

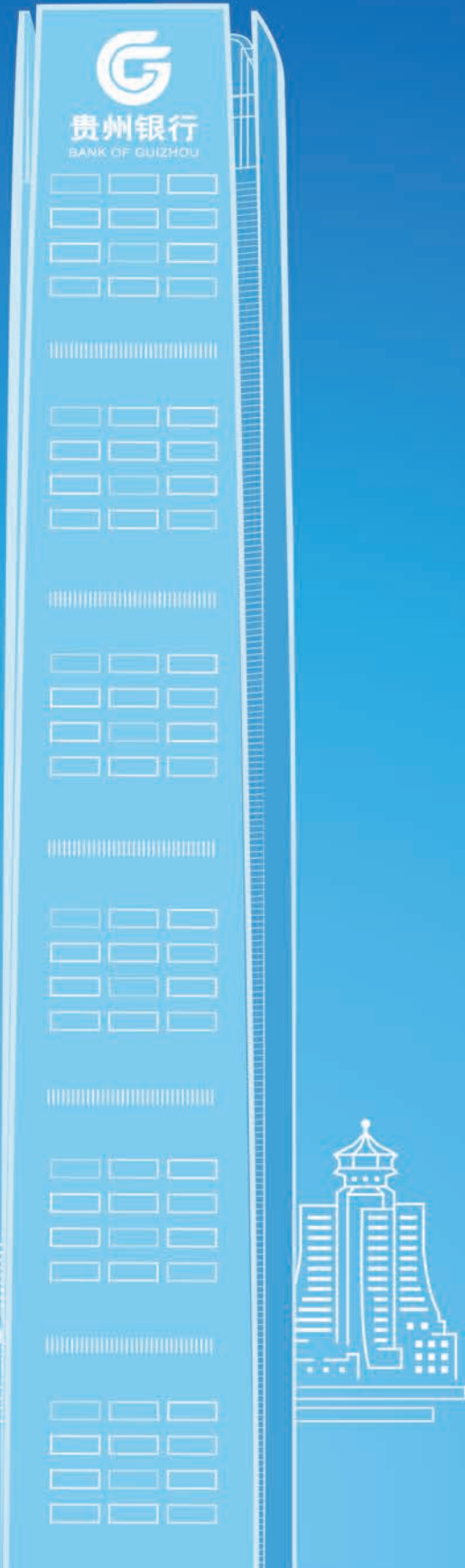
# 贵州银行股份有限公司

BANK OF GUIZHOU COMPANY LIMITED

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

Stock Code: 6199

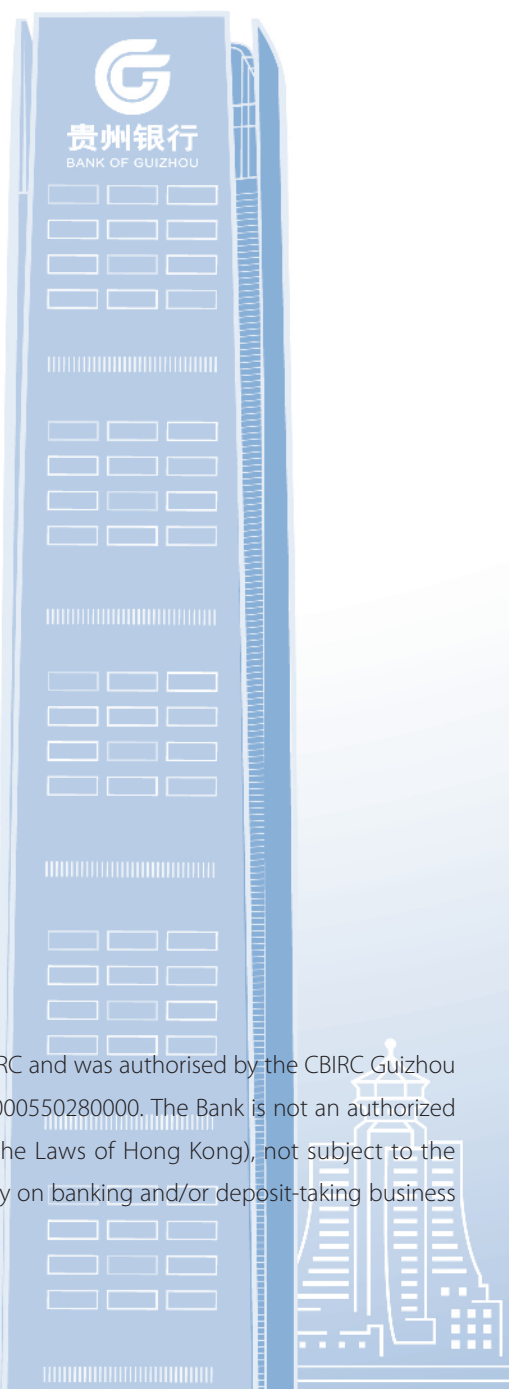
## 2019 ANNUAL REPORT



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The Bank holds a financial license No. B1383H252010001 approved by the CBIRC and was authorised by the CBIRC Guizhou office to obtain the business license with a unified social credit code 915200000550280000. The Bank 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.

## DEFINITIONS

The following terms shall have the following meanings in this report unless the context requires otherwise.

“Articles of Association” or “Articles”	the articles of association of the Bank, the version of which was passed by our shareholders at the shareholders’ meeting on 26 March 2019 and was approved by the CBIRC Guizhou Office on 9 April 2019, which became effective on 30 December 2019, as the same may be amended, supplemented or otherwise modified from time to time
“Board”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“Director(s)”	the director(s) of the Bank
“Supervisor(s)”	the supervisor(s) of the Bank
“PRC”	the People’s Republic of China, but for the purpose of this report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“CBIRC” or “CBRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)/China Banking Regulatory Commission (中國銀行業監督管理委員會) (before 17 March 2018)
“Bank”, “We”, “Our”, “us” or “Bank of Guizhou”	Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司), a joint stock company incorporated on 28 September 2012 in Guizhou Province, China, with limited liability in accordance with PRC laws and regulations and, if the context requires, includes its predecessors, branches and sub-branches
“Banking Ordinance”	the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“commercial banks”	all the banking financial institutions in the PRC other than policy banks, including the large commercial banks, the joint-stock commercial banks, city commercial banks, foreign banks and other banking financial institutions
“Domestic Shares”	ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full for in Renminbi



“H Shares”	overseas-listed shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and are listed on the Hong Kong Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$” or “HKD” or “Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Date”	30 December 2019, the date on which dealings in the H Shares first commence on the Hong Kong Stock Exchange
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“PBOC” or “Central Bank”	the People’s Bank of China (中國人民銀行)
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Basel Accords”	Basel I, Basel II and Basel III, collectively
“Basel III”	the revised Basel Capital Accord promulgated in 2010
“CBIRC Guizhou Office”	China Banking and Insurance Regulatory Commission Guizhou Office (中國銀行保險監督管理委員會貴州監管局)
“Reporting Period”	for the year ended 31 December 2019



## CHAIRMAN'S STATEMENT



In 2019, adhering to our vision of “contributing to excellence and sharing happiness”, we overcame various challenges such as difficulties and battles, cast our harvest with sweat, and made solid progress in a practical manner to promote the Bank’s various businesses to take solid steps on the path of high-quality development. As at the end of the Reporting Period, the total assets of Bank of Guizhou amounted to RMB409,389 million, representing an increase of 19.98%. Total deposits from customers amounted to RMB260,266 million, representing an increase of 18.26%. Total loans and advances increased by 28.35% to RMB179,868 million. Operating revenue for the year amounted to RMB10,706 million, representing an increase of 22.08%. Net profit amounted to RMB3,564 million, representing a year-on-year increase of 23.89%. Return on assets (ROA) and return on equity (ROE) were 0.95% and 12.01%, respectively, higher than the national average of 0.08 and 1.05 percentage points, respectively. The non-performing loan ratio was 1.18%, representing a decrease of 0.18 percentage point from the beginning of the year, which was lower than the national average of 0.68 percentage point; The provision coverage ratio was 324.95%, representing an increase of 81.23 percentage points as compared to the beginning of the year. It is worth noting that the Bank was successfully listed on The Hong Kong Stock Exchange on 30 December 2019, and joined the “Moments” of the international capital market. Under the listing requirements and regulatory rules, the Bank’s operation and management reached a new level.

The achievements in the past year were attributable to the emotional recognition of tens of millions of customers, enabling us to adhere to a day-to-day recovery in the era of “experience is king”. Thanks to the trust and strong support of our shareholders, we will continue to work together to move forward. We also benefited from the hard work and diligence of nearly 5,000 employees of Bank of Guizhou, and our story is like the star of the summer, making people feel touching.

We are well aware that we should be more concerned about the trajectory of moving forward, rather than what we have achieved. The direction is the same and it is not without fear. Every move forward will be closer to our goal. To this end, we have formulated a high standard of strategic planning and embarked on a new journey of strategic transformation and development.

Transformation is an inevitable choice for the survival and development of Bank of Guizhou. In the face of the complicated and severe economic situation and the ever-changing operating environment, after in-depth analysis, research and judgment, comprehensive and objective review, we have discovered that Bank of Guizhou has reached a time when it is must be transformed. We will take the opportunity to work hard and unswervingly on the path of transformation. At the beginning of the transformation, the new concept and new method have been subject to the intangible multiplication and constraint of the long-established old pullovers. Over the past year, we have gathered the consensus of transformation and development, and have enjoyed the benefits of transformation but don't stop there. While the process of transformation and development is inevitable to suffer pains, we firmly believe that the pain will bring a new life. We will continue to promote the transformation and development of corporate business and personal business in a steady manner, accelerate the development of strategic businesses such as financial market, transaction banking, asset management, investment banking, credit card and internet finance, and create a new growth pole.

On the road of transformation, we adhere to the value concept of “a bank with heart”. Only by heart, we can get the recognition of customers. We always adhere to the customer-oriented principle, and take the “pain points” and “complaints” of customers as the starting points of our work, so as to demonstrate our value in creating value for customers. We strived to enter into the customer service ecosystem around the financial core, and continued to improve the customer's sense of acquisition. We have changed our customer image from being blurred to being clear, our basic customer base continued to grow, our customer mix continued to be optimized, and customer loyalty effectively increased. We are deeply rooted in the land, and the “by loan” encourages poverty-stricken villages to build a road of enrichment, uses our financial resources



to nourish the real economy, accurately drives private small and micro enterprises, and jointly builds a "community of destiny" with customers. We will continue to put efforts in green finance, and strive to make the world blue, mountain green and water clearer, so that our business philosophy can be connected with the environment that relies on survival and co-prosperity.

On the road of transformation, we adhere to the bottom line of risk prevention and control. Risk prevention is the eternal theme of the banking sector. "Black Swan" is difficult to predict and "Grey Rhino" is often mentioned the financial circle. We are constantly improving and enhancing the comprehensive risk management system, accelerating the implementation and application of new agreed capital projects, further promoting the transformation of risk management model from "experience-based" to "measurement-based" and promoting the steady and sustainable development of various businesses under the premise of controlled risk management and security. We must always keep a prudent and insightful alleviated ice, strengthen risk prevention and control in key areas, prevent small probability events with great probability thinking, and apply the bottom-line thinking throughout the whole process of operation and management of the Bank, so as to build a "firewall" of risks.

On the road of transformation, we actively embrace financial technology. Archimedes, a classical Greek physicist, said: "Give me a fulcrum, I shall move the world". As such, we believe that technology is the fulcrum to play in the entire financial industry. The COVID-19 epidemic enables us to have a clearer picture of the shortcomings of traditional physical outlets and offline service methods. Therefore, we are accelerating the construction of the new generation of information system, expanding the application scenarios of technologies such as big data, artificial intelligence and blockchain, and continuously "refreshing" customer experience. We will actively integrate into the new entrances of financial services in the digital era, jointly build a shared ecosystem, create new scenarios for customers and create new value. We will accelerate data governance and strive to build a digital bank, smart bank, open bank and agile bank, so as to make financial services of higher quality, higher efficiency and more modern touch.

On the road of transformation, we continue to improve our governance efficiency. Only by improving internal strength can we achieve stable and long-term development. The successful listing has brought a leap in quality of our corporate governance and raised higher requirements. We will closely follow the changes in regulatory rules and the competitive environment, accelerate the improvement of transparent, efficient and fair corporate governance mechanism, and promote more standardized and orderly corporate governance, so that it is more standardized in form and substance, which truly becomes the cornerstone for the improvement of the Bank's operation and management level. We will adhere to capital-driven, steady development, refined management, featured operation and technological innovation, and continue to explore and move forward on the path of sustainable and high-quality development, striving to become a first-class modern city commercial bank in China.

Recently, together with Buffett, we witnessed the history of a 10-day circuit breaker of U.S. stocks for 4 times, and the domestic and international economy may face greater uncertainties in the future. The external operating environment is constantly changing, but our original aspiration is always unchanged. We will always adhere to our entrepreneurial spirit, maintain our strategic focus, seek long-term development during transformation, and continuously improve and enhance our commitment.

By 2020, for the goal, we shall despite wind and rain go.



Chairman



## PRESIDENT'S STATEMENT



Time never lives, time never flows. In 2019, facing the severe economic environment, Bank of Guizhou has focused on its development of transformation, by the technology-driven transformation and the agile recycling process, it continued to develop and move forward to its future goal, to explore the possible future, and with hard work and dedication, the Bank has taken a good chance in the development history, and successfully listed on The Hong Kong Stock Exchange, showing a new milestone of development.

Over the past year, the Bank's overall strength has reached a new high level. Total assets reached RMB409,389 million, representing an increase of 19.98%. Total deposits from customers amounted to RMB260,266 million, representing an increase of 18.26%; Total loans and advances amounted to RMB179,868, representing an increase of 28.35%; operating revenue increased by 22.08% to RMB10,706 million. Net profit increased by 23.89% to RMB3,564 million. Return on assets (ROA) was 0.95% and return on equity (ROE) was 12.01%, which were 0.08 and 1.05 percentage points higher than the national average, respectively. The non-performance loan ratio was 1.18%, down by 0.18 percentage point from the beginning of the year; The provision coverage rate was 324.95%, representing an increase of 81.23 percentage points from the beginning of the year; The provision to loan ratio was 3.85%, representing an increase of 0.54 percentage point from the beginning of the year, maintaining a leading position among urban commercial banks nationwide.

Over the past year, the Bank's transformation and development has achieved remarkable results. We continue to expand our customer base. For corporate banking, the Bank focused on key industries and key sectors, and expanded 13,000 customers in 2019, reaching a total of 70,200 customers; for retail banking, the Bank focused on key customer bases to vigorously secure customers, and expanded 1,194,700 new customers, reaching a total of 6,992,100 customers in 2019. The Bank fully supported the real economy and private businesses of small and micro enterprises, and the proportion of loans continued to increase. By the end of the Reporting Period, the balance of real economy financing amounted to RMB80,484 million, representing an increase of RMB22,870 million or 39.70% from the beginning of the year. The People's Daily reported on the development of the Bank serving small and micro enterprises. Based on the favorable ecological environment in Guizhou Province, the Bank strived to build the "Green Bank" brand, and made new green loans of RMB8,155 million and the balance reached RMB18,183 million, representing an increase of 43.11%. The diversified business model was initially formed, the profit channels were more abundant, and the businesses such as asset management, transaction banking, investment banking, credit card and internet finance were booming, which gradually became new profit growth.



Over the past year, the Bank's fundamental management has become stronger. The Bank promoted financial technology, successfully invested in big data infrastructure, development platform, machine learning platform and Risk Management platform, and established a big data analysis "Data Lake" system. A breakthrough was made in the application of artificial intelligence, an agile development team was built, data management was conducted, and a rapid iteration and impact system was initially formed. The Bank will enhance its capability in technology and energy business by launching various new products such as online white-name online loans, settlement loans, government loans, education ecosystem, micro-assistants, intelligent parking, marketing of featured products and Bank-Hospital Connection (銀醫通). Through cluster and micro-service transformation, the Bank will fully promote online operation and the implementation of financial technology. The Bank vigorously promoted debt management science, refined financial management, intelligent operation and management, standardized management system, professional supervision management and standardized safety management system, and improved the operation and management system of the Bank with continuous improvement in management ability. The Bank attaches great importance to risk management and control, and strives to strengthen the management of credit risk, operational risk, liquidity risk, market risk and reputation risk, so as to ensure that all types of risks are under control, cases and accidents found throughout the year is nil.

What's past is prologue. 2020 is the beginning of the next decade. The Bank will take strategic planning as the lead, transformation development as the driving force, risk prevention and control as the starting point and financial technology as the support, strive to support the real economy, prevent and control financial risks with full efforts, improve service quality and efficiency continuously, strive to provide customers with more high-quality and efficient financial services, strive to promote sustainable high-quality development of Bank of Guizhou, and return to shareholders and the society with excellent performance.



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*President*





# COMPANY PROFILE

## 1. BASIC INFORMATION

### Legal Chinese Name:

貴州銀行股份有限公司

### English Name:

BANK OF GUIZHOU CO., LTD.

### Legal Representative:

Mr. Li Zhiming

### Authorised Representatives for the Hong Kong Stock Exchange:

Mr. Li Zhiming, Mr. Zhou Guichang

### Board Secretary:

Mr. Zhou Guichang

### Joint Company Secretaries:

Mr. Zhou Guichang, Mr. Lei Kin Keong

### Registered Address:

No. 41, Middle Ruijin Road, Yunyan District, Guiyang, Guizhou Province, PRC

### Head Office in the PRC:

No. 149, South Zhonghua Road  
Nanming District, Guiyang  
Guizhou Province, PRC

### Principal Place of Business in Hong Kong:

40th Floor, Sunlight Tower  
No. 248, Queen's Road East, Wanchai, Hong Kong

### Contact Address:

No. 149, South Zhonghua Road  
Nanming District, Guiyang, Guizhou Province  
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### Email:

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### Website for Publishing this Report:

www.bgzchina.com  
www.hkexnews.hk

### Address for Inspection of this Report:

The Board Office of the Bank (26th Floor, Zhongdu Building, No. 149 South Zhonghua Road, Nanming District, Guiyang, Guizhou Province, the PRC)

### Place of Listing, Stock Name and Stock Code:

The Stock Exchange of Hong Kong Limited, BANK OF GUIZHOU, 6199.HK

### Corporate Uniform Social Credit Code:

915200000550280000

### Financial License Institution Number:

B1383H252010001

### Compliance Advisor:

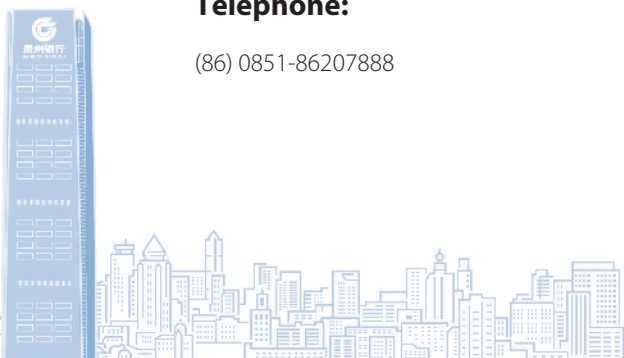
Guotai Junan Capital Limited

### Auditors:

Overseas Auditor: KPMG  
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance  
Domestic Auditor: KPMG Huazhen LLP

### Hong Kong H Share Registrar and Transfer Office:

Computershare Hong Kong Investor Services Limited



## 2. COMPANY PROFILE

Founded on 11 October 2012, and headquartered in Guiyang City, Guizhou Province, Bank of Guizhou is a provincial legal person financial institution established through the merger and reorganization of Zunyi City Commercial Bank, Anshun City Commercial Bank and Liupanshui City Commercial Bank. The Bank has been listed on the main board of The Hong Kong Stock Exchange on 30 December 2019 with its stock code of 6199.HK. It is the first financial institution in Guizhou Province to enter the international capital market.

The Bank's business scope is: absorbing public deposits; offering short-term, medium-term and long-term loans; arranging settlement of domestic accounts; arranging entrusted deposits and entrusted loans; handling acceptance and discount of instruments; issuing, cashing and undertaking the sale of government bonds as agents; buying and selling government bonds and financial bonds; undertaking inter-bank borrowing or lending; trading foreign exchanges and providing agency services for foreign exchange trading; engaging in the bank card business; providing letters of credit services and guarantee; handling receipts and payments; providing safe boxes services; concurrent-business insurance agency; fund sales business; other business approved by the banking regulatory authority and relevant department.

At the end of the Reporting Period, the Bank had total assets of RMB409,389 million, total deposits from customers of RMB260,266 million and total loans and advances to customers of RMB179,868 million, recorded net profit of RMB3,564 million, non-performing loan ratio of 1.18% and provision coverage rate of 324.95%. At the end of the Reporting Period, there were 218 licensed institutions of the Bank, including 1 head office, 8 branches, 203 traditional sub-branches, 5 community sub-branches and 1 branch banking operation department, with 4,820 regular employees. All branches of the Bank are located within Guizhou Province, realizing the full coverage of city (prefecture) and county (district) institutions in Guizhou Province.

The vision of Bank of Guizhou is to become a "domestic first-class modern city commercial bank", with the goal of "contribution excellence, happiness sharing", it always adheres to the concept of "bank with heart", and strongly supports the economic and social development of Guizhou. Bank of Guizhou has established business areas covering corporate banking, retail banking, small and micro financial services, financial market operations, and asset management. In light of Guizhou's economic and social development, it has continuously innovated business products, and each business has developed rapidly. Bank of Guizhou has vigorously strengthened the distribution network construction, with branches in 88 counties in Guizhou Province. Electronic banking, mobile banking, WeChat banking, online banking, telephone banking and other service channels have been continuously improved, and the customer base has been continuously expanded. Bank of Guizhou insists on steady and prudent operations, and has established a comprehensive risk management system that matches business development. The asset quality level continues to lead the industry. Bank of Guizhou continued to optimize its internal management, various systems and mechanisms were continuously improved, the building of the talent team was continuously strengthened, and the Bank has operated efficiently and orderly. Bank of Guizhou ranked 47th in the "2019 China Top 100 Banks List" released by the China Banking Association.



