and 1 year (inclusive)	**0.52%**	2.60%
– between 1 year and 3 years (inclusive)	**1.13%**	1.13%
– over 3 years	**0.12%**	0.21%
Total	**1.98%**	10.44%

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

At 31 December 2020, the gross amount of overdue loans and advances overdue more than 90 days of the Group were RMB9,847 million (31 December 2019: RMB51,064 million). The covered portion of these overdue loans and advances were RMB4,377 million (31 December 2019: RMB15,750 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

6. Non-bank Mainland China exposure

The Bank is a commercial bank incorporated in Mainland China with its banking business conducted in Mainland China. As at 31 December 2020 and 2019, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals.

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