## COMPANY PROFILE

### 3. MAJOR AWARDS ACHIEVED IN 2019

Awards	Awarded by
"Institution for Active Promotion of Mobile Phone Number Payment Business" (手機號碼支付業務推廣積極機構)	– The Clearing Center of the Head Office of the People's Bank of China
"Top 300 National Interbank RMB Market in 2019" (2019年全國銀行間本幣市場300強)	– The National Interbank Funding Center
"Best Progress Award For Interbank RMB Market in 2019" (2019年度銀行間本幣市場最佳進步獎)	– The National Interbank Funding Center
"Advanced Unit For Chinese Unionpay Card-free Business Cooperation" (中國銀聯無卡業務合作先進單位)	– China Unionpay
"Top 100 Annual Settlement in 2019-Outstanding Dealer" (2019年度結算100強-優秀自營商)	– China Government Securities Depository Trust & Clearing Co., Ltd.
"Best Mobile Banking Operation Award in 2019" (2019年最佳手機銀行運營獎)	– China Financial Certification Authority (CFCA)
"Outstanding Cooperation Award in 2019" (2019年度優秀合作獎)	– City Commercial Banks Clearing Co., Ltd.
"Five-Star Outlets For Standard High-quality Banking Services in 2019" (2019年銀行業文明規範服務五星級網點) was awarded to Guiyang Baoshan Sub-branch, Zunyi Hangtian Sub-branch and Business Department of Liupanshui Branch	– China Banking Association
"Four-Star Outlets For Standard High-quality Banking Services in 2019" (2019年銀行業文明規範服務四星級網點) was awarded to Business Department of Tongren Branch, Liupanshui Guanting Sub-branch	– China Banking Association
"Three-Star Outlets For Standard High-quality Banking Services in 2019" (2019年銀行業文明規範服務三星級網點) was awarded to Anshun Xiaoshizi Sub-branch and Qiannan Sandu Sub-branch	– China Banking Association
"National Worker Pioneer" (全國工人先鋒號) was awarded to the Management Department in Guiyang	– All-China Federation of Labour Unions

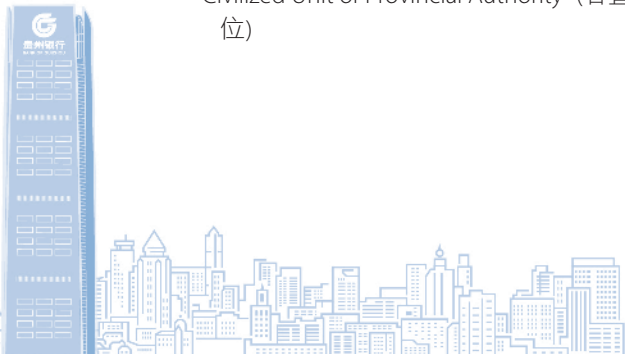


Awards	Awarded by
"Guizhou Provincial Poverty Alleviation Advanced Party Organization" (貴州省脫貧攻堅先進黨組織) was awarded to the Party Committee of Zunyi Branch and the Party Branch of Anshun Guanling County Sub-branch	- Guizhou Provincial Committee of the CPC
"Guizhou Provincial Worker Pioneer" (貴州省工人先鋒號) was awarded to Baoshan Sub-branch	- Federation of Trade Unions of Guizhou Province (貴州省總工會)
"Guizhou Provincial May 1st Labor Award" (貴州省五一勞動獎狀) was awarded to Tongren Yanhe Sub-branch	- Federation of Trade Unions of Guizhou Province (貴州省總工會)
"Second Prize For Guizhou Provincial Finance Statistics" (貴州省2019年度金融統計工作二等獎)	- Guiyang Central Branch of the People's Bank of China
"The No. 1 in the Assessment of Account Management of Banking Financial Institutions in Guizhou Province for 2019" (貴州省銀行業金融機構2019年度賬戶管理工作考評第一名)	- Guiyang Central Branch of the People's Bank of China
"Second Prize (Project Construction Loan, Farmers Loan) & Third Prize (Land Reclamation Loan) For Innovative Financial Products in Supporting Real Economy by Financial Institutions in Guizhou Province in 2018" (2018年度貴州省金融機構支持實體經濟創新金融產品二等獎(工程施工貸款、農戶貸); 三等獎(土地復墾綠色貸款))	- Guizhou Provincial Financial Supervision and Administration Bureau (貴州省地方金融監督管理局)
Advanced Group For Guizhou Rural "Zu Zu Tong" Hardened Road Competition (貴州省農村"組組通"硬化路三年大決戰先進集體)	- Guizhou Provincial Department of Transportation, Guizhou Provincial Department of Human Resources and Social Security (貴州省交通運輸廳、貴州省人力資源和社會保障廳)
"Top 10 Social Contribution Enterprises" (十佳社會貢獻企業)	- Guizhou Provincial Development and Reform Commission, Guizhou Provincial Department of Ministry of Industry and Information, Guizhou Provincial Department of Transportation (貴州省發展和改革委員會、貴州省工業和信息化廳、貴州省交通運輸廳)
"Tianji Award For Regional Influence Bank in 2019" (2019年度區域影響力銀行天璣獎)	- Securities Times



## COMPANY PROFILE

Awards	Awarded by
“Best City Commercial Bank in Inclusive Finance” (最佳普惠金融城市商業銀行)	– The Banker
“Tiema–Famous Branded Bank” (鐵馬–知名品牌銀行)	– Modern Bankers Journal Press
“Best Growth Bank in Trade and Finance” (最佳貿易金融成長銀行)	– Trade Finance Magazine, SINOTF.COM, TFSINO.COM (《貿易金融》雜誌、中國貿易金融網、環球交易銀行網)
“Outstanding Contribution Award For Fintech Channel in 2019” (2019年度金融科技渠道創新突出貢獻獎)	– Financial Computerising Press (《金融電子化》雜誌社)
“Outstanding Team Award For China Financial System Procurement” (2019年度中國金融系統採購優秀團隊獎)	– China Finance Press, CFPCP.COM (中國金融雜誌社、中國金融集中採購網)
“Top 100 Enterprises in Guizhou” (貴州企業100強)	– Federation of Enterprises and Entrepreneurs Association of Guizhou Province (貴州省企業聯合會、貴州省企業家協會)
“Top 50 Service Enterprises in Guizhou” (貴州服務業企業50強)	– Federation of Enterprises and Entrepreneurs Association of Guizhou Province (貴州省企業聯合會、貴州省企業家協會)
“Best Brand Enterprise For Customer Service in Guizhou” (貴州省最佳客戶服務品牌企業)	– Guizhou Enterprise Culture Promotion Association, Guizhou Council For Brand & Culture Construction (貴州省企業文化促進會、貴州品牌文化建設委員會)
“Guizhou Provincial Integrity Demonstration Enterprise” (貴州省誠信示範企業)	– Joint Conference Office of Social Credit System Construction in Guizhou Province (貴州省社會信用體系建設聯席會議辦公室)
“Advanced Unite For Corporate Culture Construction in Guizhou” (貴州省企業文化建設先進單位)	– Guizhou Enterprise Culture Promotion Association, Guizhou Council For Brand & Culture Construction (貴州省企業文化促進會、貴州品牌文化建設委員會)
“Civilized Unit of Provincial Authority” (省直機關文明單位)	– Working Committee of Guizhou Provincial Authority of the CPC, Guizhou Spiritual Civilization Construction Guidance Office (中共貴州省直屬機關工作委員會、貴州省精神文明建設指導委員會辦公室)



## SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

The financial information contained herein is prepared under the International Accounting Standards. Unless otherwise stated, such information is denominated in RMB.

Item	2019	2018	Year-on-Year Growth	2017	2016
			Rate of change (%)		
<b>Operation results indicators</b>					
<i>(RMB million, except for percentages)</i>					
Net interest income	9,870.96	8,326.29	18.55	8,710.81	7,930.24
Net fee and commission income	94.64	21.30	344.32	(9.67)	189.97
Operating income	10,705.53	8,769.61	22.08	8,625.38	8,068.50
Operating expenses	(3,422.11)	(3,039.83)	12.58	(2,919.53)	(2,858.21)
Impairment losses on assets	(3,172.77)	(2,392.28)	32.63	(3,058.52)	(2,819.43)
Total profit	4,091.39	3,303.04	23.87	2,641.84	2,397.87
Net profit	3,563.64	2,876.57	23.89	2,254.95	1,961.43
			Rate of change (%)		
Net assets per share (RMB)	2.32	2.06	12.62	1.87	1.68
Basic earnings per share (RMB)	0.29	0.24	20.83	0.23	0.23
			Change		
<b>Profitability indicators</b>					
Return on average total assets <sup>(1)</sup>	0.95%	0.92%	0.03%	0.88%	0.99%
Return on average equity <sup>(2)</sup>	12.01%	12.36%	-0.35%	12.07%	13.14%
Net interest spread <sup>(3)</sup>	2.75%	2.66%	0.09%	3.31%	3.86%
Net interest margin <sup>(4)</sup>	2.82%	2.82%	–	3.45%	3.95%
Net fee and commission income to operating income	0.88%	0.24%	0.64%	-0.11%	2.35%
Cost-to-income ratio <sup>(5)</sup>	30.84%	33.91%	-3.07%	33.05%	32.53%



## SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

item	2019	2018	Year-on-Year Growth	2017	2016
			Rate of change (%)		
<b>Scale indicators</b> <i>(RMB million, except for percentage)</i>					
Total assets	409,388.80	341,202.88	19.98	286,368.40	228,949.27
Including: Gross loans and advances to customers	179,867.72	140,140.53	28.35	88,132.34	68,331.41
Net loans and advances to customers <sup>(6)</sup>	173,349.70	135,831.85	27.62	85,409.49	65,549.85
Total liabilities	375,499.56	315,743.99	18.93	265,270.99	212,692.29
Including: Deposits from customers <sup>(7)</sup>	260,266.47	220,083.74	18.26	202,270.51	164,810.11
Share capital	14,588.05	12,388.05	17.76	11,263.05	9,661.35
Total equity	33,889.24	25,458.89	33.11	21,097.41	16,256.98
			Change (%)		
<b>Asset Quality Indicators</b>					
Non-performing loan ratio <sup>(8)</sup>	1.18%	1.36%	-0.18	1.60%	1.91%
Allowance coverage ratio <sup>(9)</sup>	324.95%	243.72%	81.23	192.77%	212.86%
Allowance to gross loans <sup>(10)</sup>	3.85%	3.31%	0.54	3.09%	4.07%
			Change (%)		
<b>Capital adequacy ratio indicators <sup>(11)</sup></b>					
Core tier-one capital adequacy ratio	12.30%	10.62%	1.68	10.93%	10.26%
Tier 1 capital adequacy ratio	12.30%	10.62%	1.68	10.93%	10.26%
Capital Adequacy Ratio	14.45%	12.83%	1.62	11.62%	11.21%
Total equity to total assets	8.28%	7.46%	0.82	7.37%	7.10%
			Change (%)		
<b>Other Indicators</b>					
Liquidity coverage ratio	320.18%	180.08%	140.10	143.01%	119.87%
Liquidity ratio	96.29%	65.31%	30.98	60.33%	49.67%
Loan-to-deposit ratio	69.60%	63.68%	5.92	43.57%	41.46%



*Notes:*

- (1) The percentage of net profit for the Reporting Period to the average balance of the total assets at the beginning and the end of the period.
- (2) The percentage of net profit for the Reporting Period to the average balance of total equity at the beginning and the end of the period.
- (3) Calculated by the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities, on a basis of the daily average of the interest-earning assets and interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, on a basis of the daily average of the interest-bearing assets.
- (5) Calculated by dividing operating cost after tax and surcharges by operating revenue.
- (6) Net loans and advances to customers = total loans and advances to customers + accrued interest on loans and advances to customers - provision for impairment of loans and advances to customers.
- (7) Deposits from customers = principal of deposits from customers + interest payable on deposits from customers.
- (8) Calculated by dividing total NPLs by total loans and advances to customers.
- (9) Calculated by dividing provision for impairment loss on loan by total NPLs.
- (10) Calculated by dividing provision for impairment loss on loan by total loans and advances to customers.
- (11) Core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were calculated in accordance with the latest guidance promulgated by the CBIRC (effective from 1 January 2013).





## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.1 ECONOMIC, FINANCIAL AND POLICY ENVIRONMENT

In 2019, under the complicated situation with increasing domestic and overseas risks and challenges, the domestic economic development focused on “six stabilizings”, namely “stabilizing employment, stabilizing finance, stabilizing foreign trade, stabilizing foreign capitals, stabilizing investment and stabilizing expectation”. Key progresses have been achieved in three critical battles. The national economy maintained stable growth on the whole with steady improvement in development quality. Major expected targets have been achieved smoothly. Based on the preliminary calculation of the National Bureau of Statistics, the gross domestic product (GDP) reached RMB99,086.5 billion, representing an increase of 6.1% as compared with the previous year. Industrial production continued to develop and high-end manufacturing and strategic emerging industries achieved rapid growth. Service industries saw rapid development and modern service industries witnessed strong momentum of growth. Market sales and investment in fixed assets increased steadily while investment in high-tech industries grew rapidly. Solid progresses have been made in key reforms and major battles and economic transformation and upgrading maintained the momentum. During the Reporting Period, the economic operation in Guizhou Province, where the Bank mainly conducts operation, was generally steady and the economic growth maintained strong trends. Based on the data released by the Statistical Bureau of Guizhou Province, the gross regional product of Guizhou province amounted to RMB1,676,934 million in 2019, representing an increase of 8.3% from the previous year. Agricultural restructuring was deeply advanced across the province. Industrial economy grew rapidly and service industries developed stably. The implementation of ten major projects on innovative development sped up. As at the end of 2019, money supply (M0) across the PRC was RMB7,718,947 million and social financing amounted to RMB25,575.3 billion.

In January 2019, the People’s Bank of China lowered the reserve requirement ratio for financial institutions by 1 percentage point. In September 2019, it further cut the reserve requirement ratio for financial institutions. On 17 August 2019, the People’s Bank of China released an announcement on the improvement and reform of the loan prime rate (LPR) mechanism to further boost the market orientation of loan interest rates in the PRC and improve the transmission efficiency of market interest rates. In the long term, the actual loan interest rates will reduce.

### 4.2 ANALYSIS OF OVERALL OPERATION PERFORMANCE

In 2019, the Bank took firm steps in strategic transformation and achieved remarkable results in transformation and development. After successfully entering the capital market, the Bank recorded high-quality development in various businesses with smooth progress in technology development, steady improvement in management efficiency and remarkable results in overall risk management.

- I. Taking clearer steps in strategic transformation. The Bank completed the formulation of the Development Strategy and Planning of the Bank of Guizhou for 2018–2022 and developed the “12345” overall strategic framework, namely with the vision of “grasping the pulse of the new era, maintaining high-quality development and building a top-notch modern urban commercial bank in China” and the targets of “contributing excellence and sharing happiness”, further clearing “customer-oriented, product-oriented and regional-oriented” positioning, focusing on the four tasks of “fully advancing transformation of corporate businesses, developing big retail with extraordinary efforts, improving profit in the financial market and rebuilding the online Bank of Guizhou” as well as emphasizing the improvement of five supporting systems of “talent recruitment, risk management, resources allocation, performance appraisal and technology construction”. Through the scientific preparation of strategic planning and vigorously advancing the implementation of strategies, the Bank is developing towards clearer orientations with more powerful strategic leadership.



- II. Successfully entering the international capital market. On 30 December 2019, the Bank was officially listed on the Main Board of the Hong Kong Stock Exchange. It issued 2.2 billion H shares and raised HK\$5,456 million, which significantly boosted the capital strength of the Bank. The successful listing of the Bank at Hong Kong Stock Exchange made it a pioneer among local financial enterprises in entering the international capital market in Guizhou, which significantly boosted the market influence and brand effect of the Bank and strengthened the momentum to the high-quality development of the Bank.
- III. Maintaining high-quality development trends in businesses. Firstly, its assets size hiked steadily. For the year ended 31 December 2019, its total assets reached RMB409,389 million and the market share jumped by 19.98%. Its deposits from customers amounted to RMB260,266 million, up by 18.26% year on year. Its total loans and advances to customers was RMB179,868 million, up by 28.35% year on year. Secondly, the anti-risk ability has been improving. The NPL ratio was 1.18%, representing a decrease of 0.18 percentage point as compared with the beginning of the year. The allowance coverage ratio was 324.95%, representing an increase of 81.23 percentage points as compared with the beginning of the year and a leading level among urban commercial banks across the country. Thirdly, the profitability has been significantly enhanced. In 2019, it realized a net profit of RMB3,564 million, representing an increase of 23.89% as compared to the beginning of the year. As at the end of the Reporting Period, its return on total assets and return on average equity were 0.95% and 12.01%.
- IV. Making smooth progress in technology construction. It initiated sub-systems, the construction of a new-generation information system, and put 28 projects into operation. With key systems such as core, counter, credit and payment under development, the Bank is steadily advancing towards the target of building a national first-class modern urban commercial bank and a FinTech model. It vigorously advanced digital construction with the big data fundamental software, development platform, machine learning platform and risk control platform successfully put into operation and breakthroughs achieved in FinTech transformation. It completed 628 development tasks and introduced the white list for online loans, Meituan co-branded card, intelligent parking, education ecosystem, bank-hospital pass and other products and rapidly and efficiently responded to business demands.
- V. Achieving steady improvement in management efficiency. The Bank incorporated all regulatory and rating indicators into all sectors, sections and processes in operation and management. In 2019, all regulatory indicators on regulation met the standards and have been increasingly optimized. The Bank adjusted and optimized its asset input and structure and made detailed arrangements on assets and liabilities to gradually conduct scientific asset and liability management. The phase-I management accounting system, the procurement system and the account reporting system have been put into operation and the financial management became increasingly refined. It initiated the intelligent construction of business outlets and offices. It conducted 32 counter businesses without filling forms and the operation management gradually became intelligent. It created 7 national-level star outlets, ranking the first in the industry across the province. All regulatory indicators have been continuously met with the internal control management system further improved. The Bank firstly developed and applied the “AI Hawk-Eye Safety Risk Alarming System” in the financial industry in the province, firstly established the database on anti-fraud fugitives and firstly advanced the project on safety brand construction. All these efforts further consolidated the basis for the safe operation of the Bank.
- VI. Recording remarkable results in overall risk management. The Bank adhered to “sound and prudent” risk preferences and continuously improved the credit system. The planning on new capital agreements was successfully completed with the bank-wide risk preference indicator base established and improved and the overall risk management framework preliminarily developed. It completed the development of systems such as “scoring model”, “strategic planning” and “asset pool assignment model” and the internal rating on retails was officially put into operation. Non-retail rating programs were under orderly progress and the development and testing of the interbank rating model has been completed. It has gradually transformed the risk management model from being “experience-based” to being “measurement-based”.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.3 ANALYSIS OF PROFIT STATEMENTS

In 2019, the Bank achieved a profit before tax of RMB4,091 million, representing an increase of 23.87% as compared with the previous year. It recorded a net profit of RMB3,564 million, representing an increase of 23.89% as compared with the previous year.

Item	For the year ended 31 December			
	2019	2018	Net change	Rate of change
	<i>(RMB million, except for percentages)</i>			
Interest income	18,264.23	14,676.17	3,588.06	24.45
Interest expense	(8,393.27)	(6,349.88)	(2,043.39)	32.18
<b>Net interest income</b>	<b>9,870.96</b>	<b>8,326.29</b>	<b>1,544.67</b>	<b>18.55</b>
Fee and commission income	191.73	108.42	83.31	76.84
Fee and commission expense	(97.09)	(87.12)	(9.97)	11.44
<b>Net fee and commission income</b>	<b>94.64</b>	<b>21.30</b>	<b>73.34</b>	<b>344.32</b>
Net trading gains	116.39	151.60	(35.21)	(23.23)
Net gains on Investment Securities	662.28	217.16	445.12	204.97
Other operating (expense)/income	(38.74)	53.26	(92.00)	(172.74)
Operating income	10,705.53	8,769.61	1,935.92	22.08
Operating expenses	(3,422.11)	(3,039.83)	(382.28)	12.58
Impairment losses on assets	(3,172.77)	(2,392.28)	(780.49)	32.63
Share of losses of associates	(19.26)	(34.46)	15.20	(44.11)
Profit before tax	4,091.39	3,303.04	788.35	23.87
Less: Income tax expenses	(527.75)	(426.47)	(101.28)	23.75
<b>Net profit</b>	<b>3,563.64</b>	<b>2,876.57</b>	<b>687.07</b>	<b>23.89</b>



### 4.3.1 Net interest income, net interest spread and net interest margin

In 2019, the Bank's net interest income amounted to RMB9,871 million, representing a year-on-year increase of 18.55% and accounting for 92.20% of the operating income.

The following tables set forth, for the periods indicated, the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost of these interest-bearing liabilities.

Item	For the year ended 31 December					
	Average balance	2019 Interest income/expense	Average yield/cost (%) <sup>(1)</sup>	Average balance	2018 Interest income/expense	Average yield/cost (%) <sup>(1)</sup>
	<i>(RMB million, except percentages)</i>					
<b>Assets</b>						
Loans and advances to customers	167,109.45	10,191.40	6.10	109,698.76	6,504.47	5.93
Financial investments <sup>(2)</sup>	134,835.01	7,143.36	5.30	137,126.08	7,188.61	5.24
– Financial investments at fair value through other comprehensive income	21,426.62	1,122.97	5.24	14,232.15	545.33	3.83
– Financial investments at amortised cost	113,408.39	6,020.39	5.31	122,893.93	6,643.28	5.41
Deposits with the central bank	28,486.26	431.03	1.51	31,013.39	472.85	1.52
Deposits with banks and other financial institutions	2,593.92	93.37	3.60	1,343.58	37.04	2.76
Financial assets held under resale agreements	17,023.69	405.07	2.38	16,221.64	473.20	2.92
<b>Total interest-earning assets</b>	<b>350,048.33</b>	<b>18,264.23</b>	<b>5.22</b>	<b>295,403.45</b>	<b>14,676.17</b>	<b>4.97</b>
<b>Liabilities</b>						
Deposits from customers	228,434.20	4,379.61	1.92	203,801.75	2,982.49	1.46
Deposits from banks and other financial institutions	9,680.29	362.88	3.75	10,133.99	520.32	5.13
Placements from banks and other financial institutions	217.81	8.94	4.10	–	–	–
Borrowings from the central bank	2,559.24	72.32	2.83	1,425.28	41.56	2.92
Financial assets sold under repurchase agreements	4,523.18	111.00	2.45	901.80	21.35	2.37
Debt securities issued	94,560.31	3,458.52	3.66	58,393.23	2,784.16	4.77
<b>Total interest-bearing liabilities</b>	<b>339,975.03</b>	<b>8,393.27</b>	<b>2.47</b>	<b>274,656.05</b>	<b>6,349.88</b>	<b>2.31</b>
Net interest income		9,870.96			8,326.29	
Net interest spread <sup>(3)</sup>		2.75%			2.66%	
Net interest margin <sup>(4)</sup>		2.82%			2.82%	

Notes:

- (1) Calculated by dividing interest income or expense by average balance.
- (2) Financial investments include financial investments at amortised cost and financial investments at fair value through other comprehensive income.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of total interest-earning assets.



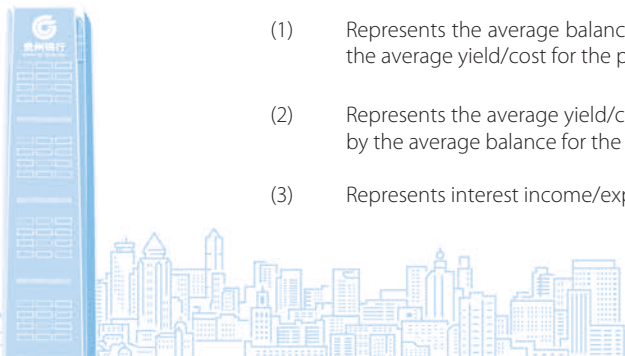
## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out, for the periods indicated, the changes in the Bank's interest income and interest expense attributable to changes in volume and rate. Changes in volume are measured by the change in average balance of interest-bearing assets and interest-bearing liabilities, while changes in interest rates are measured by changes in the average interest rates of interest-bearing assets and interest-bearing liabilities. Changes caused by both volume and rate have been allocated to changes in rate.

Item	For the year ended 31 December 2019 Compared to 2018		
	Net increase/(decrease) as a result of		Net increase/ (decrease) <sup>(3)</sup>
	Scale <sup>(1)</sup>	Interest rate <sup>(2)</sup>	
	<i>(RMB million, except for percentages)</i>		
<b>Interest-earning assets</b>			
Loans and advances to customers	3,501.27	185.66	3,686.93
Financial investments			
— Financial investments at fair value through other comprehensive income	377.06	200.58	577.64
— Financial investments at amortised cost	(503.55)	(119.34)	(622.89)
Deposits with the central bank	(38.24)	(3.58)	(41.82)
Deposits with banks and other financial institutions	45.01	11.32	56.33
Financial assets held under resale agreements	19.08	(87.21)	(68.13)
<b>Changes in interest income</b>	<b>3,400.64</b>	<b>187.42</b>	<b>3,588.06</b>
<b>Interest-bearing liabilities</b>			
Deposits from customers	472.26	924.86	1,397.12
Deposits and placements from banks and other financial institutions	(17.01)	(140.43)	(157.44)
Placements from banks and other financial institutions	8.94	—	8.94
Borrowings from central bank	32.04	(1.28)	30.76
Financial assets sold under repurchase agreements	88.87	0.78	89.65
Debts securities issued	1,322.80	(648.44)	674.36
<b>Changes in interest expenses</b>	<b>1,907.91</b>	<b>135.48</b>	<b>2,043.39</b>
<b>Changes in net interest income</b>	<b>1,492.73</b>	<b>51.94</b>	<b>1,544.67</b>

Notes:

- (1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield/cost for the previous period.
- (2) Represents the average yield/cost for the period minus the average yield/cost for the previous period, multiplied by the average balance for the previous period.
- (3) Represents interest income/expense for the period minus interest income/expense for the previous period.



### 4.3.2 Analysis on interest income

In 2019, the Bank realized interest income of RMB18,264 million, representing a year-on-year increase of RMB3,588 million or 24.45%.

#### I. Interest Income from loans and advances to customers

In 2019, the Bank's interest income from loans and advances to customers was RMB10,192 million, representing a year-on-year increase of RMB3,687 million or 56.68%. The following table sets forth, for the period indicated, the average balance, interest income and average yield for each component of our loans and advances to customers.

Item	For the year ended 31 December					
	Average balance	2019 Interest income	Average yield	Average balance	2018 Interest income	Average yield
	<i>(Expressed in RMB million)</i>					
Corporate loans and advances	137,063.81	8,705.06	6.35%	91,935.00	5,642.41	6.14%
Personal loans and advances	23,255.61	1,292.61	5.56%	13,390.48	695.91	5.20%
Discounted bills	6,790.03	193.73	2.85%	4,373.28	166.15	3.80%
<b>Total loans and advances to customers</b>	<b>167,109.45</b>	<b>10,191.40</b>	<b>6.10%</b>	<b>109,698.76</b>	<b>6,504.47</b>	<b>5.93%</b>

#### II. Interest Income from Financial Investments

In 2019, the Bank's interest income from financial investments was RMB7,143 million, representing a year-on-year decrease of RMB45 million or 0.63%.

#### III. Interest Income from Deposits with the Central Bank

In 2019, the Bank's interest income from deposits with the central bank amounted to RMB431 million, representing a year-on-year decrease of RMB42 million or 8.84%.

#### IV. Interest Income from Deposits with Banks and Other Financial Institutions

In 2019, the Bank's interest income from deposits with banks and other financial institutions was RMB93 million, representing a year-on-year increase of RMB56 million or 152.08%.

#### V. Interest Income from Financial Assets Held under Resale Agreements

In 2019, the Bank's interest income from financial assets held under resale agreements was RMB405 million, representing a year-on-year decrease of RMB68 million or 14.40%.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.3.3 Analysis on interest expenses

In 2019, the Bank's interest expense amounted to RMB8,393 million, representing a year-on-year increase of RMB2,043 million or 32.18%.

#### ***I. Interest Expense on Deposits from Customers***

In 2019, the Bank's interest expense on deposits from customers amounted to RMB4,380 million, representing a year-on-year increase of RMB1,397 million or 46.84%.

#### ***II. Interest Expense on Deposits from Banks and Other Financial Institutions***

In 2019, the Bank's interest expense on deposits from banks and other financial institutions amounted to RMB363 million, representing a year-on-year decrease of RMB157 million or 30.26%.

#### ***III. Interest Expense on Financial Assets Sold under Repurchase Agreements***

In 2019, the Bank's interest expense on financial assets sold under repurchase agreements was RMB111 million, representing a year-on-year increase of RMB90 million or 419.91%.

#### ***IV. Interest Expense on Debt Securities Issued***

In 2019, the Bank's interest expense on debt securities issued was RMB3,459 million, representing a year-on-year increase of RMB674 million or 24.22%.

#### ***V. Interest Expense on Borrowings from Central Bank***

In 2019, the Bank's interest expense on borrowings from central bank amounted to RMB72 million, representing a year-on-year increase of RMB31 million or 74.01%.

#### ***VI. Interest Expenses on Placements from Banks and Other Financial Institutions***

In 2019, the interest expenses on placements from banks and other financial institutions was RMB9.0 million.



### 4.3.4 Analysis on non-interest income

#### I. Fee and commission income

In 2019, the Bank's net fee and commission income amounted to RMB95 million, representing a year-on-year increase of RMB73 million or 344.32%. The following table sets forth each component of fee and commission income in the period indicated.

Item	For the year ended 31 December		Change	Rate of change (%)
	2019	2018		
	<i>(RMB million, except percentages)</i>			
Agency services fees	100.68	55.06	45.62	82.86
Bank card services fees	33.63	30.56	3.07	10.05
Acceptance and guarantee services fees	31.58	8.64	22.94	265.51
Settlement and clearing fees	25.22	13.62	11.60	85.17
Consultancy services fees	0.62	0.54	0.08	14.81
<b>Fee and commission income</b>	<b>191.73</b>	<b>108.42</b>	<b>83.31</b>	<b>76.84</b>
Bank card services expenses	(88.99)	(81.53)	(7.46)	9.15
Other expenses	(8.10)	(5.59)	(2.51)	44.90
<b>Fee and commission expenses</b>	<b>(97.09)</b>	<b>(87.12)</b>	<b>(9.97)</b>	<b>11.44</b>
<b>Net fee and commission income</b>	<b>94.64</b>	<b>21.30</b>	<b>73.34</b>	<b>344.32</b>





## MANAGEMENT DISCUSSION AND ANALYSIS

### II. Net trading gains

In 2019, the Bank's net trading gains amounted to RMB116 million, representing a year-on-year decrease of RMB35 million or 23.23%.

### III. Net gains arising from investment securities

In 2019, the Bank's net gains arising from investment securities amounted to RMB662 million, representing a year-on-year increase of RMB445 million or 204.97%.

### IV. Other operating (expense)/income

In 2019, the Bank's other operating expenses were RMB39 million.

### 4.3.5 Analysis on operating expenses

In 2019, the Bank's operating expenses amounted to RMB3,422 million, representing a year-on-year increase of RMB382 million or 12.58%.

The following table sets forth, for the periods indicated, the amount, change amount and change rate of each component of our operating expenses.

Item	For the year ended 31 December		Change	Rate of change (%)
	2019	2018		
	<i>(RMB million, except percentages)</i>			
Staff costs	2,122.06	1,848.19	273.87	14.82
Depreciation and amortisation	307.03	350.36	(43.33)	(12.37)
Office expenses	413.21	391.77	21.44	5.47
Rental and property management expenses	9.65	166.93	(157.28)	(94.22)
Taxes and surcharges	120.83	65.94	54.89	83.24
Depreciation of right-of-use assets	152.04	–	152.04	–
Interest expense on lease liabilities	29.14	–	29.14	–
Other general and administrative fees	268.15	216.64	51.51	23.78
<b>Total operating expenses</b>	<b>3,422.11</b>	<b>3,039.83</b>	<b>382.28</b>	<b>12.58</b>



The following table sets forth, for the periods indicated, the principal components of our staff costs.

Item	For the year ended 31 December			
	2019	2018	Change	Rate of change
	<i>(RMB million, except percentages)</i>			
Salaries, bonuses and allowances	1,432.28	1,235.02	197.26	15.97
Social insurance and annuity	325.94	301.70	24.24	8.03
Housing allowances	82.04	77.16	4.88	6.32
Staff welfares	136.58	124.33	12.25	9.85
Employee education expenses and labour union expenses	65.82	34.63	31.19	90.07
Supplementary retirement benefits	79.40	75.35	4.05	5.37
<b>Total staff costs</b>	<b>2,122.06</b>	<b>1,848.19</b>	<b>273.87</b>	<b>14.82</b>

In 2019, the Bank's staff costs were RMB2,122 million, representing a year-on-year increase of RMB274 million or 14.82%.

In 2019, depreciation and amortisation of the Bank amounted to RMB307 million, representing a year-on-year decrease of RMB43 million or 12.37%.

In 2019, the Bank's office expenses amounted to RMB413 million, representing a year-on-year increase of RMB21 million or 5.47%.

In 2019, the Bank's tax and surcharges amounted to RMB121 million, representing a year-on-year increase of RMB55 million or 83.24%.

In 2019, the Bank's depreciation of right-of-use assets amounted to RMB152 million, mainly due to the implementation of IFRS 16.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.3.6 Impairment losses on assets

In 2019, the Bank's impairment losses amounted to RMB3,173 million, representing a year-on-year increase of RMB780 million or 32.63%.

The following table sets forth amount, amount of change and rate of changes for each component of impairment loss of the Bank in the period indicated.

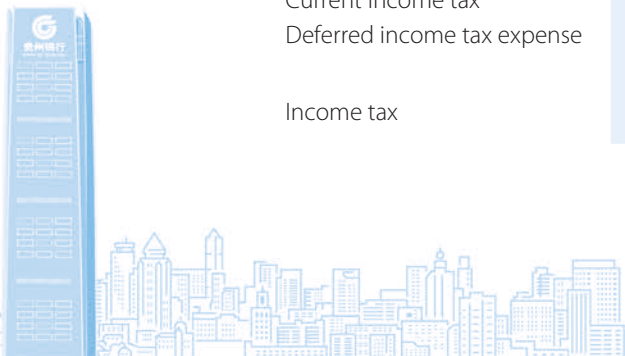
Item	For the year ended 31 December		Change	Rate of change (%)
	2019	2018		
	<i>(RMB million, except percentages)</i>			
Impairment loss/(reversal) of assets				
Loans and advances to customers	2,012.15	2,071.94	(59.79)	(2.89)
Financial investments	828.06	257.94	570.12	221.03
Credit commitments	136.18	61.65	74.53	120.89
Deposit with banks and other financial institutions	152.21	0.31	151.90	49,000.00
Financial assets held under resale agreements	(8.05)	(0.69)	(7.36)	1,066.67
Others	52.22	1.13	51.09	4,521.24
Total	<u>3,172.77</u>	<u>2,392.28</u>	<u>780.49</u>	<u>32.63</u>

### 4.3.7 Income tax

In 2019, the Bank's income tax amounted to RMB528 million, representing a year-on-year increase of RMB101 million or 23.75%.

The following table sets forth, for the periods indicated, the amount, change amount and change rate of each component of our income tax expenses.

Item	For the year ended 31 December		Change	Rate of change (%)
	2019	2018		
	<i>(RMB million, except percentages)</i>			
Current income tax	817.84	853.97	(36.13)	(4.23)
Deferred income tax expense	(290.09)	(427.50)	137.41	(32.14)
Income tax	<u>527.75</u>	<u>426.47</u>	<u>101.28</u>	<u>23.75</u>



## 4.4 ANALYSIS ON MAJOR ITEMS IN THE BALANCE SHEET

### 4.4.1 Assets

As at 31 December 2019, the Bank's total assets amounted to RMB409,389 million, representing an increase of RMB68,186 million or 19.98% as compared to the end of last year. The following table sets forth, as at the dates indicated, each component of total assets of the Bank.

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
	<i>(RMB million, except for percentages)</i>			
Gross loans and advances to customers	179,867.72	43.94	140,140.53	41.07
Add: Accrued interest	398.71	0.10	333.35	0.10
Less: Allowance for impairment losses	(6,916.73)	(1.69)	(4,642.03)	(1.36)
Net loans and advances to customers	173,349.70	42.34	135,831.85	39.81
Financial investments	148,034.04	36.16	136,645.02	40.05
Cash and deposits with the central bank	64,150.81	15.67	45,802.97	13.42
Deposits with banks and other financial institutions	6,292.15	1.54	834.83	0.24
Financial assets held under resale agreements	9,923.58	2.42	14,700.33	4.31
Other assets <sup>(1)</sup>	7,638.52	1.87	7,387.88	2.17
<b>Total assets</b>	<b>409,388.80</b>	<b>100.00</b>	<b>341,202.88</b>	<b>100.00</b>

Note:

(1) Consists primarily of interests in associates, property and equipment, deferred income tax assets and other assets.



## MANAGEMENT DISCUSSION AND ANALYSIS

### I. Loans and Advances to Customers

As at 31 December 2019, the Bank's total loans and advances to customers amounted to RMB179,868 million, representing an increase of RMB39,727 million or 28.35% as compared to the end of last year. The following table sets out, as of the dates indicated, a breakdown of the Bank's loans by business lines.

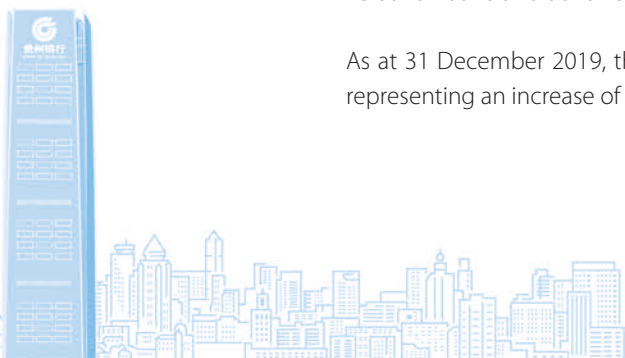
Item	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
	<i>(RMB million, except for percentages)</i>			
<b>Loans and advances to customers measured at amortised cost</b>				
Corporate loans and advances	146,645.35	81.53	121,888.79	86.98
Personal loans and advances	25,767.56	14.32	16,860.36	12.03
<b>Sub-total</b>	<b>172,412.91</b>	<b>95.85</b>	<b>138,749.15</b>	<b>99.01</b>
<b>Loans and advances to customers measured at fair value through other comprehensive income</b>				
Forfeiting	1,538.42	0.86	–	–
Discounted bills	5,916.39	3.29	1,391.38	0.99
<b>Sub-total</b>	<b>7,454.81</b>	<b>4.15</b>	<b>1,391.38</b>	<b>0.99</b>
Gross loans and advances to customers	<b>179,867.72</b>	<b>100.00</b>	<b>140,140.53</b>	<b>100.00</b>

#### Corporate loans and advances

As at 31 December 2019, the Bank's corporate loans and advances amounted to RMB146,645 million, representing an increase of RMB24,757 million or 20.31% as compared with the end of last year.

#### Personal loans and advances

As at 31 December 2019, the Bank's Personal loans and advances amounted to RMB25,768 million, representing an increase of RMB8,907 million or 52.84% as compared to the end of last year.



## II. Financial investments

As at 31 December 2019, the Bank's net financial investments amounted to RMB148,034 million, representing an increase of RMB11,389 million or 8.33% as compared to the end of last year.

The following table sets forth, at the dates indicated, the components of our financial investments by our investment intention.

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
	<i>(RMB million, except for percentages)</i>			
Financial investments at fair value through profit or loss	12,217.95	8.26	8,670.66	6.35
Financial investments at fair value through other comprehensive income	30,011.93	20.27	14,117.10	10.33
Financial investments at amortised cost	105,804.16	71.47	113,857.26	83.32
<b>Net financial investment</b>	<b>148,034.04</b>	<b>100.00</b>	<b>136,645.02</b>	<b>100.00</b>



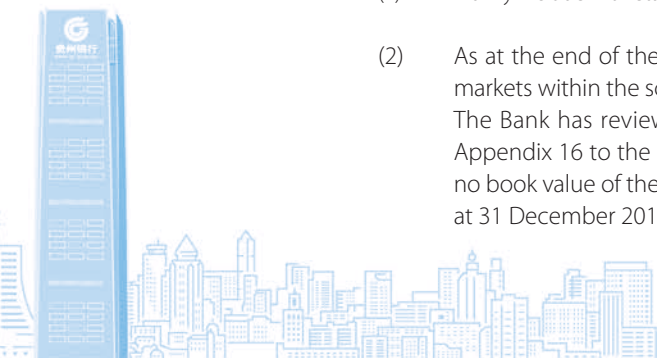
## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth, as of the dates indicated, the distribution of our financial investments.

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
	<i>(RMB million, except for percentages)</i>			
<b>Bonds</b>				
Debt securities issued by central and local governments	42,910.19	28.99	47,947.55	35.09
Debt securities issued by policy banks	19,756.33	13.35	8,217.93	6.01
Debt securities issued by banks and other financial institutions	2,613.84	1.77	1,753.74	1.28
Debt securities issued by enterprises	12,798.02	8.64	5,384.15	3.94
<b>Sub-total</b>	<b>78,078.38</b>	<b>52.75</b>	<b>63,303.37</b>	<b>46.32</b>
<b>Other financial investments</b>				
Wealth management products	1,250.22	0.84	2,671.17	1.95
Investment funds <sup>(1)</sup>	7,913.41	5.35	3,323.52	2.43
Equity investments	37.75	0.03	37.75	0.03
Investment management products managed by securities companies and trust plans	60,203.61	40.67	67,387.43	49.32
Private Debt Financing Plans	815.91	0.54	399.58	0.29
<b>Sub-total</b>	<b>70,220.90</b>	<b>47.43</b>	<b>73,819.45</b>	<b>54.02</b>
Accrued interest	1,736.82	1.17	1,306.63	0.96
Allowance for impairment losses	(2,002.06)	(1.35)	(1,784.43)	(1.30)
<b>Net financial investment</b>	<b>148,034.04</b>	<b>100.00</b>	<b>136,645.02</b>	<b>100.00</b>

Notes:

- (1) Mainly include monetary funds and bond funds.
- (2) As at the end of the Reporting Period, the financial investment of the Bank were all financial markets within the scope of operation approved by the China Banking Regulatory Commission. The Bank has reviewed the disclosure requirements for material investments as set out in Appendix 16 to the Hong Kong Listing Rules, and to the best knowledge of the Bank, there is no book value of the above investments accounting for 5% or more of the Bank's total assets as at 31 December 2019.



### III. Pledged Assets

As at 31 December 2019, the details of the Bank's pledged assets were set out in Note 23 to the financial statements in this annual report.

#### 4.4.2 Liabilities

As at 31 December 2019, the Bank's total liabilities amounted to RMB375,500 million, representing an increase of RMB59,756 million or 18.93% as compared to the end of last year.

The following table sets forth, as at the dates indicated, each component of total liabilities of the Bank.

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
	<i>(RMB million, except for percentages)</i>			
Borrowings from the central bank	2,623.42	0.70	2,820.18	0.90
Deposits from customers	260,266.47	69.31	220,083.74	69.70
Deposits from banks and other financial institutions	16,107.37	4.29	9,983.77	3.16
Placements from banks and other financial institutions	1,001.14	0.27	–	–
Financial assets sold under repurchase agreements	7,966.76	2.12	2,175.28	0.69
Debt securities issued	84,122.73	22.40	78,282.41	24.79
Other liabilities <sup>(1)</sup>	3,411.67	0.91	2,398.61	0.76
<b>Total liabilities</b>	<b>375,499.56</b>	<b>100.00</b>	<b>315,743.99</b>	<b>100.00</b>

Note:

(1) Including other payables, wages payable and taxes payable, etc.





## MANAGEMENT DISCUSSION AND ANALYSIS

### I. Deposits from customers

As at 31 December 2019, the Bank's deposits from customers amounted to RMB260,266 million, representing an increase of RMB40,183 million or 18.26% as compared with the end of last year.

The following table sets forth, as at the dates indicated, deposits from customers by product type and maturity.

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
	<i>(RMB million, except for percentages)</i>			
<b>Demand deposits</b>				
– Corporate deposits	104,078.29	39.99	116,480.21	52.93
– Retail deposits	27,395.70	10.53	26,552.73	12.06
<b>Sub-total</b>	<u>131,473.99</u>	<u>50.52</u>	<u>143,032.94</u>	<u>64.99</u>
<b>Time deposits</b>				
– Corporate deposits	50,867.87	19.54	31,948.52	14.52
– Retail deposits	54,222.58	20.83	36,284.03	16.49
<b>Sub-total</b>	<u>105,090.45</u>	<u>40.37</u>	<u>68,232.55</u>	<u>31.01</u>
<b>Pledged deposits</b>	21,737.16	8.36	7,383.60	3.35
<b>Inward and outward remittances</b>	132.38	0.05	132.25	0.06
<b>Fiscal deposits</b>	5.34	–	5.44	–
<b>Sub-total</b>	<u>21,874.88</u>	<u>8.41</u>	<u>7,521.29</u>	<u>3.41</u>
<b>Accrued interest</b>	1,827.15	0.70	1,296.96	0.59
<b>Total deposits from customers</b>	<u>260,266.47</u>	<u>100.00</u>	<u>220,083.74</u>	<u>100.00</u>

### II. Deposits from banks and other financial institutions

As at 31 December 2019, the Bank's deposits from banks and other financial institutions amounted to RMB16,107 million, representing an increase of RMB6,124 million or 61.34% as compared to the end of last year.

### III. Debt securities issued

As at 31 December 2019, the Bank's debt securities issued amounted to RMB84,123 million, representing an increase of RMB5,840 million or 7.46% as compared to the end of last year.



### 4.4.3 Equities

As at 31 December 2019, the Bank's total shareholders' equity amounted to RMB33,889 million, representing an increase of RMB8,430 million or 33.11% as compared to the end of last year. The following table sets forth, as of the dates indicated, the components of our shareholders' equity.

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
<i>(RMB million, except for percentages)</i>				
Share Capital	14,588.05	43.05	12,388.05	48.66
Capital reserve	8,840.11	26.09	6,264.92	24.60
Surplus reserve	1,491.06	4.40	1,134.70	4.46
General reserve	3,360.00	9.91	2,610.00	10.25
Fair value reserve	165.80	0.49	78.16	0.31
Impairment reserve	18.87	0.05	5.43	0.02
Deficit on remeasurement of net defined benefit liability	(18.01)	(0.05)	(8.46)	(0.03)
Retained earnings	5,443.36	16.06	2,986.09	11.73
<b>Total equity</b>	<b>33,889.24</b>	<b>100.00</b>	<b>25,458.89</b>	<b>100.00</b>

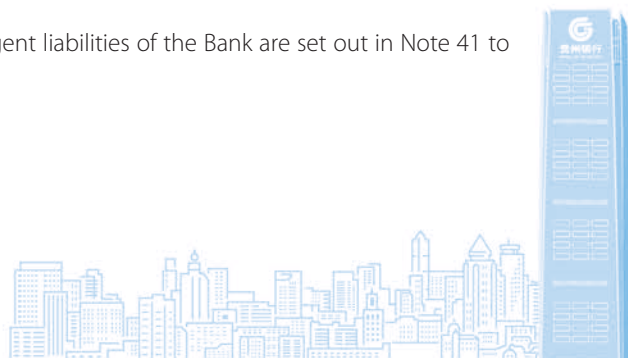
## 4.5 OFF-BALANCE SHEET CREDIT COMMITMENTS AND CONTINGENT LIABILITIES

The following table sets forth, as at the dates indicated, the amount of the Bank's off-balance sheet commitments.

*Unit: RMB million*

Item	As at 31 December 2019	As at 31 December 2018
Acceptances	25,082.48	10,107.74
Letters of credit	2.00	183.32
Credit card commitments	1,147.96	305.79
Letters of guarantee	1,049.44	531.70
<b>Total</b>	<b>27,281.88</b>	<b>11,128.55</b>

As at 31 December 2019, details of all commitments and contingent liabilities of the Bank are set out in Note 41 to the financial statements in this annual report.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.6 ANALYSIS ON LOANS QUALITY

#### 4.6.1 Loan distribution by the five-category classification

Five-category Classification	As at 31 December 2019		As at 31 December 2018	
	Total	Percentage (%)	Total	Percentage (%)
<i>(RMB million, except for percentages)</i>				
Normal	176,339.23	98.04	137,136.11	97.86
Special mention	1,399.93	0.78	1,099.81	0.78
Substandard	1,670.13	0.93	1,187.48	0.84
Doubtful	328.00	0.18	623.93	0.45
Loss	130.43	0.07	93.20	0.07
<b>Gross loans and advances to customers</b>	<b>179,867.72</b>	<b>100.00</b>	<b>140,140.53</b>	<b>100.00</b>
<b>Non-performing Loans and Non-performing Loans Ratio</b>	<b>2,128.56</b>	<b>1.18</b>	<b>1,904.61</b>	<b>1.36</b>

As at the end of the Reporting Period, the Bank's normal loans amounted to RMB176,339 million, accounting for 98.04%; RMB39,203 million or 28.59% higher than that at the end of the previous year; Loans classified as special mention amounted to RMB1,400 million, accounting for 0.78% of the total loans and representing an increase of RMB300 million or 27.29% as compared to the end of the previous year. Non-performing loans amounted to RMB2,129 million. The non-performing loan ratio was 1.18%, representing a decrease of 0.18 percentage points as compared to the beginning of the year. The asset quality continued to lead the industry.



#### 4.6.2 Distribution of loans and non-performing loans by product type

(RMB million, except for percentages)

Item	As at 31 December 2019				As at 31 December 2018			
	Loan amount	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Loan amount	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
<b>Corporate loans and advances</b>								
– Working capital loans	39,328.20	21.87	630.36	1.60	25,113.15	17.94	567.59	2.26
– Fixed assets loans	106,178.89	59.03	967.41	0.91	94,515.53	67.44	793.42	0.84
– Others	1,138.26	0.63	283.19	24.88	2,260.11	1.61	279.61	12.37
<b>Personal loans and advances</b>								
– Personal residential mortgage loans	14,048.63	7.81	16.30	0.12	9,765.54	6.97	9.89	0.10
– Personal business loans	10,115.65	5.62	212.08	2.10	5,808.34	4.14	233.18	4.01
– Personal consumption loans	1,261.06	0.70	19.00	1.51	1,253.33	0.89	20.92	1.67
– Credit cards	342.22	0.19	0.22	0.06	33.15	0.02	–	–
<b>Discounted bills</b>	5,916.39	3.29	–	–	1,391.38	0.99	–	–
<b>Forfeiting</b>	1,538.42	0.86	–	–	–	–	–	–
<b>Total</b>	<b>179,867.72</b>	<b>100.00</b>	<b>2,128.56</b>	<b>1.18</b>	<b>140,140.53</b>	<b>100.00</b>	<b>1,904.61</b>	<b>1.36</b>

As of the end of the Reporting Period, the Bank's corporate loans and advances increased by RMB24,757 million or 20.31% over the end of the previous year; personal loans and advances increased by RMB8,907 million or 52.84% over the end of the previous year; The NPL ratio for corporate loans and advances decreased by 0.07 percentage points and the NPL ratio for personal loans and advances decreased by 0.61 percentage points as compared to the end of the previous year.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.6.3 Distribution of corporate non-performing loans by industry

(RMB million, except for percentages)

Item	As at 31 December 2019				As at 31 December 2018			
	Loan amount	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Loan amount	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Leasing and commercial services	74,664.19	41.53	–	–	58,709.06	41.90	–	–
Water resources environment and public utility management	13,032.02	7.25	–	–	12,272.03	8.76	–	–
Construction	10,525.65	5.85	407.65	3.87	9,409.42	6.71	27.57	0.29
Education	9,018.12	5.01	–	–	9,070.79	6.47	–	–
Real Estate	7,970.22	4.43	273.02	3.43	7,055.67	5.03	423.69	6.00
Transportation, storage and postal services	5,844.25	3.25	70.62	1.21	6,711.31	4.79	2.33	0.03
Mining	4,703.70	2.62	676.93	14.39	4,313.64	3.08	719.26	16.67
Manufacturing	3,209.48	1.78	44.87	1.40	3,164.07	2.26	295.02	9.32
Health and social work	3,258.89	1.81	–	–	3,312.74	2.36	–	–
Wholesale and retail trade	5,902.16	3.28	141.06	2.39	3,102.96	2.21	111.12	3.58
Production and supply of electric power, power gas and water	2,684.13	1.49	–	–	2,327.35	1.66	–	–
Agriculture, forestry, animal husbandry and fishery	1,531.30	0.85	1.55	0.10	777.03	0.55	2.78	0.36
Resident services, repair and other services	645.44	0.36	40.14	6.22	533.90	0.38	39.52	7.40
Culture, sports and entertainment	563.81	0.31	–	–	512.91	0.37	–	–



(RMB million, except for percentages)

Item	As at 31 December 2019				As at 31 December 2018			
	Loan amount	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Loan amount	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Information transmission, software and information technology services industry	651.46	0.36	3.40	0.52	218.30	0.16	-	-
Public administration, public security and social organizations	1.20	-	-	-	8.70	0.01	-	-
Accommodation and catering industry	1,708.86	0.95	21.72	1.27	201.70	0.14	19.33	9.58
Scientific Research and Technical Services	25.10	0.01	-	-	180.50	0.13	-	-
Finance	705.37	0.39	200.00	28.35	6.71	0.01	-	-
<b>Corporate loans and advances</b>	<b>146,645.35</b>	<b>81.53</b>	<b>1,880.96</b>	<b>1.28</b>	<b>121,888.79</b>	<b>86.98</b>	<b>1,640.62</b>	<b>1.35</b>
<b>Personal loans and advances</b>	<b>25,767.56</b>	<b>14.32</b>	<b>247.60</b>	<b>0.96</b>	<b>16,860.36</b>	<b>12.03</b>	<b>263.99</b>	<b>1.57</b>
<b>Discounted bills</b>	<b>5,916.39</b>	<b>3.29</b>	<b>-</b>	<b>-</b>	<b>1,391.38</b>	<b>0.99</b>	<b>-</b>	<b>-</b>
<b>Forfeiting</b>	<b>1,538.42</b>	<b>0.86</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gross loans and advances to customers</b>	<b>179,867.72</b>	<b>100.00</b>	<b>2,128.56</b>	<b>1.18</b>	<b>140,140.53</b>	<b>100.00</b>	<b>1,904.61</b>	<b>1.36</b>

As at the end of the Reporting Period, the industries in which the Bank's loans were relatively high were leasing and commercial services, water conservancy and environment and public facilities management, construction and education. Our non-performing loans are primarily concentrated in the mining, construction industries and real estate industries.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.6.4 Distribution of loans and non-performing loans by security type

(RMB million, except for percentages)

Item	As at 31 December 2019				As at 31 December 2018			
	Loan amount	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio	Loan amount	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio
Unsecured loans	19,624.80	10.91	8.22	0.04	8,038.88	5.74	6.22	0.08
Guaranteed loans	89,218.18	49.60	384.79	0.43	69,512.79	49.60	139.87	0.20
Collateralised loans	33,151.27	18.43	1,297.30	3.91	28,413.34	20.27	1,746.31	6.15
Pledged loans	37,873.47	21.06	438.25	1.16	34,175.52	24.39	12.21	0.04
<b>Total</b>	<b>179,867.72</b>	<b>100.00</b>	<b>2,128.56</b>	<b>1.18</b>	<b>140,140.53</b>	<b>100.00</b>	<b>1,904.61</b>	<b>1.36</b>

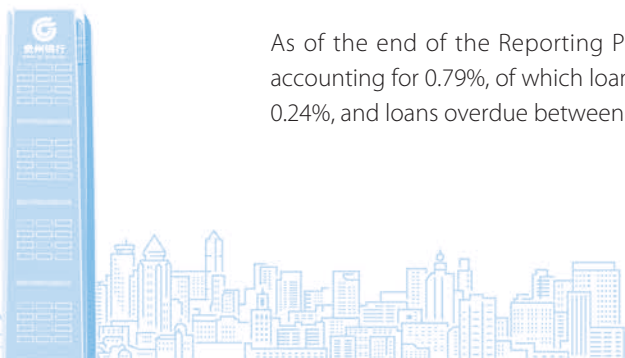
As at the end of the Reporting Period, the Bank's loans were mainly secured by guarantee and collateral, accounting for 49.60% and 21.06% of the total loans, respectively.

### 4.6.5 Distribution of loans by overdue period

(RMB million, except for percentages)

Category	As at 31 December 2019		As at 31 December 2018	
	Total	Percentage (%)	Total	Percentage (%)
<b>Loans not past due</b>	178,447.94	99.21	139,089.91	99.25
<b>Overdue loans</b>				
– Within 3 months	427.59	0.24	71.06	0.05
– Over 3 months but within 1 year	543.09	0.30	332.86	0.24
– Over 1 year but within 3 years	402.14	0.22	574.32	0.41
– Over 3 years	46.96	0.03	72.38	0.05
<b>Overdue loans and overdue ratio</b>	<b>1,419.78</b>	<b>0.79</b>	<b>1,050.62</b>	<b>0.75</b>

As of the end of the Reporting Period, the Bank's total overdue loans amounted to RMB1,420 million, accounting for 0.79%, of which loans overdue within 3 months amounted to RMB428 million, accounting for 0.24%, and loans overdue between 3 months to 1 year amounted to RMB543 million, accounting for 0.30%.



## 4.6.6 Loan concentration

### Loans to top ten single borrowers

(RMB million, except for percentages)

The Borrower	Industry	As at 31 December 2019			Five-category classification
		Balance	Percentage of total loans (%)	Percentage of net capital (%)	
A	Real Estate	2,119.60	1.18	5.35	Normal
B	Leasing and commercial services	2,033.00	1.13	5.13	Normal
C	Leasing and commercial services	2,000.00	1.11	5.05	Normal
D	Water resources environment and public utility management	1,599.80	0.89	4.04	Normal
E	Leasing and commercial services	1,597.05	0.89	4.03	Normal
F	Leasing and commercial services	1,579.00	0.88	3.99	Normal
G	Accommodation and catering	1,450.00	0.80	3.66	Normal
H	Wholesale and Retail trade	1,400.00	0.78	3.54	Normal
I	Leasing and commercial services	1,299.00	0.72	3.28	Normal
J	Construction	1,288.93	0.72	3.25	Normal
<b>Total</b>		<b>16,366.38</b>	<b>9.10</b>	<b>41.32</b>	





## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.7 SEGMENT REPORTING

#### 4.7.1 Summary of operating segments

The following table sets forth, for the periods indicated, our operating results of main operating segments:

Item	For the year ended 31 December 2019					For the year ended 31 December 2018				
	Corporate Banking	Retail Banking	Financial Markets	Others <sup>(1)</sup>	Total	Corporate Banking	Retail Banking	Financial Markets	Others <sup>(1)</sup>	Total
External net interest income/ (expense) <sup>(2)</sup>	10,696.06	(525.13)	(299.97)	-	9,870.96	9,232.76	(498.68)	(407.79)	-	8,326.29
Inter-segment net interest (expense)/income <sup>(3)</sup>	(2,663.09)	1,650.76	1,012.33	-	-	(2,200.18)	1,363.32	836.86	-	-
<b>Net interest income</b>	<b>8,032.97</b>	<b>1,125.63</b>	<b>712.36</b>	<b>-</b>	<b>9,870.96</b>	<b>7,032.58</b>	<b>864.64</b>	<b>429.07</b>	<b>-</b>	<b>8,326.29</b>
Net fee and commission income/(expense)	41.73	(18.82)	71.73	-	94.64	17.73	(21.31)	24.88	-	21.30
Net trading gains	-	-	116.39	-	116.39	-	-	151.60	-	151.60
Net gains arising from investment securities	-	-	662.28	-	662.28	-	-	217.16	-	217.16
Other operating (expense)/ income	(69.05)	-	-	30.31	(38.74)	44.02	-	-	9.24	53.26
<b>Operating income</b>	<b>8,005.65</b>	<b>1,106.81</b>	<b>1,562.76</b>	<b>30.31</b>	<b>10,705.53</b>	<b>7,094.33</b>	<b>843.33</b>	<b>822.71</b>	<b>9.24</b>	<b>8,769.61</b>
Operating expenses	(2,109.15)	(612.22)	(685.70)	(15.04)	(3,422.11)	(1,962.76)	(451.57)	(577.59)	(47.91)	(3,039.83)
Impairment losses on assets	(2,846.26)	(12.56)	(313.95)	-	(3,172.77)	(2,341.34)	(45.20)	(5.58)	(0.16)	(2,392.28)
Share of losses of associates	-	-	-	(19.26)	(19.26)	-	-	-	(34.46)	(34.46)
<b>Profit/(loss) before tax</b>	<b>3,050.24</b>	<b>482.03</b>	<b>563.11</b>	<b>(3.99)</b>	<b>4,091.39</b>	<b>2,790.23</b>	<b>346.56</b>	<b>239.54</b>	<b>(73.29)</b>	<b>3,303.04</b>

Notes:

- (1) Consists primarily of income and expenses that are not directly attributable to a segment.
- (2) Includes net interest income/expense from external customers or activities.
- (3) Includes net interest income/expense attributable to transactions with other segments.



The following table sets forth, for the periods indicated, our operating income by business segment and as a percentage of total operating income.

Item	For the year ended 31 December 2019		For the year ended 31 December 2018	
	Amount	Percent of Total (%)	Amount	Percent of Total (%)
	<i>(RMB million, except for percentages)</i>			
Corporate Banking	8,005.65	74.78	7,094.33	80.90
Retail Banking	1,106.81	10.34	843.33	9.62
Financial Markets	1,562.76	14.60	822.71	9.38
Others <sup>(1)</sup>	30.31	0.28	9.24	0.10
<b>Total</b>	<b>10,705.53</b>	<b>100.00</b>	<b>8,769.61</b>	<b>100.00</b>

Note:

- (1) This mainly includes income and expenses which are not directly attributable to a business segment.

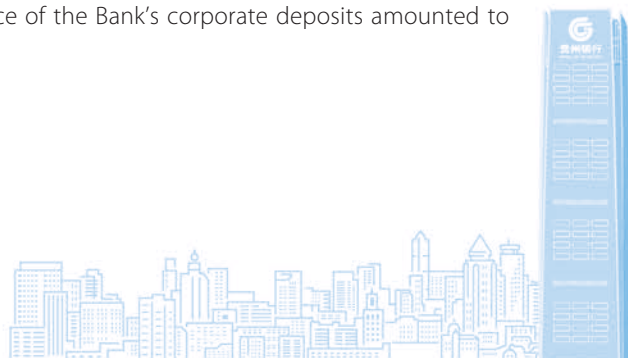
## 4.8 BUSINESS SUMMARY

With the improvement of China's macro economy and the increase in household income, China's banking industry has experienced rapid growth along with economic growth. The operation of banks in China depends largely on the economic growth of the regions where they operate. In recent years, although China's economy has entered the development stage of the new normal, Guizhou Province, where the Bank is located, has maintained rapid growth, ranking top three in terms of economic growth rate in China for the past nine consecutive years. It is expected that the continuous economic growth in the PRC and Guizhou Province will bring more opportunities for the development of Bank of Guizhou.

### 4.8.1 Corporate business

#### I. Corporate deposits

The Bank offers corporate customers time deposit, demand deposit and security deposit services in RMB and major foreign currencies. During the Reporting Period, the Bank followed the bank-wide strategic planning and arrangement, firmly focused on the general situation of high-quality development and strengthened the cooperation with the provincial and local government in Guizhou. It boosted the marketing to strategic customers, consistently consolidated the customer base and optimized the deposit structure to practically enhance the business development capacities of the Bank. As of 31 December 2019, the balance of the Bank's corporate deposits amounted to RMB154,946 million.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **II. Corporate loans**

During the Reporting Period, the Bank continuously increased credit lending and provided financial support to green credit, rural revitalization, and regional poverty alleviation, the Belt and Road initiatives and other projects. In terms of industry policies, the Bank held on to the bottom lines of “development and ecosystem”. It focused on the real economy and opened “green channels” for customers in real economy in compliance with the orientation of industry policies. With green finance as the focus, the Bank increased the input in green finance and actively supported green industrial projects to expand the proportion of green credit and build the brand as a “green bank”. For customer policies, the Bank mainly supported the real economy, quality private enterprises and large enterprise groups to improve the coverage and comprehensive contribution of its products and enhance customer cooperation and cohesiveness. In terms of product policies, the Bank gave priority to core customers and firmly grasped quality customer groups with comprehensive financial services. It fully seized information on supply-chain logistics, information flow and capital flow and leveraged on advance financing, deposit financing, receivables financing, products financing under international trade as well as other trade financing products to achieve the integration of traditional credit, interbank and trade financing instruments. As of 31 December 2019, the balance of corporate loans amounted to RMB148,118 million, representing an increase of RMB26,295 million or 21.57% as compared with the previous year.

### **III. Corporate business products**

During the Reporting Period, the corporate business product system of the Bank was further improved. The Bank made great efforts in building the green finance brand of the Bank of Guizhou, issued green financial bonds amounting to RMB5.0 billion which had made as scheduled, and introduced innovatively the “green loans on land rehabilitation”, “guaranteed loans with forest ownership”, “agriculture-related integrated loans for rural revitalization” and other products, for which the Bank provided a total of RMB7.46 billion to support the construction of high-standard farmland and the projects in relation to the increase or decrease in urban-rural construction land in more than 40 regions and counties. The Bank made great efforts in building the green financial innovation business, actively supported local ecological protection, pollution prevention, clean transportation and the construction of other projects. Among the “green loans on land rehabilitation” products was awarded the third prize in innovative financial products in Guizhou Province in 2019.

### **IV. Transaction banking business**

During the Reporting Period, the Bank firmly followed the bank-wide strategic planning and the strategy on corporate business transformation in developing the transaction banking business. It developed transaction banking platforms and product systems with the integration of domestic and overseas operation, online and offline businesses, functional and foreign currencies as well as domestic and foreign trade and constantly improved basic supply-chain financial products, cash management products, bills, securities and other products. With increasingly diversified product lines and constant expansion in product application scenarios, the Bank achieved rapid growth in light capital businesses.



The Bank continued to enhance the cross-border financial service ability, vigorously strengthened domestic and overseas interbank cooperation channels and established cooperation with various financial institutes both at home and abroad. Through cross-border guarantee, international settlement and other products and services, the Bank sped up in business transformation and relived such problems as high financing cost and difficulties in getting access to financing faced by enterprises.

The Bank actively responded to the state strategic orientation of serving the real economy, focused on strategic industries and core enterprises and greatly developed trade financing business. It achieved obtaining customers in large quantities through "1+N" and "1+N+N" models in supply-chain finance. As at the end of the Reporting Period, the trade financing balance of the Bank amounted to RMB4,167 million, ranking the second in the province. It ranked the first among financial institutes in the province in terms of the proportion of increase and the growth in proportion.

#### **V. Investment banking business**

The Bank promoted the sound development of the investment banking business to facilitate the transformation and upgrading of real economy. During the Reporting Period, the Bank comprehensively used debt financing instruments, debt financing plans, assets securitization, structural financing and other investment banking products and achieved an input of various assets with RMB10.204 billion and an asset balance of RMB73.308 billion.

### **4.8.2 Retail business**

The Bank provides retail banking customers with diversified products and services, including loans, deposits, bank cards, credit cards and other services. During the Reporting Period, the Bank firmly followed the strategic planning on "developing big retail with extraordinary efforts" and promoted the retail business to achieve remarkable progress.

#### **I. Retail customers**

The Bank achieved increase in the number and quality of customers through strengthening customers obtaining in large quantities. As at the end of the Reporting Period, the Bank's valid personal accounts reached 2,225,100, representing an increase of 686,800 accounts or 3.60 percentage points as compared with the beginning of the year. It totally issued 2,010,100 trade union member cards, accounting for 61.07% of ordinary trade union members in the province and ranking the first in the market of Guizhou Province.



## MANAGEMENT DISCUSSION AND ANALYSIS

### II. *Personal deposits*

The Bank achieved stable growth in the contribution of saving deposits through enhancing its endogenous drivers. As at the end of the Reporting Period, the balance of personal deposits of the Bank amounted to RMB81,618 million, representing an increase of RMB18,782 million or 29.89% as compared with the beginning of the year and ranking the first in the market in terms of growth. The time-point balance accounted for 31.58% of general deposits. The time-point increase accounted for 47.37%. Market balance accounted for 7.10%.

### III. *Personal loans*

The Bank recorded healthy development in consumer credit through reinforcing process management and control. As at the end of the Reporting Period, the balance of the Bank's total personal loans was RMB25,768 million, representing an increase of RMB8,907 million or 52.84% as compared with the beginning of the year.

### IV. *Credit cards*

The Bank obtained the qualification to issue credit cards in May 2018 and commenced to issue credit cards on pilot basis in August 2018. As at the end of the Reporting Period, the Bank has issued 95,106 credit cards in total with a total credit limit of RMB1,497 million and an overdraft balance of RMB342 million. During the Reporting Period, it achieved revenue of RMB9,603,200 (after tax) from credit cards.

### 4.8.3 Micro and small business

As at the end of the Reporting Period, the balance of the Bank's loans to micro and small enterprises was RMB83,385 million, representing an increase of RMB17,548 million or 26.65% as compared with the beginning of the year and fully fulfilling regulatory requirements on "two increases and two controls", "inclusive finance" and "inclusive agriculture-related loans". The asset quality for loans to micro and small enterprises was high. Various businesses maintained rapid development and achieved outstanding economic and social benefits.

During the Reporting Period, the Bank introduced the "Bao Jie Dai for Projects Construction (Salaries for Migrant Workers)" (工程施工類(農民工工資)保捷貸) based on the market demands in the construction industry. Meanwhile, it explored two-right mortgage loans through the "companies + cooperatives + farmers" model and innovatively introduced the "Nong Hu Dai" (農戶貸), which increased financial services in rural areas. The Bank was awarded the second prize for innovative financial products in serving the real economy by financial institutes in Guizhou Province. The continuous deepening of product innovation and the constant improvement in business benefits achieved outstanding social and economic benefits and boosted the social reputation and influence of the Bank.



The Bank vigorously boosted technology application and constantly diversified online channels for obtaining customers. During the Reporting Period, the construction of the system on online loans to micro and small enterprises was under smooth progress and the online product “Jie Suan Dai” (結算貸) was introduced be operated on a trial basis, and thus further expanded the Bank’s channel in acquiring customers.

The Bank actively implemented targeted cuts to required reserve ratios, relending to support development of micro and small enterprises and tax reduction and other macro policies to save capitals and operation cost in business development. Meanwhile, it strengthened monitoring and analysis on fund flows of customers through improving fund settlement services and supply-chain financial services to customers. It boosted the cross sales of corporate and personal products to achieve improvement in customers’ satisfaction and comprehensive business revenue.

#### 4.8.4 Financial markets business

During the Reporting Period, the Bank focused on to deepen the financial markets business to achieve the strategic target of transforming towards the profit center. It made strong moves in expanding the interbank customer base to increase the proportion of the financial markets business, optimize the asset structure and enhance the profitability.

During the Reporting Period, the financial assets of the Bank average yield on assets was enhanced. Non-interest revenue, revenue from fund investments in particular, recorded significant growth with gradually diversified channels for business revenue.

The Bank vigorously boosted the transactions and enthusiasm in the bond market business. During the Reporting Period, the total transactions in the bond market business reached RMB4.5 trillion, representing an increase of 195%. It was awarded as an “Excellent Dealer Among Top 100 Settlement Companies” by China Central Depository & Clearing Co., Ltd. and was awarded the “Prize for Best Progress in the Interbank Market” by China Foreign Exchange Trade System.

The Bank actively enhanced interbank cooperation to expand continuously the coverage of interbank customers. As at the end of the Reporting Period, it has established interbank cooperation with 324 interbank customers, representing an increase of 62.00% with the cooperation business sector further widened.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.8.5 Wealth management business

The Bank strictly abides by regulatory requirements and actively adapts to market development. It adhered to the operation principles of “Sunshine Operation, Compliance Operation, Strict Risk Control and Stable Development”, enhanced active management and sped up in net value transformation to solidly and steadily promote the development of the asset management business.

As at the end of the Reporting Period, the balance of wealth management products of the Bank reached RMB14,976 million, representing an increase of 121.55% as compared with the beginning of the year. Net value type products accounted for 66.94% and the transformation of net value wealth management was advanced in an orderly manner. Its asset management ability and product competitiveness have been increasingly enhanced. According to the “Evaluation Ranking of Networth-based Wealth Management in the Fourth Quarter of 2019” jointly released by Xinhuanet Finance Channel and the CSI Jinniu Financial Research Center, among 84 city commercial banks (including these banks’ already opened wealth management subsidiaries), the Bank’s comprehensive wealth management capability ranked 21st. During the reporting period, the Bank’s rankings in terms of issuance capabilities, product richness, risk management capabilities, and information disclosure standards all increased significantly.

### 4.8.6 Internet finance business

During the Reporting Period, the Bank consistently adhered to the service concept with customers as the center, enhanced the Fin-Tech application, advanced platform construction and developed pan-financial scenarios to build an integrated operation system. The Bank provided comprehensive solutions to schools and hospitals based on education and medical scenarios to bring banking services to more customer groups. Meanwhile, it constantly promoted the rapid update and iteration of products and services. It has successfully put the WeChat bank and the new version of mobile banking into operation and re-designed key processes of certain customers on the mobile APP with the integration of payment channels such as Chinabank Payments, Qian Dai Bao, Helipay and Zhenglian, further diversifying mobile payment channels. As at the end of the Reporting Period, the number of monthly active users of the mobile banking APP of the Bank reached 342,800, representing an increase of 120,900 or 54.48% as compared with the beginning of the year. Financial transactions through online channels accounted for 97.41%.

During the Reporting Period, the Bank was awarded the prize of “Leading Unit in No-card Business Cooperation” issued by China UnionPay and the “Prize for Best Operation of Mobile Banking in 2019” issued by the China Financial Certification Authority. It won the prize of “Institute with Active Promotion” in the “Competition for an Incentive of RMB1 Million in Payment through Mobile Numbers” organized by the Liquidation Center of the People’s Bank of China.



As at the end of the Reporting Period, the total number of mobile banking customers of the Bank reached 2,638,800, representing an increase of 42.28% as compared with the previous year. It recorded 6,746,800 mobile banking transactions with a transaction amount of RMB80,575 million. The number of personal online banking users reached 1,915,800, representing an increase of 39.61% as compared with the previous year. It recorded 1,613,200 transactions with a transaction amount of RMB72,076 million. The number of corporate online banking users reached 55,100, representing an increase of 97.20% as compared with the previous year. It recorded 3,487,200 transactions with a transaction amount of RMB519,775 million. 633,000 users followed the WeChat bank. 450,900 users have linked accounts.

#### 4.8.7 Information system establishment

To respond to the intensified market competition and with the target of building a national first-class modern urban commercial bank and a FinTech model, the Bank actively advanced financial transformation. In January 2019, the Bank officially initiated the establishment of a new generation core system, striving to establish a sales-orientated service system with customers as the center, an operation system with the support of the centralized operation of banking processes, a decision-making support system with overall risk and refined management and a supporting system with rapid response to products and services innovation. It supports the expansion of various channels and the integration of external markets to develop the overall core competitiveness and meet the demand for overleap business development in the future.

During the Reporting Period, the establishment of information system of the Bank was under smooth progress. 28 systems, including the big data base platform, the historic data inquiry platform, statements instruments, the intelligent risk control platform, the enterprise service center (ESC), the fully-encrypted safety platform, face recognition, paperless seals, behavior verification codes and the project management platform, were put into operation. The construction of other projects, including the distributed center, the unified payment platform, the intermediate business platform and the customer information management system, are actively in progress. It established the "Data Lake" system with big data analysis to solve problems and developed management accounting, customer relations management, internal appraisal on retails, senior management cockpit and other data applications at the top level to release data value in customer marketing, refined management and risk control. Breakthroughs have been achieved in artificial intelligent application and have been applied in the recommendation of wealth management products and customer loss alerting. Application of biometric identification technology has effectively supported account opening and cards activation and other business scenarios through various channels.

### 4.9 RISK MANAGEMENT

During the Reporting Period, the Bank took the implementation of the new capital agreement project as an important starting point, benchmarked advanced peers and regulatory requirements, promoted continuous improvement of risk management capabilities and levels, and gradually improved its comprehensive risk management system. The Bank maintained a stable asset quality ensured the sustainable development of its various businesses. Firstly, the Bank optimized the organizational structure of risk management to achieve full coverage of risk management in both business scope and business processes and provide organizational and system guarantees for business development; secondly, the Bank significantly improved the level of risk management technology, with the gradual depth of projects under the new capital agreement project and implementation of the new credit system, the Bank has achieved a qualitative breakthrough in its ability to quantify risk management. Thirdly, the Bank strictly complied with regulatory requirements, strengthened its weak points, and its regulatory rating indicators are further optimized.





## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.9.1 Credit risk management

Credit risk represents the economic loss to the Bank arising from the failure of a debtor or counterparty to meet its contractual obligation or changes in its credit quality. The credit risk of the Bank arises primarily from loans, financial investments, bill acceptance, letters of credit, letters of guarantee and other on-balance and off-balance businesses.

Facing the complicated and severe external situation in 2019, the Bank maintained its strategic focus and sound and prudent risk preference, promoted the contiguous optimization of the credit structure, effectively consolidated fundamental credit management, earnestly optimized the organizational structure of risk management, advanced the adjustment of credit structure and pushed the system construction. It also reinforced risk alerting and monitoring, sped up in the disposal of non-performing assets and achieved continuous stability in asset quality.

Firstly, improving the policy system. Based on the deep analysis and prudent judgment on the external economy and relevant industries as well as national industrial policies and regional development strategies, the Bank formulated the bank-wide risk management policies and credit input policies, specified the annual targets in risk preference, management requirements on key areas and key industries for credit input, providing policy guidance to the bank-wide risk management for the year.

Secondly, optimizing the organizational structure of risk management. Through the implementation of centralized management of public credit facilities, the integration of retail business risk management and control functions, the establishment of a professional review team, and the implementation of the risk allocation of financial market business, we have promoted the improvement of risk control mechanism for large companies, large retail and large financial market businesses.

Thirdly, consistently advancing credit restructuring. Based on the general principle of “expanding into some sectors while withdrawing from others and maintaining expenditures in some sectors while reducing them in others” and following the main line of supply-side reform, the Bank continued to strongly support the input in infrastructure, medical treatment and health, education, people’s livelihood, tourism, strategic emerging industries and other industries and sectors. It increased support to the real economy and private economy and accelerated the development of green finance to promote the continuous improvement in the structure of the credit asset industry.

Fourthly, improving the establishment of system solidly. Based on the implementation plan on new capital agreements, the Bank completed the establishment of the internal evaluation system on retails and initiated the implementation of internal evaluation on non-retail businesses. The establishment of the new-generation credit management platform was under orderly progress, which diversified management instruments and significantly boosted the systematic credit risk management and the automatic management ability.

Fifthly, perfecting the establishment of the alerting system. The Bank fully revised measures on alerting management, established dynamic alerting clients’ list and effectively improved the timely alerting management in the business existence period.

Sixthly, accelerating the disposal of non-performing assets balance. It changed operation concepts, adopted more disposal means and applied cash settlement, reorganization, bulk transfer of non-performing assets and other means to continuously boost the liquidation and disposal of non-performing assets balance and has achieved operation effects.



### 4.9.2 Liquidity risk management

Liquidity risk refers to the risks of failure to obtain adequate funds in time at a reasonable cost to repay debts when they are due, perform other payment obligations and meet other capital requirements in the ordinary course of business. Factors affecting liquidity risk include external factors and internal factors. External factors include domestic and international financial conditions, macroeconomic control policies, the depth and breadth of the development of financial markets and the competitive landscape of the banking industry; Internal factors include the maturity and business structure of assets and liabilities, stability of deposits, market financing capability and various unexpected events.

The Bank implemented a “systematic, proactive and normalized” liquidity risk management strategy, focused on the development strategy of the Bank, fully identified, effectively measured and continuously monitored liquidity risks, continuously met the requirements of business development, payment and liquidity regulatory indicators. The Group will ensure that it has sufficient capital or can obtain sufficient capital at reasonable cost in a timely manner to meet payment obligations when they fall due, maintain the bottom line of no occurrence of liquidity risk event, and maintain a dynamic balance between safety, liquidity and profitability.

The Bank has established a sound liquidity risk organization system and implemented a centralized and decentralized liquidity risk management. After stress testing, the Bank’s reserve of high-quality liquid assets and short-term liquid assets is relatively abundant, and the Bank’s liquidity resistance is relatively strong.

### 4.9.3 Market risk management

Market risk is the risk arising from the adverse changes in interest rates, foreign exchange rates, stock prices and commodity prices. The Bank adopted a centralized model in market risk management and established a management structure with business departments as the first line of defense, risk management departments as the second line of defense and internal audit departments as the third line of defense, which specified the responsibilities of the Board of Directors, the Board of Supervisors and senior management in market risk management. During the Reporting Period, the Bank completed the market risk management project on new capital agreements and accelerated in advancing the establishment of the market risk management system, improved market risk measurement and further enhanced the market risk management quota and the monitoring alerting mechanism. The Bank also intensified daily valuation on assets in transaction books and actively responded to market fluctuations of interest rates and various “black-swan” risks. It assessed the influence of abnormal market fluctuations on the asset portfolio and capitals of the Bank through pressure test on market risks and proposed practical and effective measures to reduce potential risks and reinforce the Bank’s ability to deal with possible extreme market changes.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.9.4 Operational risk management

Operational risk is the risk of losses arising from inadequate or defective internal procedures, personnel and information technology systems, or external events. Operational risk loss incidents may be faced by the Bank mainly include seven categories: internal and external frauds, employment systems and workplace safety accidents, accidents on customers, products and business activities, damages to physical assets, information technology system accidents and accidents on execution, settlement and process management.

The Bank has established “three lines of defense” against operational risks. The first line of defense is formed by business departments and other management departments. The second line of defense includes legal compliance management departments and risk management departments at all levels. The audit department is the third line of defense. The Bank implements whole-process management on operational risks and promotes the functioning of “three lines of defense” in parallel. It advances risk control and management from different perspectives and pays particular attention to the risk prevention and control function of the first line of defense.

During the Reporting Period, the operational risk management system runs smoothly and overall operational risk was controlled. The Bank followed the “effective, comprehensive, prudent and cost-effective” management principles, consolidated the fundamental work, intensified operational risk prevention and control means and improved the quality and efficiency in operational risk management.

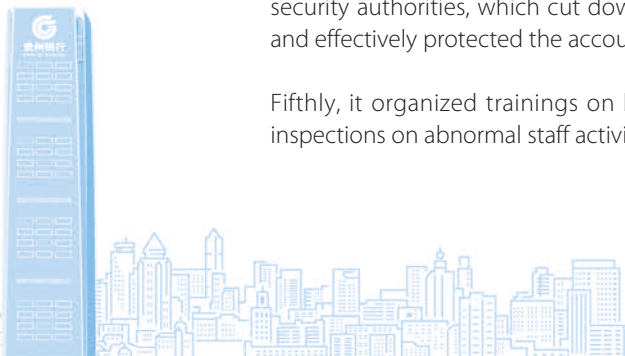
Firstly, it improved the operational risk management system and institutional norms. It amended and issued the Emergency Plan on Operational Risk Incidents of the Bank of Guizhou and perfected the operational risk management and control mechanism.

Secondly, it implemented an overall review on business processes to identify risk points and control measures. It issued the Guideline on Monitoring Key Risk Points of Operational Risks of the Bank of Guizhou (2019).

Thirdly, it improved the operational risk management system and initiated the consultancy program on the establishment of the operational risk system.

Fourthly, it made strong moves in establishing the joint risk prevention and control and punishment mechanism. It collected and shared cases of external fraud risk incidents in the industry and input the identification information of fraudulent persons in a timely manner. The system will automatically prompt counter clerks to strengthen prevention when fraudulent persons handle businesses again, which has remarkable results in risk prevention. During the Reporting Period, the Bank successfully prevented and blocked 154 external fraud risk incidents in counter services, representing an increase of 48 incidents from the previous year. It assisted customers in preventing seven remittance fraud incidents and avoided capital losses of over RMB200,000 for customers. It assisted the public security authorities in seeking three suspects online. The Bank strictly implemented the punishment measures of the People’s Bank of China on new types of telecommunication frauds and achieved control over account opening and non-counter transactions by relevant persons involved in telecommunication frauds. During the Reporting Period, the Bank shut down non-counter channels for 88 accounts involved in telecommunication fraud cases as identified by the public security authorities, which cut down the trading channels of capitals in telecommunication frauds in time and effectively protected the account safety of customers.

Fifthly, it organized trainings on business ability and awareness enhancement of the staff, carried out inspections on abnormal staff activities and effectively strengthened staff behavior risk management.



### 4.9.5 Information technology risk management

During the Reporting Period, the Bank continuously enhanced information technology risk management ability and effectively supported business development. Firstly, it kept strengthening the business continuity resource construction, successfully conducted maneuvers on the switch of disaster backup systems in “three centers in two cities” (兩地三中心), which guaranteed the business continuity of key information systems. Secondly, it intensified information technology risk management and control and focused on the establishment of safety and technology systems to guarantee the safe and stable operation of key information systems across the year.

### 4.9.6 Legal and compliance risk management

#### I. *Legal risk management*

During the Reporting Period, the Bank managed and controlled legal risks through the following measures: Firstly, strictly implementing the legal review system. It conducted legal review on the bank-wide contracts for all types of business and various rules and systems, carried out legal risk assessment and argumentation on significant operation and management matters. It provided legal opinions or plans to prevent legal risks and ensure the legality of the operation and management activities of the Bank. Secondly, consistently formulating form contract texts. It formulated form contract texts for frequent business activities and continuously supplemented and amended them based on regulatory requirements and business demands to prevent systematic legal risks. Thirdly, effectively executing litigation management. For litigations, it conducted feasibility and necessity analysis and argumentation and prepared lawsuit plans before the litigation based on management requirements and strictly went through approval procedures based on the type and amount of cases to enhance the handling and management ability on litigations and safeguard the legitimate rights of the Bank. Fourthly, implementing the legal risk alert system. For common legal risks in the business operation of the Bank, it conducted careful argumentation and research and formed legal risk alerts to remind its staff to prevent and reduce the occurrence of legal risk incidents. Fifthly, enhancing legal publicity and training. Based on the work plan of legal publicity, the Bank organized legal training through centralized training, consultancy and guidance; carried on legal publicity through publishing learning materials on laws and regulations on the website of the Bank and other means. Sixthly, it continued to boost the ability on legal compliance risk management and control, established gateways for legal risks forward, provided more legal support to routine operation activities and disposal plans on legal risks for key operation matters and promoted their implementation to ensure the healthy and sound business development of the Bank to enhance the employees' legal knowledge and risk awareness.

During the Reporting Period, except for those disclosed under 10.2 “Major Lawsuit, Arbitrations and Major Cases”. During the Reporting Period below, the Bank recorded no significant legal risk incidents.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **II. Compliance risk management**

The Bank has established a relatively sound compliance risk management structure and a systematic compliance risk management system, and perfected three lines of defenses for compliance risk management and dual reporting mechanism. It continuously improved its compliance risk management mechanism and enhanced its risk management level to achieve an effective control over compliance risks.

During the Reporting Period, the Bank managed and controlled compliance risks through the following measures: Firstly, it consistently deepened compliance operation concepts, accurately mastered the characteristics of risk prevention and control under new normal of economic development and held on to the bottom line of risks to effectively enhance compliance risk management efficiency; Secondly, it focused on regulatory emphasis, market hotspots and key points in work and conducted more analysis and judgment to remind compliance risks and practically prevent operation risks; Thirdly, it carried out self-inspection on “consolidating results in remediating market disorders and promoting compliance establishment”, risks in certain key areas as well as special credit management to control risks in business processes and facilitate compliance operation.; Fourthly, it perfected and intensified the compliance review mechanism to effectively control compliance risks in systems, processes and business activities; Fifthly, it strengthened the establishment of the internal control and safety system, improved the internal control assessment system, reinforced authorization management and consistently inspected abnormal staff activities to constantly consolidate internal control compliance management; Sixthly, it organized various trainings on the business ability and compliance awareness of the staff and inspected abnormal staff activities to effectively enhance staff behavior management and compliance management and foster the compliance culture.

### **4.9.7 Reputational risk management**

Reputational risk refers to the risk of negative comments from relevant interested parties resulting from our operations, management and other activities or external events. The Bank adopts reputational risk management into the corporate governance and the overall risk management system to actively and effectively prevent reputational risks and respond to reputational incidents and minimize the losses and negative effects on the Bank, relevant interested parties and the public. During the Reporting Period, the Bank further improved the reputational risk management system and formulated detailed reputational risk management policies. The Bank seriously organized internal trainings on reputational risks, urged the staff to carefully perform their duties and carried out inspections on potential reputation risks as well as effectively monitoring and researches on and handling of public opinions to ensure the timely response to public opinion events. It also increased positive publicity to create a favorable atmosphere for business operation.

During the Reporting Period, the Bank recorded no significant public opinion events.



#### 4.9.8 Interest rate risk management of banking book

Interest rate risk in the banking book refers to the risk of loss in the economic value and overall income of the banking book due to adverse changes in interest rate level and term structure, mainly including gap risk, benchmark risk and option risk.

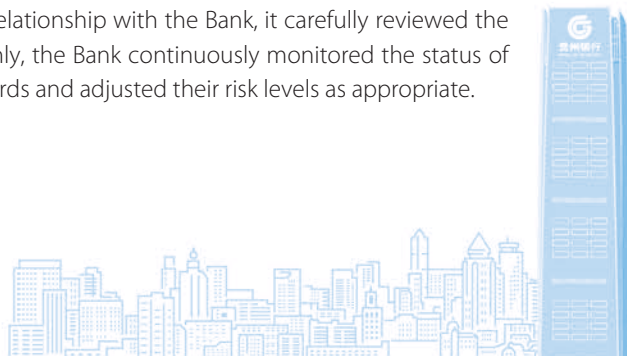
During the Reporting Period, the Bank continued to improve and strengthen the interest rate risk management of the banking book. Firstly, the Bank gradually established and improved the interest rate risk governance structure of the banking book and improved the interest rate risk management mechanism of the banking book; Secondly, the Bank continued to optimize the maturity structure of assets and liabilities, gradually relieved the maturity mismatch situation, and continuously reduced the sensitivity indicators of interest rate risk; Thirdly, taking the launch and operation of the system as an opportunity, the Bank strengthened the measurement of interest rate-sensitive assets and liabilities in the banking book, and strived to reduce the risk of losses in the economic value and overall income of the Bank; Fourthly, the Bank gradually improved the interest rate risk monitoring and reporting system of the banking book to effectively control the interest rate risk of the banking book.

#### 4.9.9 Anti-money laundering management

Strictly following the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Anti-Money Laundering Regulations for Financial Institutions (《金融機構反洗錢規定》), the Administrative Measures for the Financial Institutions' Report of Large-Sum Transactions and Suspicious Transactions (《金融機構大額交易和可疑交易報告管理辦法》) and other laws, regulations and rules, the Bank earnestly performs anti-money laundering obligations, solidly and effectively conducts anti-money laundering work.

The Bank has set up an anti-money laundering leading group, which is headed by our senior management, to lead, deploy and coordinate the bank-wide anti-money laundering policy implementation. The office of the leading group is based in the Legal and Compliance Department, which is responsible for leading the bank-wide anti-money laundering management and coordinating with all the business departments, functional departments, branches and sub-branches in implementing the internal control policies and operational procedures regarding anti-money laundering.

During the Reporting Period, the Bank managed and controlled money laundering risks through the following measures: Firstly, it strengthened system establishment, developed and improved internal policies and procedures with respect to anti-money laundering which are primarily related to customer due diligence, suspected terrorism financing, money laundering risk classification, and large and suspicious transaction reporting; Secondly, it formulated the Customer Money Laundering Risk Classification Policy to classify its customers into four levels based on their money laundering risks; Thirdly, it established a management system for large and suspicious transaction reporting and has formulated independent monitoring rules and models according to the requirements set forth by the regulatory authorities; Fourthly, for customers who newly established business relationship with the Bank, it carefully reviewed the customer's information and classified their risk levels; Fifthly, the Bank continuously monitored the status of existing customers and changes in their transactional records and adjusted their risk levels as appropriate.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.9.10 Strategic risk management

Strategic risk refers to the risk caused by improper operation policies or changes in the external operation environment during the formulation and implementation of strategies, which may have negative effects on the current or future profit, capital, reputation or market position of the Bank as a whole. The Bank's strategic risk management aims to comprehensively and effectively identify, assess, monitor and report the strategic risks faced by the Bank and advance the systematic, standard and routine strategic risk management to guarantee the prudent formulation and proper implementation of the development strategies of the Bank.

The strategic risk management of the Bank follows the principles of compliance, consistency, perspectiveness, independence and operability and is an integral part of the corporate governance and overall risk management system of the Bank. The strategic risk management structure of the Bank consists of the Board of Directors and the committees under it, the Board of Supervisors, senior management and relevant functional departments.

During the Reporting Period, the Bank's strategic risks remained stable and under control on the whole and strategic risks were under effective management. Next, the Bank plans to set up a scientific strategic risk appraisal system and conduct regular appraisal on strategic risks to comprehensively assess the influence of changes in economy, finance, society, situation, industries and other external operation environment on its strategic risks as well as the reasonableness, compatibility and consistency of strategic plans.

### 4.9.11 Exchange Rate Risk Management

Exchange rate risk refers to the risk that the position and cash flow of foreign currency exposures held by the Bank will be adversely affected by fluctuations in major foreign exchange rates. The Bank's foreign currency assets and liabilities are mainly US dollars, and the rest are Euros, Hong Kong dollars, Japanese yen, and GBP. The Bank's main principle for controlling exchange rate risk is to match assets and liabilities in each currency as much as possible, and conduct daily monitoring of foreign exchange exposure. In accordance with regulatory requirements and operating needs, the Bank controls exchange rate risk by rationally arranging the source of foreign currency funds, currency structure and operations to possibly minimize mismatches in assets and liabilities in different currencies, and on the other hand, through the stable trading strategy of immediate settlement and sale of foreign exchange and actively avoiding exchange losses caused by exchange rate fluctuations, and ensuring that the cumulative foreign exchange exposure position indicators held by the Bank remain within the excellent regulatory rating. In addition, in the credit granting business, the Bank locks up the large foreign currency business and regularly revalues the exchange rate of the collateral. In the case of undervalued guarantees, it takes timely repayment measures or supplementary guarantees to avoid losses caused by exchange rate risks.



## 4.10 CAPITAL MANAGEMENT

As at 31 December 2018 and 31 December 2019, the Bank's core tier-one capital adequacy ratio was 10.62% and 12.30%, respectively, the Bank's tier-one capital adequacy ratio was 10.62% and 12.30%, respectively, the Bank's capital adequacy ratio was 12.83% and 14.45%, respectively and the gearing ratio (liabilities over assets) of the Bank was 92.54% and 91.72%, respectively.

### Asset Adequacy Ratio

	As at 31 December 2019	As at 31 December 2018
	<i>(RMB million, except for percentages)</i>	
<b>Total core Tier-one Capital</b>		
Share capital	14,588.05	12,388.04
Qualifying portion of capital reserve	9,006.77	6,362.61
Surplus reserve	1,491.06	1,134.70
General reserve	3,360.00	2,610.00
Retained earnings	5,443.36	3,398.18
<b>Core tier-one capital</b>	33,889.24	25,893.53
<b>Core tier-one capital deductions</b>	(172.20)	(208.01)
<b>Net core tier-one capital</b>	33,717.04	25,685.52
<b>Tier-two Capital</b>		
Surplus provision for impairment	3,095.65	2,504.89
Instruments issued and share premium	2,792.44	2,843.37
<b>Net Tier-two capital</b>	5,888.09	5,348.26
<b>Total net capital</b>	39,605.13	31,033.78
<b>Total risk-weighted assets</b>	274,014.08	241,843.54
<b>Core tier-one capital adequacy ratio</b>	12.30%	10.62%
<b>Tier-one capital adequacy ratio</b>	12.30%	10.62%
<b>Capital Adequacy Ratio</b>	14.45%	12.83%





## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.11 SOCIAL RESPONSIBILITIES

While creating outstanding operation results and returning investors, the Bank focused on five aspects in actively performing social responsibilities:

Firstly, fully supporting poverty alleviation. The Bank supported poverty-stricken areas to develop local characteristic industries based on their own conditions through industry funds on poverty alleviation and poverty-relief loans on green industries to boost the income and prosperity of poverty-stricken people. It vigorously supported access to roads in rural areas “Zu Zu Tong” (組組通) and the construction of ordinary roads in poverty-stricken areas to improve the infrastructure construction in poverty-stricken areas. It provided partner assistance to Danzhai County in Qiandongnan Autonomous Prefecture and the county was successfully lifted out of poverty in April 2019.

Secondly, vigorously supporting the development of the real economy. It insisted on returning to origins and formulated detailed measures on supporting the development of the real economy. Focusing on fundamental energy, industries, civil and military integration and “double thousand projects” (雙千工程), the Bank strongly supported the construction of key projects and enterprises across the province and fully improved the efficiency in serving the real economy.

Thirdly, sincerely serving micro and small private enterprises. The Bank strengthened appraisal to stimulate the enthusiasm and initiative in serving private enterprises. Through the “companies + cooperatives + farmers” model and obtaining core (quality) corporate customers and micro and small enterprises in upper and down streams in large quantities, the Bank actively explored standard services on inclusive finance with “short-term, small, frequent and urgent” demands and strived to turn “small customers” into a “big market”.

Fourthly, strongly supporting the development of green finance. We increased support for environmentally-friendly customers and projects, closely prevented and controlled the “two high and one surplus” industries, and promoted the optimization and adjustment of the credit structure. Through innovative products such as “forest property mortgage loans” (林權抵押貸款) and “land reclamation green loans” (土地複墾綠色貸款) to meet customers’ green financing needs.

Fifthly, striving to protect consumer rights. The Bank carried out consumer rights protection training and improved customer complaint acceptance and handling procedures. The Bank adopted a combination of online and offline models, actively organized financial popularization knowledge activities, and maintained a rating of Grade A for consumer rights protection in banking financial institutions. The Bank continuously optimized service management, improved service levels, and carried out evaluation activities with the purpose of “warm customers attentively and care for outlets attentively”, laying a solid foundation for the establishment of national star-level outlets in the Chinese banking industry. During the Reporting Period, the Bank established 7 star-rated outlets nationwide, ranking first among its peers in Guizhou province.



## 4.12 DEVELOPMENT STRATEGIES AND FUTURE DEVELOPMENT PROSPECTS

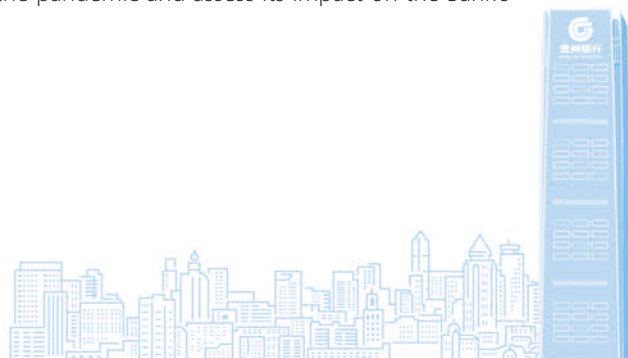
The development vision of the Bank is to grasp the pulse of the new era, maintain high-quality development and build a top-notch modern urban commercial bank in China. Specific development targets of the Bank are to achieve steady growth in business scale, unique and characteristic operation and significant enhancement in management.

To achieve the above targets, the Bank plans to: (I) develop the brand of “green bank” and become a leading corporate bank; (II) reinforce three fundamental abilities in investment transactions, asset management and interbank businesses and improve the profit in the financial market; (III) deepen customer operation, diversify product services and develop big retail with extraordinary efforts; (IV) develop characteristic financial services with the Internet big data thinking and build the online Bank of Guizhou; (V) make efforts in big data application and platform construction to provide strong support to business capacity; (VI) establish an overall risk management system and better balance the bank-wide revenue, size and quality; and (VII) improve the health of organizations and build the core value system of the Bank of Guizhou.

In future, the Bank will continue to focus on 8 major strategic key industries, deepened customer operations, established transaction banking, investment banking and industry-specific solutions, and was committed to building a corporate bank with leading efficiency, distinctive features and comprehensive financial competitiveness; The retail banking business focuses on five major strategic groups, vigorously develops wealth management, mobile payment, credit card and high-yield asset businesses, and is committed to building a digital and light retail bank; The Bank strengthened proprietary investment trading, enriched the types of business on behalf of customers, promoted the leapfrog transformation of wealth management, expanded the interbank customer base, and promoted the financial market business to become a new profit growth point and product center of the Bank.

## 4.13 IMPACT OF NOVEL CORONAVIRUS

Since 2020, the outbreak of the novel coronavirus has seriously affected the normal economic activities of China and other countries and regions. Facing the severe situation of the pandemic, the Bank acted swiftly and proactively, conscientiously implemented the country's decision and deployment to resolutely win the fight against pandemic prevention and control, and went all out to help enterprises resume production, resume work, and fight poverty and provided strong financial support through the development of the “two battles” to support local economic and social development. The Bank always puts the health of customers and employees first. After the outbreak, the Bank immediately issued pandemic prevention responsibilities, tasks and work guidelines at all levels to clarify responsibilities and ensure that there is no dead corner in pandemic prevention. The Bank has formulated a number of relief measures for customers affected by the pandemic, establishing a green channel for project approval, decentralizing customer access approval authority, giving priority to the pandemic protection of key enterprises, resumption of work and production, as well as to the approval; And at the same time, we allocated special credits scale, giving priority to ensuring the prevention and control of pandemics and the resumption of work and production of various enterprises; accelerating the approval and release of loans for poverty alleviation in green industries. The Bank will work closely with employees and customers to work together to overcome the challenges of the pandemic. The Bank will closely monitor the progress of the pandemic and assess its impact on the Bank's business development.



## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### 5.1 CHANGES IN SHARE CAPITAL

As at 31 December 2018, total share capital of the Bank was 12,388,045,232.77. On 26 March 2019, 2018 annual general meeting of the Bank considered and approved the Resolution on Non-Integral Share Standardization Plan and Change of Registered Capital of Bank of Guizhou. In accordance with resolutions of the general meeting, our shareholder Liupanshui Yilian Communication Equipment Co., Ltd. contributed RMB3,173.6 to subscribe for our 1,511.23 shares, for the purpose of regulating the total number of our shares and non-integral shares held by shareholders. With the respect of such subscription, the total number of share capital of the Bank changed from RMB12,388,045,232.77 to RMB12,388,046,744.

On 30 December 2019, the Bank was listed on the main board of Hong Kong Stock Exchange and initially issued 2,200 million H Shares totally with a nominal value of RMB1.00 at the offer price of HK\$2.48 per Share.

As at 31 December 2019, total share capital of the Bank was 14,588,046,744, divided into 12,388,046,744 Domestic Shares and 2,200,000,000 H Shares.

Item	As at 31 December 2018		Changes in numbers of shares during the Reporting Period (share)	As at 31 December 2019	
	Numbers of shares (share)	Percentage (%)		Numbers of shares (share)	Percentage (%)
Domestic Shares	12,388,045,232.77	100%	1,511.23	12,388,046,744.00	84.92%
H Shares	–	–	2,200,000,000.00	2,200,000,000.00	15.08%
Total number of ordinary shares	<u>12,388,045,232.77</u>	<u>100%</u>	<u>2,200,001,511.23</u>	<u>14,588,046,744.00</u>	<u>100%</u>



## 5.2 INFORMATION ON SHAREHOLDERS

### 5.2.1 Total numbers of domestic shareholders

As at 31 December 2019, the Bank owned 5,307 domestic shareholders in total, consisting of 11 state-owned shareholders, 60 state-owned legal person shareholders, 124 social legal person shareholders and 5,112 natural person shareholders.

### 5.2.2 Top ten holders of the Domestic Shares

As at 31 December 2019, the shareholdings of top ten Domestic Shareholders of the Bank is detailed as follow:

No.	Name of shareholder	Class of share	Number of Share held (Unit: Share)	Approximate percentage of total issued share capital of the Bank (%)
1	Guizhou Provincial Finance Bureau (貴州省財政廳)	Domestic Shares	1,918,500,000	13.15
2	China Kweichow Moutai Distillery (Group) Co., Ltd. (中國貴州茅臺酒廠(集團)有限責任公司)	Domestic Shares	1,750,000,001	12.00
3	GuiAn New District Development and Investment Co., Ltd. (貴安新區開發投資有限公司)	Domestic Shares	1,050,000,000	7.20
4	Zunyi City State-owned Assets Investment and Financing Management Co., Ltd. (遵義市國有資產投融資經營管理有限責任公司)	Domestic Shares	718,545,710	4.93
5	Shenzhen Expressway Company Limited (深圳高速公路股份有限公司)	Domestic Shares	426,000,000	2.92
6	Guizhou Water Investment Group Co., Ltd. (貴州水投水務集團有限公司)	Domestic Shares	334,000,000	2.29



## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

No.	Name of shareholder	Class of share	Number of Share held (Unit: Share)	Approximate percentage of total issued share capital of the Bank (%)
7	Guizhou Expressway Group Company Ltd. (貴州高速公路集團有限公司)	Domestic Shares	300,000,000	2.06
8	Liupanshui Municipal Finance Bureau (六盤水市財政局)	Domestic Shares	284,067,540	1.95
9	Zunyi Hengtong Industrial Development Co., Ltd. (遵義恒通實業發展有限公司)	Domestic Shares	236,932,194	1.62
10	Liupanshui Livelihood Industrial Investment Group Company Limited (六盤水市民生產業投資集團有限責任公司)	Domestic Shares	200,000,000	1.37

### 5.2.3 Interests and short positions of substantial shareholders in Shares and underlying shares under the Regulations of Hong Kong

As at 31 December 2019, to the best knowledge of the Bank, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or were deemed or taken to have interests and/or short positions in the Shares or underlying shares as recorded in the register of interests required to be kept by the Bank pursuant to Section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the shareholders' general meetings of any other member companies of the Bank:



Name of Shareholder	Class of Shares	Nature of Interests	Number of Shares and its nature <sup>(1)</sup>	Approximate percentage of the relevant class of share capital of the Bank	Approximate percentage of the total issued share capital of the Bank
Guizhou Provincial Finance Bureau (貴州省財政廳)	Domestic Shares	Beneficial Owner	1,918,500,000(L)	15.49%	13.15%
China Kweichow Moutai Distillery (Group) Co., Ltd. <sup>(2)</sup> (中國貴州茅台酒廠(集團)有限責任公司)	Domestic Shares	Beneficial Owner	1,750,000,001(L)	14.13%	12.00%
State-owned Assets Supervision and Administration Commission of the People's Government of Guizhou Province <sup>(2)</sup> (貴州省人民政府國有資產監督管理委員會)	Domestic Shares	Interest in controlled corporation	1,750,000,001(L)	14.13%	12.00%
GuiAn New District Development and Investment Co., Ltd. <sup>(3)</sup> (貴安新區開發投資有限公司)	Domestic Shares	Beneficial Owner	1,050,000,000(L)	8.48%	7.20%
Zunyi City Mingcheng State-owned Assets Investment and Operation Co., Ltd. <sup>(4)</sup> (遵義市名城國有資產投資經營有限公司)	Domestic Shares	Beneficial Owner	34,065,055(L)	0.27%	0.23%
Zunyi City State-owned Assets Investment and Financing Management Co., Ltd. <sup>(4)</sup> (遵義市國有資產投融資經營管理有限責任公司)	Domestic Shares	Beneficial Owner	718,545,710(L)	5.80%	4.93%
		Interest in controlled corporation	34,065,055(L)	0.27%	0.23%
Zunyi Financial Holding Group Co., Ltd. <sup>(4)</sup> (遵義金控集團有限公司)	Domestic Shares	Interest in controlled corporation	752,610,765(L)	6.07%	5.16%



## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of Shareholder	Class of Shares	Nature of Interests	Number of Shares and its nature <sup>(1)</sup>	Approximate percentage of the relevant class of share capital of the Bank	Approximate percentage of the total issued share capital of the Bank
State-owned Assets Supervision and Administration Commission of the People's Government of Zunyi <sup>(4)</sup> (遵義市人民政府國有資產監督管理委員會)	Domestic Shares	Interest in controlled corporation	752,610,765(L)	6.07%	5.16%
Mingyuan Group Investment Limited <sup>(5)</sup>	H Shares	Beneficial Owner	171,258,000(L)	7.78%	1.17%
Shum Tin Ching <sup>(5)</sup> (沈天晴)	H Shares	Interest in controlled corporation	171,258,000(L)	7.78%	1.17%
	H Shares	Beneficial Owner	140,637,000(L)	6.39%	0.96%
Shanghai Kangzheng Investment Management Co., Ltd <sup>(6)</sup>	H Shares	Beneficial Owner	158,064,000(L)	7.18%	1.08%
Su Weimin <sup>(6)</sup> (蘇衛民)	H Shares	Interest in controlled corporation	158,064,000(L)	7.18%	1.08%
Hu Yongqing <sup>(6)</sup> (胡永清)	H Shares	Interest in controlled corporation	158,064,000(L)	7.18%	1.08%
Future Profit Investment Limited <sup>(7)</sup>	H Shares	Beneficial Owner	119,540,000(L)	5.43%	0.82%
Ji Zhongning <sup>(7)</sup> (紀中寧)	H Shares	Interest in controlled corporation	119,540,000(L)	5.43%	0.82%
CCB International Capital Limited <sup>(8)</sup> (建銀國際金融有限公司)	H Shares	Beneficial Owner	330,000,000(L) 61,811,000(S)	15.00% 2.81%	2.26% 0.42%
CCB International (Holdings) Limited <sup>(8)</sup> (建銀國際(控股)有限公司)	H Shares	Interest in controlled corporation	330,000,000(L) 61,811,000(S)	15.00% 2.81%	2.26% 0.42%



Name of Shareholder	Class of Shares	Nature of Interests	Number of Shares and its nature <sup>(1)</sup>	Approximate percentage of the relevant class of share capital of the Bank	Approximate percentage of the total issued share capital of the Bank
CCB Financial Holdings Limited <sup>(8)</sup> (建行金融控股有限公司)	H Shares	Interest in controlled corporation	330,000,000(L) 61,811,000(S)	15.00% 2.81%	2.26% 0.42%
CCB International Group Holdings Limited <sup>(8)</sup> (建行國際集團控股有限公司)	H Shares	Interest in controlled corporation	330,000,000(L) 61,811,000(S)	15.00% 2.81%	2.26% 0.42%
China Construction Bank Corporation <sup>(8)</sup> (中國建設銀行股份有限公司)	H Shares	Interest in controlled corporation	330,000,000(L) 61,811,000(S)	15.00% 2.81%	2.26% 0.42%
Central Huijin Investment Ltd. <sup>(8)</sup> (中央匯金投資有限責任公司)	H Shares	Interest in controlled corporation	330,000,000(L) 61,811,000(S)	15.00% 2.81%	2.26% 0.42%

## Notes:

- (1) (L) represents long positions, and (S) represents short positions.
- (2) China Kweichow Moutai Distillery (Group) Co., Ltd. holds 1,750,000,001 Domestic Shares of the Bank, representing a percentage of total Domestic Shares and total share capital of the Bank, being 14.13% and 12.00% respectively. China Kweichow Moutai Distillery (Group) Co., Ltd. is wholly owned by State-owned Assets Supervision and Administration Commission of the People's Government of Guizhou Province (貴州省人民政府國有資產監督管理委員會), which is deemed to hold interests in the Shares of the Bank held by China Kweichow Moutai Distillery (Group) Co., Ltd. according to SFO.
- (3) GuiAn New District Development and Investment Co., Ltd. holds 1,050,000,000 Domestic Shares of the Bank, representing a percentage of total Domestic Shares and total share capital of the Bank, being 8.48% and 7.20%, respectively. Guizhou GuiAn New Area Management Committee (貴州貴安新區管理委員會) holds 95.50% of interests in GuiAn New District Development and Investment Co., Ltd. Guizhou GuiAn New Area Management Committee is deemed to hold interests in the shares of the Bank held by GuiAn New District Development and Investment Co., Ltd. according to SFO.





## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

- (4) Zunyi City Mingcheng State-owned Assets Investment and Operation Co., Ltd. holds 34,065,055 Domestic Shares of the Bank, representing a percentage of total Domestic Shares and total share capital of the Bank, being 0.27% and 0.23% respectively. Zunyi City State-owned Assets Investment and Financing Management Co., Ltd. holds 718,545,710 Domestic Shares of the Bank, representing a percentage of total Domestic Shares and total share capital of the Bank, being 5.80% and 4.93% respectively.

Zunyi City Mingcheng State-owned Assets Investment and Operation Co., Ltd. is wholly owned by Zunyi City State-owned Assets Investment and Financing Management Co., Ltd., 73.50% interests of which is held by Zunyi Financial Holdings Group Co., Ltd. and Zunyi Financial Holdings Group Co., Ltd. is wholly owned by State-owned Assets Supervision and Administration Commission of the People's Government of Zunyi.

In virtue of SFO, Zunyi City State-owned Assets Investment and Financing Management Co., Ltd, Zunyi Financial Holdings Group Co., Ltd and State-owned Assets Supervision and Administration Commission of the People's Government of Zunyi were all deemed to be interested in the Shares of the Bank held by Zunyi City Mingcheng State-owned Assets Investment and Operation Co., Ltd. Zunyi Financial Holdings Group Co., Ltd and State-owned Assets Supervision and Administration Commission of the People's Government of Zunyi were all deemed to be interested in the Shares of the Bank held by Zunyi City State-owned Assets Investment and Financing Management Co., Ltd.

- (5) Shum Tin Ching directly holds 100% of total share capital issued by Mingyuan Group Investment Limited. With the respect of such SFO, Shum Tin Ching was deemed to be interested in the Shares of the Bank held by Mingyuan Group Investment Limited.
- (6) Su Weimin and Hu Yongqing directly individually hold 50% of total share capital issued by Shanghai Kangzheng Investment Management Co., Ltd.. With the respect of SFO, Su Weimin and Hu Yongqing were deemed to be interested in the Shares of the Bank held by Shanghai Kangzheng Investment Management Co., Ltd..
- (7) Ji Zhongning directly holds 100% of total share capital issued by Future Profit Investment Limited. With the respect of SFO, Ji Zhongning was deemed to be interested in the Shares of the Bank held by Future Profit Investment Limited.
- (8) CCB International Capital Limited was a wholly-owned subsidiary of CCB International (Holdings) Limited, which was also a wholly-owned subsidiary of CCB Financial Holdings Limited. CCB Financial Holdings Limited was a wholly-owned subsidiary of CCB International Group Holdings Limited, which was a wholly-owned subsidiary of China Construction Bank Corporation. Central Huijin Investment Ltd. holds 57.11% of total capital issued of China Construction Bank Corporation. With the respect of SFO, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Ltd. was deemed to be interested in the Shares of the Bank held by CCB International Capital Limited.

The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.



## 5.2.4 Shareholders holding 5% or more of the shares

For information on Shareholders holding 5% or more of the share capital of the Bank, please refer to particulars of shareholders as described in 5.2.3 above.

## 5.2.5 Related parties of other substantial Domestic shareholders

According to the Interim Measures for the Equity Management of Commercial Banks of CBIRC (《商業銀行股權管理暫行辦法》) (CBRC Order 2018 No. 1) reviewed and approved by the former China Banking Regulatory Commission's first chairman's meeting in 2018, substantial shareholders of a commercial bank mean shareholders who hold or control 5% or above shares or voting right of the commercial bank, or who hold less than 5% of total capital or total shares of the commercial bank but have significant impact on the business of the commercial bank. The significant impact mentioned above includes but not limited to dispatching directors, supervisors or senior management of a commercial bank.

Other than Guizhou Provincial Financial Bureau, China Kweichow Moutai Distillery (Group) Co., Ltd, GuiAn New District Development and Investment Co.,Ltd and Zunyi City State-owned Assets Investment and Financing Management Co., Ltd. as disclosed in the 5.2.3 headed "Interests and short positions of substantial shareholders in Shares and underlying shares under the Regulations of Hong Kong" under this chapter, the following are substantial domestic shareholder of the Bank who hold less than 5% of total capital or total shares but dispatch directors, supervisors or senior management to the Bank:

Name of Shareholder	Class of Shares	Nature of Interests	Number of Shares and its nature <sup>(1)</sup>	Approximate percentage of the total issued share capital of the Bank
Shenzhen Expressway Company Limited <sup>(2)</sup> (深圳高速公路股份有限公司)	Domestic Shares	Beneficial Owner	426,000,000.00(L)	2.92%
Guizhou Water Investment Group Co., Ltd. <sup>(3)</sup> (貴州水投水務集團有限公司)	Domestic Shares	Beneficial Owner	334,000,000.00(L)	2.29%

(1) (L) represents long positions, and (S) represents short positions.

(2) Founded in 1996, Shenzhen Expressway Company Limited was an only expressway franchise company approved by the Shenzhen Municipal Government. It issued H shares (SEHK stock code: 0548) which are listed on Hong Kong Stock Exchange in March 1997. And it issued A shares (SSE stock code: 600548) which are listed on Shanghai Stock Exchange in December 2001. Its legal representative is HU Wei, its beneficial controller and beneficial owner is State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen (深圳市人民政府國有資產監督管理委員會).

(3) Guizhou Water Investment Group Co., Ltd. was established on 1 April 2012 and its legal representative is QIN Liqi. Its beneficial controller and owner is Water Resources Department of Guizhou Province (貴州省水利廳).



## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### 5.2.6 Related party transactions between the substantial shareholders and its controlling shareholders, beneficial controllers, persons acting in concert and ultimate owner

Company Name	Registry	Registered capital (RMB'000)	Proportion to the shareholdings held by the Bank on 31 December 2019	Proportion to the shareholdings held by the Bank on 31 December 2018	Economic nature of operation or type	Legal representative or person in charge
Guizhou Provincial Finance Bureau	Guiyang, Guizhou Province	N/A	13.15%	14.30%	Provincial government department	YAN Wanping
China Kweichow Moutai Distillery (Group) Co., Ltd.	Guiyang, Guizhou Province	10,000,000	12.00%	14.13%	Limited liability company (wholly state-owned)	LI Baofang
GuiAn New District Development and Investment Co., Ltd.	Gui'an New Area in Guizhou Province	20,000,000	7.20%	8.48%	Limited liability company (state-controlled)	ZONG Wen
Zunyi City State-owned Assets Investment and Financing Management Co., Ltd.	Zunyi Guizhou	8,163,400	4.93%	3.31%	Limited liability company (state-controlled)	LU Lin
Shenzhen Expressway Company Limited	Shenzhen, Guangdong Province	2,180,770	2.92%	3.44%	Corporation	HU Wei
Guizhou Water Investment Group Co., Ltd.	Guiyang, Guizhou Province	698,540	2.29%	2.70%	Limited liability company (wholly state-owned)	QIN Liqi

#### 1. **Guizhou Provincial Finance Bureau**

Guizhou Provincial Finance Bureau holds 1,918,500,000 Domestic Shares of the Bank, accounting for 15.49% and 13.15% of the total Domestic Shares and total share capital of the Bank, respectively. The shares held by Guizhou Provincial Finance Bureau are state-owned shares, and the ultimate owner is Guizhou Provincial Finance Bureau.

Its main business is to implement the national and provincial fiscal and taxation policies and laws and regulations, organize the drafting of local regulations and rules on finance, taxation, government procurement, state-owned asset management, asset evaluation, financial accounting and government debt management.



## **2. China Kweichow Moutai Distillery (Group) Co., Ltd..**

China Kweichow Moutai Distillery (Group) Co., Ltd. is wholly-owned by State-owned Assets Supervision and Administration Commission of People's Government of Guizhou Province, which is its beneficial controller and owner. According to the relevant regulations in the Interim Measures for the Equity Management of Commercial Banks, as at the end of the Reporting Period, the related parties of China Kweichow Moutai Distillery (Group) Co., Ltd also included Kweichow Moutai Distillery (Group) Real Estate Investment and Development Co.,Ltd. (\*貴州茅台酒廠(集團)置業投資發展有限公司) and Guizhou Railway Investment Co., Ltd. (\*貴州鐵路投資有限責任公司).

Its main business includes production and operation of alcoholic products as major products, production technology consulting and services of alcoholic products, production and sales of packaging materials and beverages, catering, accommodation, tourism, logistics and transportation, import and export trade business, internet industry, real estate development and lease, parking lot management, education, health and ecological agriculture.

## **3. GuiAn New District Development and Investment Co., Ltd.**

Guizhou GuiAn New Area Management Committee holds 95.50% of equity in GuiAn New District Development and Investment Co., Ltd. and was an actual controller and actual beneficiary. According to the relevant regulations in the Interim Measures for the Equity Management of Commercial Banks, as at the end of the Reporting Period, the related parties of GuiAn New District Development and Investment Co.,Ltd. also included Guizhou Gui An Construction Investment Co., Ltd (\*貴州貴安建設投資有限公司) and Guizhou Gui An Real Estate Investment Co., Ltd. (\*貴州貴安置業投資有限公司).

Its major businesses involve infrastructure construction, construction of urban public supporting facilities, integrated urban operation services, primary land development, real estate development, investment and operation and management of financial and similar financial assets, capital operation, asset management and operation, big data industry and investment, high-end equipment manufacturing industry and investment, biotechnology, pharmaceutical industry and investment, cultural tourism industry and investment, big health industry and investment, educational and cultural industry and investment, comprehensive agricultural development and investment, rural environmental infrastructure construction and investment, development and investment of ecological agriculture, industrial investment, operation and management of production and business, general contracting and operation and management of garden landscape engineering construction, storage and logistics, e-commerce, hotel services, housing and site leasing as well as intermediary services.



## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### **4. Zunyi City State-owned Assets Investment and Financing Management Co., Ltd.**

Zunyi Financial Holdings Group Co., Ltd. holds 73.50% equity of Zunyi City State-owned Assets Investment and Financing Management Co., Ltd. and is wholly-owned by State-owned Assets Supervision and Administration Commission of the People's Government of Zunyi. State-owned Assets Supervision and Administration Commission of the People's Government of Zunyi was an actual controller and beneficiary of Zunyi City State-owned Assets Investment and Financing Management Co., Ltd. According to the relevant regulations in the Interim Measures for the Equity Management of Commercial Banks, as at the end of the Reporting Period, the related parties of Zunyi City State-owned Assets Investment and Financing Management Co., Ltd. also included Zunyi Financial Holdings Group Co., Ltd. and Zunyi City Mingcheng State-owned Assets Investment and Operation Co., Ltd..

Its main businesses are engaging in the operation and management of state-owned assets within the scope of authorization, and exercising the function of investor, management of the state-owned assets within the authorized scope through asset transfer, asset leasing, asset acquisition, asset replacement, equity participation, share controlling, entrusted loans, issuance of corporate bonds, and cultivation of listed companies and other capital operations, managing the state-owned assets income, and investing in urban infrastructure construction projects according to the arrangements of the municipal people's government, key economic construction projects and backbone enterprises, and responsible for supervising the funds construction of various subsidiaries to achieve an integrated services including investment and construction, providing financing information services for the invested enterprises, conducting land development and improvement.

### **5. Shenzhen Expressway Company Limited**

Shenzhen Expressway Company Limited is an A Share and H Share listed Company. Xin Tong Chan Development (Shenzhen) Company Limited (新通產實業開發(深圳)有限公司) holds 30.03% equity of Shenzhen Expressway Company Limited. And its beneficial controller and beneficial owner is State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen based on available information. According to the relevant regulations in the Interim Measures for the Equity Management of Commercial Banks, as at the end of the Reporting Period, the related parties of Shenzhen Expressway Company Limited also included Shenzhen Expressway Environmental Company Limited (深圳高速環境有限公司) and Shenzhen Guangshen Coastal Expressway Investment Company Limited (深圳市廣深沿江高速公路投資有限公司).

Its main businesses are highway and road investment, construction management, business management; import and export business (operating with qualification certificates).



#### **6. Guizhou Water Investment Group Co., Ltd.**

Guizhou Water Investment Group Co., Ltd. is a wholly-owned subsidiary of Guizhou Province Water Investment (Group) Co., Ltd. (貴州省水利投資(集團)有限責任公司). Water Resources Department of Guizhou Province (貴州省水利廳) holds 85.20% equity of Guizhou Province Water Investment (Group) Co., Ltd.. The beneficial controller and beneficial owner of Guizhou Water Investment Group Co., Ltd. was Water Resources Department of Guizhou Province (貴州省水利廳). According to the relevant regulations in the Interim Measures for the Equity Management of Commercial Banks, as at the end of the Reporting Period, the related parties of Guizhou Water Investment Group Co., Ltd. also included Guizhou Runhong Construction Engineering Co., Ltd (\*貴州潤宏建築工程有限公司) and Guizhou Water Investment Group Songtao Co., Ltd (\*貴州水投水務集團松桃有限公司).

Its main businesses are organizing enterprises to carry out survey and design, construction, maintenance, management and toll collection of expressways and affiliates, organizing transportation services, construction machinery, traffic engineering facilities and materials, vehicle and machinery maintenance, highway construction consulting, demonstration and supervision as well as introducing and developing new technologies.

#### **5.2.7 Major shareholders' equity pledge**

As the substantial shareholder of the Bank, Zunyi City State-owned Assets Investment and Financing Management Co., Ltd. holds directly 718,545,710 Domestic Shares, of which the shareholder pledged 70 million shares to Guiyang Branch of China Zheshang Bank Co., Ltd. (浙商銀行股份有限公司貴陽分行) for provision of a maximum guarantee to China Aviation Guizhou Elevator Co., Ltd. (貴州中航電梯有限責任公司) by way of pledge with the maximum balance of creditor rights of RMB150 million and 130 million Domestic Shares are pledged to Fuzhou Branch of Xiamen International Bank Co., Ltd. (廈門國際銀行股份有限公司福州分行) for provision of a maximum guarantee to Zunyi Financial Holdings Group Co., Ltd. with the balance of guaranteed debt amounting to RMB400 million.



## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### 5.2.8 Nomination of Directors and Supervisors by the shareholders

Nominated by	Name of nominee	Position
China Kweichow Moutai Distillery (Group) Co., Ltd.(中國貴州茅臺酒廠(集團)有限責任公司)	Mr. Yang Jianjun <sup>Note 1</sup>	Non-executive Director
Guizhou Expressway Group Company Ltd.(貴州高速公路集團有限公司)	Mr. Ren Ren <sup>Note 1</sup>	Non-executive Director
Guizhou Provincial Financial Bureau (貴州省財政廳)	Mr. Yang Ming Shang <sup>Note 1</sup>	Non-executive Director
GuiAn New District Development and Investment Co., Ltd.(貴安新區開發投資有限公司)	Mr. Chen Yongjun <sup>Note 1</sup>	Non-executive Director
Shenzhen Expressway Company Limited (深圳高速公路股份有限公司)	Ms. Gong Tao Tao	Non-executive Director
Zunyi City State-owned Assets Investment and Financing Management Co., Ltd. (遵義市國有資產投融資經營管理有限責任公司)	Mr. Lu Lin	Non-executive Director
Guizhou Provincial Finance Bureau (貴州省財政廳)	Mr. Chen Jingde <sup>Note 2</sup>	Non-executive Director
China Kweichow Moutai Distillery (Group) Co., Ltd.(中國貴州茅臺酒廠(集團)有限責任公司)	Mr. Wang Zhiming <sup>Note 2</sup>	Non-executive Director
GuiAn New District Development and Investment Co., Ltd.(貴安新區開發投資有限公司)	Mr. Shi Xianyin <sup>Note 2</sup>	Non-executive Director
Guizhou Expressway Group Company Ltd.(貴州高速公路集團有限公司)	Mr. Zhao Yong <sup>Note 2</sup>	Non-executive Director
Guizhou Water Investment Group Co., Ltd.(貴州水投水務集團有限公司)	Mr. Zhong Xueliang <sup>Note 2</sup>	Non-executive Director
Guizhou Water Investment Group Co., Ltd.(貴州水投水務集團有限公司)	Ms. Wu Qiangli <sup>Note 3</sup>	Shareholder Supervisor
Liupanshui Municipal Finance Bureau (六盤市財政局)	Mr. Yang Jian <sup>Note 4</sup>	Shareholder Supervisor
Qianxinan Prefecture Hongsheng Capital Operation Co., Ltd.(黔西南州宏升資本運營有限責任公司)	Ms. Xu Yu <sup>Note 5</sup>	Shareholder Supervisor
Guizhou Renhuai Sauce-flavored Liquor Industrial Development Investment Co., Ltd.(貴州省仁懷市醬香型白酒產業發展投資有限責任公司)	Mr. Chen Hongcai <sup>Note 5</sup>	Shareholder Supervisor



*Note 1:* Mr. Yang Jianjun resigned as a Director of the Bank on 26 March 2019, Mr. Ren Ren resigned as a Director of the Bank on 26 March 2019, Mr. Yang Ming Shang resigned as a Director of the Bank on 16 March 2020, and Mr. Chen Yongjun resigned as a Director of the Bank on 16 March 2020. Please refer to the announcement entitled "Resignation of Non-executive Director" published by the Bank on 16 March 2020 for the biographies of Mr. Yang Mingshang and Mr. Chen Yongjun.

*Note 2:* The nominations of Mr. Chen Jingde, Mr. Wang Zhiming, Mr. Shi Xianyin, Mr. Zhao Yong and Mr. Zhong Xueliang were considered and approved at the 2020 first meeting of the second session of the Board of the Bank, and are subject to the consideration and approval at the general meeting. Please refer to the announcement in relation to the proposed appointment of non-executive Director published by the Bank on 26 March 2020 for the biographies of Mr. Chen Jingde, Mr. Wang Zhiming, Mr. Shi Xianyin, Mr. Zhao Yong and Mr. Zhong Xueliang.

*Note 3:* Ms. Wu Qiangli resigned as a shareholder Supervisor and a member of the Supervision Committee of the Bank on 17 March 2020, with effect from the date of election and appointment of a new shareholder supervisor at the general meeting. For details, please refer to the announcement entitled "Resignation of Shareholder Supervisor" published by the Bank on 17 March 2020.

*Note 4:* On 24 July 2019, the Resolution on Recommendation of Yang Jian as Shareholder Supervisor of the Second Session of Bank of Guizhou by the Finance Bureau of Liupanshui City was considered and approved at the sixth meeting of the second session of the Board of Supervisors of the Bank. Mr. Yang Jian will take office from the date of consideration and approval of his appointment at the general meeting until the expiry of the term of the second session of the Board of Supervisors of the Bank.

*Note 5:* The nominations of Ms. Xu Yu and Mr. Chen Hongcai has been considered and approved at the first meeting of the second session of the Board of Supervisors of the Bank in 2020, and are subject to the consideration and approval at the general meeting. Please refer to the announcement titled "Proposed Appointment of Supervisor" published by the Bank on 31 March 2020 for the biographies of Ms. Xu Yu and Mr. Chen Hongcai.

### **5.2.9 The number of pledged shares of the Bank reaching or exceeding 20% of the issued share capital**

Nil.





## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### **5.2.10 The number of Domestic shares pledged by substantial domestic shareholders reaching or exceeding 50% of the total shares held by them in the Bank**

Nil.

### **5.2.11 The Bank's pledged shares being frozen, judicially auctioned, restricted from voting or other rights**

Zunyi Hengtong Industrial Development Co., Ltd. (遵義恒通實業發展有限公司) holds 236,932,194 shares of the Bank. It pledged all shares to Xiamen Branch of Xiamen International Bank. Due to various disputes, on 31 January 2019, the Guiyang Intermediate People's Court froze 55,900,817 shares for a period of 31 January 2019 to 30 January 2022. On 22 February 2019, it was completely frozen by Public Security Bureau of Fenggang county, Guizhou Province for a period from 22 February 2019 to 21 August 2019. On 20 August 2019, the Fenggang County Public Security Bureau made freeze again for a period from 20 August 2019 to 21 August 2020. On 15 March 2019, the Suiyang County People's Court in Guizhou Province froze 2 million shares, with a freeze period of 15 March 2019 to 15 March 2021. And on 18 March 2019, Guiyang Intermediate People's Court froze 181,031,376.5 shares again. On 29 March 2019, the Zunyi Intermediate People's Court made freeze completely, with a freeze period from 29 March 2019 to 28 March 2022. Freezing shares are restricted by the shareholders' voting rights of general meeting in accordance with the law.

### **5.2.12 Purchase, sale or redemption of listed securities**

None of the Bank purchased, sold or redeemed any of its listed securities as at 31 December 2019.



## DIRECTORS, SUPERVISORS, SENIOR MANAGERMENTS, EMPLOYEES AND ORGANIZATION

### 6.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGERMENTS

#### 6.1.1 Information of Directors

During the Reporting Period, the Board of the Bank consists of eleven Directors, including two executive Directors, four non-executive Directors and five independent non-executive Directors. The Directors are elected for a term of three years and are subject to re-election, provided that the cumulative term of an independent non-executive Director shall not exceed six years pursuant to the relevant PRC laws and regulations. The details are as follows:

Name	Gender	Date of Birth	Date of appointment <sup>1</sup>	Position in the Bank
LI Zhiming (李志明)	Male	November 1961	April 2018	Chairman of the Board, executive Director
XU An (許安)	Male	June 1963	August 2018	Executive Director, President of the Bank
YANG Mingshang (楊明尚) <sup>2</sup>	Male	November 1965	August 2018	Non-executive Director
CHEN Yongjun (陳永軍) <sup>3</sup>	Male	February 1963	August 2017	Non-executive Director
GONG Taotao (龔濤濤) <sup>4</sup>	Female	February 1973	August 2018	Non-executive Director
LU Lin (盧麟)	Male	January 1965	August 2018	Non-executive Director
TANG Xin (湯欣)	Male	September 1971	August 2018	Independent non-executive Director
WANG Gefan (王革凡)	Male	June 1957	August 2018	Independent non-executive Director
SONG Ke (宋科)	Male	April 1982	August 2018	Independent non-executive Director
LI Shoubing (李守兵)	Male	July 1972	August 2018	Independent non-executive Director
LAW Cheuk Kin Stephen (羅卓堅)	Male	November 1962	November 2018	Independent non-executive Director

Notes:

- Refers to the date on which approval on the appointment as a Director from the CBIRC Guizhou Office was obtained.
- During the Reporting Period, Mr. Yang Mingshang served as a non-executive Director. Due to work re-arrangements, Mr. Yang Mingshang tendered his resignation with the Board on 16 March 2020 and resigned as a non-executive Director and member of the Risk and Related Party Transactions Committee of the Bank. Mr. Yang Mingshang's resignation has taken effect on 16 March 2020. For details, please refer to the announcement entitled "Resignation of Non-executive Directors" issued by the Bank on 16 March 2020.
- During the Reporting Period, Mr. Chen Yongjun served as a non-executive Director. Due to work re-arrangements, Mr. Chen Yongjun tendered his resignation with the Board on 16 March 2020, and resigned as a non-executive Director and member of Consumer Rights Protection and Social Responsibility Committee of the Bank. Mr. Chen Yongjun's resignation has taken effect on 16 March 2020. For details, please refer to the announcement entitled "Resignation of Non-executive Directors" issued by the Bank on 16 March 2020.
- Ms. Gong Taotao was acted as a non-executive Director of the Bank from 11 November 2016 to August 2018.



## DIRECTORS, SUPERVISORS, SENIOR MANAGERMENTS, EMPLOYEES AND ORGANIZATION

### 6.1.2 Information of Supervisors

During the Reporting Period, the Board of Supervisors of the Bank consists of seven Supervisors, including three employee Supervisors, one shareholder Supervisor and three external Supervisors. The proportion of the employee supervisors and shareholder supervisor at the Board of Supervisors was complied with the regulatory requirements.

The Supervisors are elected for a term of three years and are subject to re-election, provided that the cumulative term of an external supervisor shall not exceed six years pursuant to the relevant PRC laws and regulations. The following table sets forth certain information regarding our Supervisors :

Name	Gender	Date of Birth	Date of appointment <sup>1</sup>	Position in the Bank
XIAO Cifa (肖慈發)	Male	June 1961	May 2018	Chairman of the Board of Supervisors, Employee Supervisor
LIU Hanmin (劉漢民)	Male	November 1962	May 2018	External Supervisor
SU Zhi (蘇治)	Male	December 1977	May 2018	External Supervisor
CHEN Houyi (陳厚義) <sup>2</sup>	Male	January 1956	May 2018	External Supervisor
WU Qiangli (吳強麗) <sup>3</sup>	Female	October 1968	May 2018	Shareholder Supervisor
WANG Changyi (王常懿)	Male	November 1976	May 2018	Employee Supervisor
LI Keyong (李克勇)	Male	April 1963	May 2018	Employee Supervisor

Notes:

1. Refers to the date on which the appointment as a non-employee Supervisor was approved by the general meeting, or the election as an employee Supervisor was approved by the employee meeting.
2. Mr. Chen Houyi was served as the external supervisor of the first session of the Board of Supervisors from April 2017 to May 2018.
3. Ms. Wu Qiangli resigned as the shareholder Supervisor and member of the Supervision Committee on 17 March 2020, which will be effective from the date of election and appointment of new shareholder Supervisor at the general meeting. For details, please refer to the announcement in relation to resignation of shareholder Supervisor issued by the Bank on 17 March 2020.



### 6.1.3 Information of senior managements

Name	Sex	Date of Birth	Date of appointment <sup>1</sup>	Position in the Bank
XU An (許安)	Male	June 1963	January 2018	President of the Bank
LI Tao (李濤)	Male	January 1963	September 2018	Vice President of the Bank
CHAI Bolin (柴柏林)	Male	November 1961	April 2013	Vice President of the Bank
HU Liangpin (胡良品)	Male	September 1968	January 2018	Vice President of the Bank
WU Fan (吳帆)	Female	August 1968	April 2019	Vice President of the Bank
ZHOU Guichang (周貴昌)	Male	August 1974	April 2019	Secretary to the Board of the Bank
WANG Xiangdong (王向東)	Male	April 1963	December 2014	Chief Officer

Note:

1. Refer to the date on which the Board approved the relevant resolution of appointment.

## 6.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

### 6.2.1 Changes in Directors

On 26 March 2019, each of Mr. Yang Jianjun and Mr. Ren Ren, the then non-executive Directors of the Bank, resigned as a Director of the Bank due to his personal reasons and working reasons, respectively.

### 6.2.2 Changes in Supervisors

In the early 2019, the Supervisor Yang Jinsheng tendered his resignation as a shareholder supervisor due to his personal reasons. On 4 March 2019, the resignation of Mr. Yang Jinsheng as a Supervisor of the Bank was considered and approved at the fourth meeting of the second session of the Board of Supervisors of the Bank. On 26 March 2019, the changes in Supervisors were reported by the Board of Supervisors at the general meeting.

On 24 July 2019, the Resolution on Recommendation of Yang Jian as Shareholder Supervisor of the Second Session of Bank of Guizhou by the Finance Bureau of Liupanshui City was considered and approved at the sixth meeting of the second session of the Board of Supervisors of the Bank. Mr. Yang Jian will take office from the date of consideration and approval of his appointment at the general meeting until the expiry of the term of the second session of the Board of Supervisors of the Bank.



## DIRECTORS, SUPERVISORS, SENIOR MANAGERMENTS, EMPLOYEES AND ORGANIZATION

### 6.2.3 Changes in senior management

- (I) On 22 April 2019, considered by the sixth meeting of the second session of the Board of Directors of the Bank:
1. Mr. HU Kai ceased to be the vice president, the secretary of the Board of the Bank due to work re-arrangement.
  2. Mr. LUO Tingkun ceased to be the assistant to the President of the Bank due to work re-arrangement.
  3. Ms. WU Fan was appointed as the vice president of the Bank and ceased to be the assistant to the President of the Bank.
  4. Mr. LIU Gang was appointed as the assistant to the President of the Bank.
  5. Mr. ZHOU Guichang was appointed as the secretary of the Board of the Bank.
- (II) On 6 May 2019, Mr. Wang Xiangdong, the Chief Officer of the Bank, ceased to be the secretary of the Party committee and president of Qiannan branch of the Bank.
- (III) On 5 July 2019, as considered at the eighth meeting of the second session of the Board of the Bank:
- Mr. Liu Gang ceased to be the assistant to the President and the General Manager of the Planning and Finance Department of the Bank due to working re-arrangement.



## 6.3 BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANagements

### 6.3.1 Biographical details of Directors

**Mr. LI Zhiming (李志明)**, is the Secretary of the Party Committee of our Bank, Chairman of the Board and executive Director of our Bank.

Mr. Li served as a credit clerk in Agricultural Bank of China (中國農業銀行) (“ABC”), Jianli Sub-branch, Huangxue Business Office starting from March 1982; the secretary of the general office in ABC Jianli Sub-branch from July 1986 to October 1986; auditor of audit section in ABC Jingzhou Branch from October 1986 to July 1990; member of information division in ABC Hubei Branch from July 1990 to June 1993; a deputy director clerk at the general office in ABC Hubei Branch from June 1993 to October 1995; vice president in ABC Xianning Branch from October 1995 to January 1999; vice president in ABC Wuhan Wuchang Sub-branch from January 1999 to February 2000; deputy general manager (person in charge) of bank card department in ABC Wuhan Branch from February 2000 to February 2001; president in ABC Wuhan Wuchang Sub-branch from February 2001 to November 2004; secretary of the Party committee and the president in ABC Hubei Enshi Branch from November 2004 to February 2008; general manager of credit card department in ABC Hubei Branch from February 2008 to March 2009; general manager of bank card center in ABC Hubei Branch from March 2009 to May 2010; and general manager of agriculture, countryside and farmers credit department in ABC Hubei Branch from May 2010 to January 2011. He worked in Shenzhen Development Bank Wuhan Branch as the assistant to the president from April 2011 to March 2012. He was also the assistant to the president (from March 2012 to May 2016) and vice president (from May 2016 to December 2017) of Hubei Bank. Mr. Li joined our Bank in December 2017 and served as our Bank’s Secretary of the Party Committee since December 2017 and the candidate for the Chairman of the Board from December 2017 to April 2018. He has been our Bank’s Secretary of the Party Committee and Chairman of the Board since April 2018.

Mr. Li graduated from Wuhan University (武漢大學) as a bachelor (correspondence program) in finance in July 1996 and from Hunan Institute of Finance and Economics (湖南財經學院) (now Hunan University (湖南大學)) as a master in finance in December 1999. Mr. Li has the title of senior economist. Mr. Li was elected as a member of the 13th National People’s Congress and National People’s Congress Financial and Economic Affairs Committee of Guizhou Province in January 2018.



## DIRECTORS, SUPERVISORS, SENIOR MANAGERMENTS, EMPLOYEES AND ORGANIZATION

**Mr. XU An (許安)**, is the Deputy Secretary of the Party Committee of our Bank, executive Director and President of our Bank.

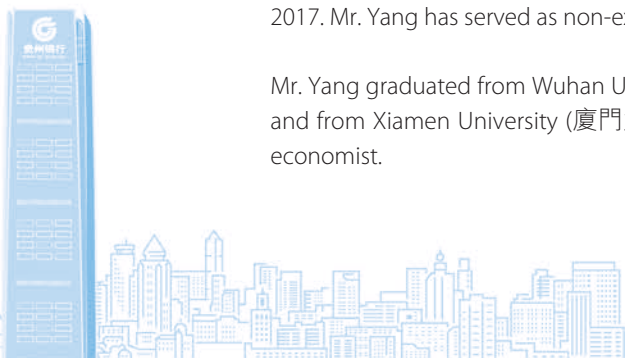
Mr. Xu successively engaged in depositing and accounting work in the PBOC Pingba Sub-branch from December 1980 to July 1983. Mr. Xu studied in Guizhou Radio & TV University from July 1983 to July 1986. He successively served in several positions in Industrial and Commercial Bank of China (中國工商銀行) (“ICBC”) Anshun Central Sub-branch, including auditor from July 1986 to August 1992; deputy director of business department from August 1992 to May 1995; manager of international business department from May 1995 to August 1996; and director of business department and manager of international business department from August 1996 to February 1998; the secretary of the Party committee and the president in ICBC Anshun Sub-branch from February 1998 to April 1999; the secretary of the Party committee and the president in ICBC Anshun Tashan Sub-branch from April 1999 to September 1999; the chief of industrial and commercial credit division in ICBC Anshun Branch from October 1999 to May 2002. He served as the deputy secretary of the Party committee, vice chairman of the board and general manager in Anshun Urban Credit Cooperative (安順市城市信用社) from May 2002 to February 2009, and secretary of the Party committee and chairman of the board in Anshun City Commercial Bank (安順市商業銀行) from February 2009 to September 2012. Mr. Xu was a member of the Party Committee and Vice President of our Bank from September 2012 to December 2017; and has been the Deputy Secretary of the Party Committee, President of our Bank since January 2018, executive Director of our Bank since August 2018.

Mr. Xu studied at and graduated from Guizhou Radio & TV University (貴州廣播電視大學) majoring in finance, from Guizhou College of Finance and Economics (貴州財經學院) (now known as Guizhou University of Finance and Economics (貴州財經大學)) with a bachelor's degree in finance in July 1997 and from the University of International Business and Economics (對外經濟貿易大學) with an Executive Master of Business Administration (EMBA) degree in December 2012.

**Mr. YANG Mingshang (楊明尚)**, was a non-executive Director of our Bank during the Reporting Period. He resigned as a non-executive director of the Bank on 16 March 2020.

Mr. Yang successively served in several positions in ABC Guizhou Branch, including member of the inspection office and general office from July 1994 to February 1997; member of the office of legal counsel from February 1997 to July 1997; deputy chief of industrial and commercial credit division from July 1997 to November 1998; deputy chief of asset preservation division from November 1998 to March 2000; chief of credit management division, chief of corporate business division from March 2000 to June 2003; and chief of retail business division from June 2003 to January 2004. He was also the secretary of the Party committee and the president in ABC Guizhou Anshun Sub-branch from January 2004 to June 2004. Prior to joining our Bank, Mr. Yang also served as a member of Party committee and a vice president in ABC Guizhou Branch since June 2004. He worked as the Deputy Secretary of the Party Committee, Director and President of our Bank from May 2014 to December 2017, and has been the deputy secretary of the Party committee, vice chairman of the board and general manager in Guizhou Financial Holding Group Co., Ltd. (Guizhou Guimin Investment Group Co., Ltd.) (貴州金融控股集團有限責任公司(貴州貴民投資集團有限責任公司)) since December 2017. Mr. Yang has served as non-executive Director of our Bank from August 2018 to March 2020.

Mr. Yang graduated from Wuhan University (武漢大學) with a bachelor's degree in philosophy in June 1988 and from Xiamen University (廈門大學) with a master's degree in civil law in July 1994. He has the title of economist.



**Mr. CHEN Yongjun (陳永軍)**, was a non-executive Director of our Bank during the Reporting Period. He resigned as a non-executive director of the Bank on 16 March 2020.

Mr. Chen worked in Bureau of Geology and Mineral Exploration and Development of Guizhou Province (貴州省地礦廳) from December 1989 to November 2000, serving as office clerk, senior staff member, principal staff member; and acted as the deputy chief of farmland protection division, office director and chief of planning and monitoring division in the Department of Land and Resources of Guizhou Province (貴州省國土資源廳) from November 2000 to January 2013; and seconded to the leading group office for planning and construction from September 2012 to November 2012. He has been the director and deputy general manager of GuiAn New District Development and Investment Co., Ltd. since February 2013, and a non-executive Director of our Bank from August 2017 to March 2020.

Mr. Chen graduated from Party School of Guizhou Provincial Committee of the Communist Party of China (中國共產黨貴州省委黨校) (“CPC”) with a bachelor’s degree in economic management in May 2000.

**Ms. GONG Taotao (龔濤濤)**, is a non-executive Director of our Bank.

Ms. Gong worked in Shenzhen Expressway Company Limited (深圳高速公路股份有限公司) (SEHK stock code: 0548; SSE stock code: 600548) from July 1999 to November 2002, serving successively as deputy manager of the financial department and manager of the audit department; and the finance director of Shenzhen Expressway Company Limited from November 2002 to September 2018, during which she acted as executive director of the company from January 2018 to September 2018. She has been the vice president of Shenzhen Expressway Company Limited since September 2018. She has served concurrently as the secretary to the Board of Shenzhen Expressway Company Limited since September 2019. Ms. Gong has been a non-executive Director of our Bank since November 2016.

Ms. Gong graduated from the Department of Accounting of Shanghai University of Finance and Economics (上海財經大學), majoring in audit, and was conferred a bachelor’s degree in economics in July 1994; she graduated from Fudan University (復旦大學), majoring in business administration, and was conferred an MBA degree in July 2000. Ms. Gong has CPA and CPV qualifications.

**Mr. LU Lin (盧麟)**, is a non-executive Director of our Bank.

Mr. Lu served as a worker in Agricultural Technology Station in Jiucheng (舊城農技站) of the Agriculture Bureau (農業局) in Daozhen Gelao and Miao Autonomous County, Guizhou from August 1986 to October 1988; a worker in Shangji Ward Office (尚嵇區公所) in Zunyi County, Guizhou from October 1988 to January 1989; Mr. Lu served as deputy township head, township head and town head in succession in Zunyi County, Guizhou Province from January 1989 to April 2003; director and deputy secretary of leading party members’ group of the Development and Planning Bureau in Zunyi County (遵義縣發展計劃局), Guizhou from April 2003 to April 2004; director and secretary of the leading party members’ group of Huichuan Development and Reform Bureau (匯川發展和改革局) (Statistics Bureau, Price Bureau, Investment Promotion Bureau) in Zunyi City, Guizhou from July 2004 to March 2006; secretary of the leading party members’ group and director of Huichuan District Finance Bureau (匯川區財政局) in Zunyi City, Guizhou and concurrently chairman and general manager of State-owned Assets Investment and Management Co., Ltd. of Zunyi National Economic and Technological Development Zone in Guizhou (遵義經濟技術開發區國有資產投資經營有限責任公司) from August 2008 to May 2011; director of the former Huichuan Electromechanical





## DIRECTORS, SUPERVISORS, SENIOR MANAGERMENTS, EMPLOYEES AND ORGANIZATION

Manufacturing Industrial Park Management Committee (匯川機電製造工業園區管委會) and temporary deputy head of Huichuan District Government in Zunyi City, Guizhou from May 2011 to February 2013; member of Party working committee and assistant director (deputy county head level) of the management committee of Zunyi National Economic and Technological Development Zone from February 2013 to June 2016; and member of Party committee and deputy general manager of Zunyi State-owned Assets Investment and Financing Management Co., Ltd. (遵義市國有資產投融資經營管理有限責任公司) and member of Party committee and deputy general manager of Zunyi Indemnificatory Housing Construction Investment Development Co., Ltd. (遵義市保障性住房建設投資開發有限責任公司) from July 2016 to February 2018; and has been the secretary of Party committee and chairman of Zunyi State-owned Assets Investment and Financing Management Co., Ltd. since March 2018. Mr. Lu has been a non-executive Director of our Bank since August 2018.

Mr. Lu studied in Law major (correspondence program) at Party School of the Guizhou Provincial Committee of CPC from September 2000 to January 2003.

**Mr. TANG Xin (湯欣)**, is an independent non-executive Director of our Bank.

Mr. Tang conducted post-doctoral research in law major at Peking University (北京大學) Law School from July 1998 to June 2000 and has been teaching in Tsinghua University (清華大學) School of Law since 2000; Mr. Tang was promoted Associate Professor of Tsinghua University School of Law in February 2001 and was promoted Professor of Tsinghua University School of Law in January 2015. Mr. Tang has been a member of the third session of the listing committee of the SSE since August 2012. Mr. Tang has also been an independent non-executive director of GF Securities Co., Ltd. (廣發証券股份有限公司)(SEHK stock code: 1776; SZSE stock code: 000776) since May 2014, a supervisor of Beijing Rural Commercial Bank Co., Ltd. (北京農村商業銀行股份有限公司) since 2015, and an independent director of China Life Insurance Company Limited (中國人壽保險股份有限公司)(SSE stock code: 601628) since March 2016. In September 2014, Mr. Tang served as the head of the committee of independent directors of the China Association for Public Companies (中國上市公司協會). Mr. Tang has been an independent non-executive Director of our Bank since August 2018.

Mr. Tang graduated and obtained his bachelor's, master's and doctor's degree in economic law, civil law and civil law from Renmin University of China (中國人民大學) in June 1992, July 1995 and June 1998, respectively.

**Mr. WANG Gefan (王革凡)**, is an independent non-executive Director of our Bank.

Mr. Wang served as a vice director of International Finance Department of China Development Bank (國家開發銀行)("CDB") in 1997; successively served as the president of Guizhou Branch of CDB, the director of Project Appraisal Department I and the director of Global Cooperation Department of CDB since 2002; served as the operating director of CDB from 2013 to 2017, during which he concurrently served as the director of International Finance Department. Mr. Wang has been an independent non-executive Director of our Bank since August 2018.

Mr. Wang graduated with a doctor's degree in science, geology and mineralogy in July 1988 from Kyoto University in Japan (日本京都大學).



**Mr. SONG Ke (宋科)**, is an independent non-executive Director of our Bank.

Mr. Song served as the secretary of the communist youth league committee of the School of Finance of Renmin University of China from July 2004 to September 2009; he engaged in post-doctoral research in the School of Statistics of Renmin University of China from July 2012 to July 2015; he has been a deputy head of International Monetary Institute of Renmin University of China since January 2014, responsible for scientific research and administration; he has been a teacher of Department of Money and Finance of the School of Finance of Renmin University of China since September 2015; the assistant dean of the School of Finance of Renmin University of China since January 2018; a deputy secretary of the party committee of the School of Finance of Renmin University of China since April 2019. Mr. Song has been an external supervisor of Bank of Zhengzhou Co., Ltd. (鄭州銀行股份有限公司)(SEHK stock code: 6196; SZSE stock code: 002936) since May 2017; an independent non-executive director of Zhejiang Yongan Rongtong Holdings Co., Ltd. (浙江永安融通控股股份有限公司) since December 2017; and an independent non-executive Director of our Bank since August 2018.

Mr. Song graduated as a bachelor of economics majoring in finance from the School of Finance of Renmin University of China in July 2004; and he graduated as the doctor of economics majoring in finance from the School of Finance of Renmin University of China in June 2012.

**Mr. LI Shoubing (李守兵)**, is an independent non-executive Director of our Bank.

Mr. Li served as accounting supervisor of the financial department of Guizhou New Era Union I/E Co., Ltd. (貴州新聯進出口公司) from July 1994 to March 2001; worked in Guizhou Yaxin Accounting Firm Co., Ltd. (貴州亞信會計師事務所有限公司) from November 2004 to October 2009; has been a partner of Guizhou Zhihe Certified Public Accountant Co., Ltd. (貴州智合會計師事務所有限公司) since August 2009; and was awarded as financial review expert of Guizhou Science and Technology Department (貴州省科學技術廳) in 2016. He sponsored Guizhou Fudesheng Enterprise Management Consulting Co., Ltd. (貴州富德盛企業管理諮詢有限公司) and served as manager in 2017. He has been a director of Guizhou Yanxing Cultural Industry Development Co., Ltd. (貴州雁行文化產業發展股份有限公司) since October 2018. Mr. Li has been an independent non-executive Director of our Bank since August 2018.

Mr. Li graduated from Renmin University of China with a bachelor's degree majoring in accounting in July 1994. Mr. Li has CPA qualification.



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**Mr. LAW Cheuk Kin Stephen (羅卓堅)**, is an independent non-executive Director of our Bank.

Mr. Law worked in Wheelock and Company Limited (會德豐有限公司) (SEHK stock code: 0020) and the Wharf (Holdings) Limited (九龍倉集團有限公司) (SEHK stock code: 0004) from 1995 to 2000; and Morningside Group (晨興創投集團) from 2000 to 2006; and TPG Growth Capital (Asia) Limited from July 2006 to September 2012, ending as the managing director. Mr. Law served as the chief financial officer of Guoco Group Limited (國浩集團有限公司) (SEHK stock code: 0053) from October 2012 to June 2013; the finance director of MTR Corporation Ltd. (SEHK stock code: 0066) from July 2013 to July 2016; the adjunct professor of the Hong Kong Polytechnic University from 2015 to 2017; the independent non-executive director of AAG Energy Holdings Limited (亞美能源控股有限公司) (SEHK stock code: 2686) from July 2016 to September 2018; and has been the managing director of ANS Capital Limited since 2017; an independent non-executive director of Stealth BioTherapeutics Inc. (NASDAQ stock symbol: MITO) from June 2018 to July 2019; an independent non-executive director of China Everbright Limited (中國光大控股有限公司) (SEHK stock code: 0165) since May 2018 and an independent non-executive director of Somerley Capital Holdings Limited (新百利融資控股有限公司) (SEHK stock code: 8439) since February 2019. Mr. Law has been an independent non-executive Director of our Bank since November 2018.

Mr. Law graduated from University of Birmingham and with a bachelor's degree majoring in science (civil engineering) in April 1984; he graduated from University of Hull and with an MBA degree in July 1996. Mr. Law was a council member of the Hong Kong Institute of Certified Public Accountants (HKICPA) from January 2010 to December 2017. Mr. Law is now a member of the HKICPA and the Institute of Chartered Accountants in England and Wales, a council member of Hong Kong Business Accountants Association Ltd. (HKBAA) and an expert accounting consultant appointed by the Ministry of Finance of the PRC. Mr. Law is also a council member of The Hong Kong Independent Non-Executive Director Association Limited (HKINEDA). Mr. Law has accounting qualifications in Hong Kong and the United Kingdom.

### 6.3.2 Biographical details of Supervisors

**Mr. XIAO Cifa (肖慈發)**, is a member of the Party Committee of our Bank, the Chairman of the Board of Supervisors and an employee Supervisor of our Bank. Mr. Xiao was formerly known as Xiao Chifa (肖池發).

Mr. Xiao worked at the credit section of the PBOC Liupanshui Sub-Branch in Guizhou Province from September 1979 to January 1985 and the credit section of ICBC Liupanshui Sub-Branch in Guizhou Province from January 1985 to July 1986. He served as deputy chief of the credit section of ICBC Liupanshui Sub-Branch from July 1986 to March 1991, director of the business department of ICBC Liupanshui Branch in Guizhou from March 1991 to December 1992, assistant to the president (section level) of ICBC Liupanshui Branch in Guizhou Province from December 1992 to September 1995, vice president of ICBC Liupanshui Branch in Guizhou Province from September 1995 to November 2004, chairman of the Urban Credit Cooperative in Liupanshui City of Guizhou Province (貴州省六盤水市城市信用社) from November 2004 to April 2008, chairman and secretary of the Party committee of the Liupanshui City Commercial Bank (六盤水市商業銀行) in Guizhou Province from April 2008 to September 2012, member of the Party committee and Vice President of our Bank from September 2012 to January 2018 and member of the Party committee from January to May 2018. He has been a member of Party Committee, Chairman of the Board of Supervisors and employee Supervisor of our Bank since May 2018.



Mr. Xiao studied economic management at the Party School of Guizhou Provincial Committee of the CPC from September 1996 to July 1999. He has the title of senior economist.

**Mr. LIU Hanmin (劉漢民)**, is an external Supervisor of our Bank.

Mr. Liu served as lecturer and associate professor of Department of Accounting at the School of International Business of Qingdao University (青島大學國際商學院會計系) and director of the Institute of Modern Corporation (現代公司研究所) from July 1988 to August 2003, responsible for scientific teaching and research; and engaged in post-doctoral research and strategic planning at the Management Science and Engineering Department of Tianjin University (天津大學管理科學工程學科) from July 2001 to June 2003. He has been the professor since October 2003 and the doctoral supervisor of management of Jinan University (暨南大學) since 2009, and acted as visiting scholar at the University of California-Berkeley from March 2007 to September 2008. He has been an external Supervisor of our Bank since May 2018.

Mr. Liu obtained a bachelor's degree in economics from Shandong University (山東大學) in July 1983, a master's degree in economics from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in July 1988 and a doctor's degree in economics from Nankai University (南開大學) in July 2001.

**Mr. SU Zhi (蘇治)**, is an external Supervisor of our Bank.

Mr. Su has worked at the Central University of Finance and Economics (中央財經大學) since June 2009, and has been the deputy director of the academic committee of the Institute of International Technology and Economy under the Development Research Center of the State Council (國務院發展研究中心國際技術經濟研究所) since July 2018. He has served as professor and doctoral supervisor of both the School of Finance and the School of Statistics and Mathematics of the Central University of Finance and Economics since October 2016; the head of the Department of Financial Technology of the School of Finance of Central University of Finance and Economics since January 2017. Mr. Su has also worked as executive deputy director of the Central University of Finance and Economics & University of Electronic Science and Technology of China Joint Research Data Center (電子科技大學聯合數據研究中心) since September 2018. He has been an external Supervisor of our Bank since May 2018.

Mr. Su obtained a bachelor's degree in management in economic information management major from Jilin University (吉林大學) in July 2001 and a doctor's degree in economics majoring in quantitative economics from Jilin University in June 2006. He engaged in the finance research at the post-doctoral study station of the School of Economics and Management of Tsinghua University from March 2007 to June 2009, and was conferred an EMBA degree in business administration from University of Texas in February 2009.



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**Mr. CHEN Houyi (陳厚義)**, is an external Supervisor of our Bank.

Mr. Chen served successively as secretary of Party general branch and deputy director of the third department of adult education (managing the Party and government work of the department), head of the organization department of Party committee and deputy secretary of the Party committee of Guizhou University of Industry (貴州工業大學) from February 1995 to March 1998. He served as dean of Guizhou Economic Management Cadre College (貴州省經濟管理幹部學院) from March 1998 to 2001, and successively as dean and president (excellent expert under the management of Guizhou Province, recipient of special government allowances of the State Council, and master supervisor) of Guizhou University of Finance and Economics (貴州財經大學) since 2001, and professor (2nd class) of Guizhou University of Finance and Economics since January 2016. He has been an External Supervisor of our Bank since April 2017.

Mr. Chen graduated from Wuhan University and obtained his bachelor's degree in January 1982 and obtained a doctor's degree majoring in economics in industry economics from Wuhan University of Technology (武漢理工大學) in June 2009.

**Ms. WU Qiangli (吳強麗)**, was a shareholder Supervisor of our Bank during the Reporting Period. Ms. Wu Qiangli resigned as the shareholder supervisor of the Bank and member of the Supervision Committee on March 17, 2020, which will be effective from the date of election and appointment of new shareholder Supervisor at the general meeting.

Ms. Wu worked as a staff, head of the financial department of Guizhou High-strength Bolts Plant (貴州省高強度螺栓廠), financial manager and director of West Water Group (Guizhou) Co., Ltd. (西部水務集團(貴州)有限公司) from June 2006 to December 2012, and financial manager of JSI Rock Tools Co., Ltd. (貴州捷盛鑽具股份有限公司) from May 2014 to September 2014. She has been the senior consultant of Guizhou Water Investment Water Affairs Group Limited (貴州水投水務集團有限公司) since September 2014, and a shareholder Supervisor of our Bank since May 2018 to March 2020.

Ms. Wu graduated from the Party School of Guiyang Municipal Committee of the CPC majoring in economic management in January 2008. She has the title of senior economist.

**Mr. WANG Changyi (王常懿)**, is an employee Supervisor of our Bank.

Mr. Wang served as section member in Xingren Town, Danzhai County, Guizhou Province from July 2000 to March 2002, office director of the united front work department of the Danzhai County committee in Guizhou Province from March 2002 to July 2003, office clerk of the united front work department of the Qiandongnan Prefecture committee in Guizhou Province from July 2003 to March 2005, senior staff member of the office of the united front work department of the Qiandongnan Prefecture committee in Guizhou Province from March 2005 to September 2006, cadre of vice section level at the organization division of the organization department of Guizhou Provincial Committee (貴州省委) from September 2006 to November 2006, senior staff member at the organization division of the organization department of Guizhou Provincial Committee from December 2006 to May 2008, principal staff member at the organization division of the organization department of Guizhou Provincial Committee from May 2008 to March 2010, principal staff member at the five cadre organization division of the organization department of Guizhou Provincial Committee from March 2010 to February 2013, deputy director at the political department of Party working committee in Gui'an New Area from February 2013 to December 2013 (during which he was



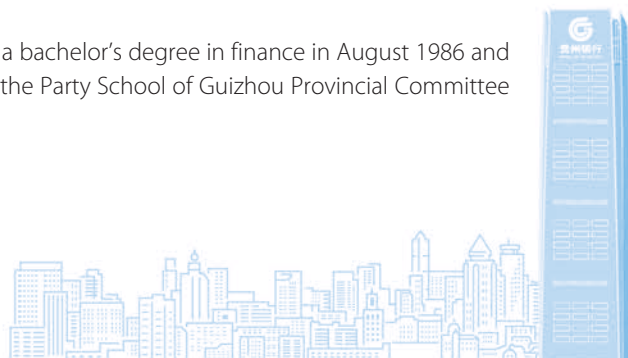
elected as member of the 13th Committee of Guizhou Province Federation of Trade Unions (貴州省總工會第十三屆委員會) in June 2013). He was elected as executive director of Guizhou China Council for the Promotion of Peaceful National Reunification (中國貴州和平統一促進會) in November 2013. He served as deputy director of the Office of our Bank from December 2013 to June 2015, deputy head (concurrent) of the Organization Department of the Party Committee of our Bank from March 2015 to June 2015, deputy director of the Discipline Inspection Office and deputy head (concurrent) of the Organization Department of the Party Committee of our Bank from June 2015 to February 2016, deputy head of the Organization Department of the Party Committee of our Bank from February 2016 to October 2016, and deputy head of the Organization Department of the Party Committee of our Bank and deputy secretary of party Branch of Gui'an New Area Sub-Branch (presiding work) from October 2016 to March 2018. He has been the head of the Party-mass Work Department and Publicity Department of the Party Committee, vice chairman of the Trade Union, director of the Trade Union Office and Office of Party Committee for Organs of our Bank, president of the Organs Trade Union of our Bank from March 2018 to December 2019, and the head of the Party-mass Work Department, vice chairman of the Trade Union, director of the Trade Union Office and chairman of the Organs Trade Union at headquarters since December 2019. Mr. Li is an employee Supervisor of our Bank since May 2018.

Mr. Wang obtained a bachelor's degree in Chinese minority linguistics and literature from Guizhou Minzu College (貴州民族學院) (currently Guizhou Minzu University) in July 2000.

**Mr. LI Keyong (李克勇)**, is an employee Supervisor of our Bank.

Mr. Li served as cashier of the PBOC in Shuicheng Special Zone, Liupanshui City, Guizhou Province from December 1980 to June 1983, successively as planned credit clerk, clerk of the PBOC in sub-branch of Shuicheng Special Zone, Liupanshui City from June 1986 to May 1990, successively as clerk and deputy director clerk of the PBOC Liupanshui Branch from May 1990 to May 1997, auditor of vice section level of the PBOC Liupanshui Branch from May 1997 to September 1998, chairman and director of the center cooperative of Urban Credit Cooperative in Liupanshui City (六盤水市城市信用社), Guizhou Province from September 1998 to June 2000, deputy director of the office of the preparatory leading group of the single legal person cooperative of Urban Credit Cooperative in Liupanshui City, Guizhou Province from June 2000 to November 2000, member of the Board and deputy general manager (presiding work) of the Urban Credit Cooperative in Liupanshui City, Guizhou Province from November 2000 to March 2005. He was successively the general manager and vice chairman of Urban Credit Cooperative in Liupanshui City, Guizhou Province from March 2004 to April 2008. He served as deputy secretary of the Party committee, vice chairman and president of Liupanshui Commercial Bank in Guizhou Province from April 2008 to October 2012, president of Liupanshui Branch of our Bank from October 2012 to September 2013, secretary of the party committee and president of Liupanshui Branch of our Bank from September 2013 to January 2014, and general manager of the Legal and Compliance Department of our Bank from January 2014 to November 2014. He worked at the Bill Business Department of our Bank from November 2014 to March 2018, worked at the Audit Department of our Bank from March 2018 to October 2019; and worked at the Security Department of our Bank since November 2019. He has been an employee Supervisor of our Bank since October 2012.

Mr. Li graduated from Guizhou Radio & TV University with a bachelor's degree in finance in August 1986 and obtained a master's degree in public administration from the Party School of Guizhou Provincial Committee of the CPC in June 2010. He has the title of economist.



## DIRECTORS, SUPERVISORS, SENIOR MANAGERMENTS, EMPLOYEES AND ORGANIZATION

### 6.3.3 Biography details of senior management

**Mr. XU An (許安)**, see “Directors, Supervisors and Senior Management – Board of Directors” for his biography.

**Mr. LI Tao (李濤)**, is a member of the Party Committee of our Bank and Vice President of our Bank.

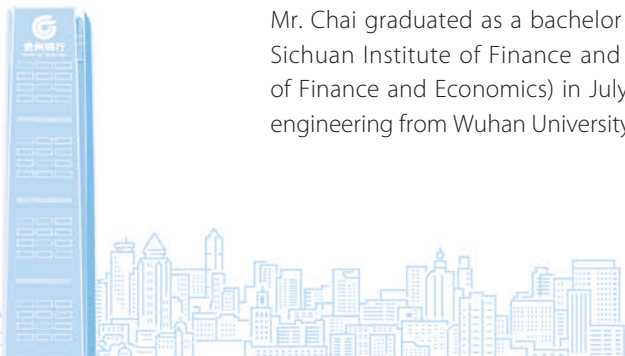
Mr. Li served as section member of the PBOC Zunyi City Sub-branch from March 1980 to November 1981; served as member of the planning section of the PBOC Zunyi Central Sub-branch from November 1981 to September 1983; studied in Guizhou Radio & TV University as a major in finance from September 1983 to August 1986; successively served as a staff and deputy chief of the planning section of the PBOC Zunyi Central Sub-branch from June 1986 to December 1993; took a temporary post as vice president in the president’s office of the PBOC Zunyi County Sub-branch from January 1993 to December 1993; served as deputy chief of the planning section of the PBOC Zunyi Central Sub-branch from December 1993 to July 1995; served as chief of the planning section of the PBOC Zunyi Central Sub-branch from July 1995 to July 1996; served as chairman of Shuguang Urban Credit Cooperative in Zunyi City of Guizhou Province from July 1996 to April 2001; and served as vice president and president of Guizhou Zunyi Commercial Bank Co., Ltd. from April 2001 to September 2012. Mr. Li served as member of the Party Committee of our Bank and the secretary of the Party committee and president of our Zunyi Branch from August 2012 to September 2018; and a member of the Party committee and vice president of our Bank since September 2018.

Mr. Li graduated from the Party School of Guizhou Provincial Committee of the CPC majoring in economic management (correspondence program) in January 2006; and graduated as an EMBA from the Southwestern University of Finance and Economics (西南財經大學) in December 2013.

**Mr. CHAI Bolin (柴柏林)**, is a member of the Party committee and Vice President of our Bank.

Mr. Chai served as a staff and deputy chief of the planning section of the PBOC and ICBC in Anshun from August 1983 to May 1988; vice president of the ICBC Anshun Sub-branch from June 1988 to June 1990; member of the Party committee group and vice president of ICBC Anshun Sub-branch from June 1990 to February 1995; assistant to the president of the ICBC Anshun Central Sub-branch from February 1995 to February 1997; member of the leading party members’ group and vice president of the ICBC Zunyi Central Sub-branch from February 1997 to April 2002; person in charge (deputy division chief level) of Customer (Credit) Division II of China Development Bank Guizhou Branch from April 2002 to September 2002; deputy chief of Customer (Credit) Division II of China Development Bank Guizhou Branch from September 2002 to October 2003; chief of Customer (Credit) Division II of China Development Bank Guizhou Branch from October 2003 to January 2006; chief of the operations management division of China Development Bank Guizhou Branch from January 2006 to January 2008; and chief of Customer (Credit) Division I of China Development Bank Guizhou Branch from January 2008 to April 2013. Mr. Chai has been a member of the Party committee and vice president of our Bank since April 2013.

Mr. Chai graduated as a bachelor of economics majoring in finance from the Department of Finance of Sichuan Institute of Finance and Economics (四川財經學院) (now known as Southwestern University of Finance and Economics) in July 1983; and graduated as a master of engineering majoring in software engineering from Wuhan University in June 2010. Mr. Chai has a title of senior economist.



**Mr. HU Liangpin (胡良品)**, is a member of the Party committee and Vice President of our Bank.

Mr. Hu worked at Yuezhao Credit Cooperative in Shuicheng County of Guizhou Province from May 1987 to May 1988; Mr. Hu served successively as deputy chief (person in charge) and chief of Zhongshan District Rural Credit Cooperative in Liupanshui City of Guizhou Province from October 1995 to August 2001; served as acting chairman and deputy director of Liuzhi Special District Rural Credit Cooperative in Guizhou Province from August 2001 to April 2004; served as chairman and director of Shuicheng County Rural Credit Cooperative in Guizhou Province and council member of Guizhou Rural Credit Union from April 2004 to August 2005. Prior to joining our Bank in 2017, from August 2015, Mr. Hu worked in Guizhou Rural Credit Union where he successively served in the human resources division and Anshun Office, and worked in Anshun Financial Service Center for Migrant Workers (安順市農民工金融服務中心) where he served successively as deputy director and director as well as secretary of the Party committee. Mr. Hu served as member of the Party Committee of our Bank and Chairman of the Board of Supervisors of our Bank from January 2017 to January 2018; and has been a member of the Party committee and vice president of our Bank since January 2018.

Mr. Hu graduated as a bachelor in law from the Party School of Guizhou Provincial Party Committee in January 2004; and graduated with a correspondence college diploma as a major in finance from the Economic Management Department of Yunnan University in July 2010. Mr. Hu won the honor of “Advanced Individual for Peasant-worker Financial Services in Guizhou Province” (貴州省農民工金融服務先進個人) from the then CBRC Guizhou Office in April 2010; and the honor of the 10th National “Venture Star” (創業之星) in May 2012.

**Ms. WU Fan (吳帆)**, is a member of the Party committee and Vice President of our Bank.

Ms. Wu worked in China Construction Bank (中國建設銀行)(“CCB”) from July 1992 to March 2013. In particular, she held a post in relation to international settlement and credit in the international business department of CCB Guizhou Branch from July 1992 to December 1995; and served as general manager assistant of the international business department and manager of the credit department of CCB Guizhou Branch from December 1995 to November 1996; deputy general manager of the international business department of CCB Guizhou Branch from November 1996 to May 1998; vice president of Chengbei Sub-branch directly under CCB Guizhou Branch from May 1998 to July 1999; deputy general manager of the international business department and vice president of Guiyang Jinyang Sub-branch of CCB Guizhou Branch from July 1999 to July 2001; deputy general manager of the international business department of CCB Guizhou Branch from July 2001 to February 2006; general manager of the international business department of CCB Guizhou Branch from February 2006 to June 2006; general manager of the corporate business department of CCB Guizhou Branch from June 2006 to July 2012; and served successively as secretary of the Party committee and president of branch of Guiyang Chengbei Sub-branch of CCB Guizhou Branch from July 2012 to February 2013; served as Marketing Director of our Bank from February 2013 to January 2014; and has been an Assistant to the President of our Bank from January 2014 to April 2019. In particular, she served as General Manager of Guiyang Management Department of our Bank from March 2014 to November 2014 and Executive Deputy Secretary of the Party Committee of Guiyang Management Department of our Bank from November 2014 to March 2016. Ms. Wu has been a member of the Party committee and Vice President of our Bank since March 2019 and April 2019, respectively.

Ms. Wu graduated with a bachelor’s degree majoring in systems engineering from Shanghai Institute of Mechanical Engineering (上海機械學院)(currently known as University of Shanghai for Science and Technology (上海理工大學)) in July 1989 and a master’s degree majoring in systems engineering from Shanghai Institute of Mechanical Engineering (currently known as University of Shanghai for Science and Technology) in June 1992. Ms. Wu has a title of senior economist.





## DIRECTORS, SUPERVISORS, SENIOR MANAGERMENTS, EMPLOYEES AND ORGANIZATION

**Mr. ZHOU Guichang (周貴昌)**, is the secretary to the Board of our Bank.

Mr. Zhou served as an accountant in Beijing Road department of Zunyi Honghuagang Sub-Branch of Agricultural Bank of China from July 1997 to July 1998; served as a secretary of the general office in Zunyi Development Region Sub-Branch of ABC from July 1998 to July 1999; served as a secretary of the general office of the Zunyi Branch of ABC from July 1999 to October 2000; served as a secretary of the general office of Guizhou Branch of ABC since October 2000 to February 2004; served as a principal staff member of the general office of Guizhou Branch of ABC from February 2004 to April 2005; served as an assistant of the director of general office of Guizhou Branch of ABC from April 2005 to August 2006; served as a vice director of general office of Guizhou Branch of ABC from August 2006 to September 2007; served as vice president of Liupanshui Branch of ABC from September 2007 to May 2012; served as a vice general manager of business department of Guizhou Branch of ABC from May 2012 to August 2012; Mr. Zhou participated in the preparatory group work of the establishment of our Bank and worked in our Bank from October 2012. He served as the temporary principal of the general office of our Bank from December 2012 to December 2013; served as the vice director of general office of our Bank (temporary principal) from December 2013 to March 2014; served as the vice director of the Office of Party Committee of our Bank (presiding work) and vice director of General Office from March 2014 to March 2018; served as the director of the Office of Party Committee and director of General Office of our Bank from March 2018 to April 2019; Mr. Zhou has been the secretary to the Board of our Bank since April 2019.

Mr. Zhou graduated as a bachelor in journalism from the department of Chinese literature of Guizhou University (貴州大學) in July 1997; and graduated as a master in business administration from the school of management of Guizhou University in July 2014. Mr. Zhou has a title of intermediate economist.

**Mr. WANG Xiangdong (王向東)**, is a Chief Officer of our Bank.

Mr. Wang served as a trainee in Guilin Army College of Chinese People's Liberation Army (中國人民解放軍桂林陸軍學院)(currently known as Army Special Operations Academy of Chinese People's Liberation Army) (中國人民解放軍陸軍特種作戰學院) from August 1983 to July 1984; served as platoon leader in the 93rd Regiment of the 31st Army Division of the Chinese People's Liberation Army (陸軍三十一師第九十三團) from July 1984 to July 1985; served successively as barracks assistant, company commander and deputy battalion commander in the second communication station of Chengdu Military Region of the Chinese People's Liberation Army from September 1986 to August 1991; served as principal staff member of the administrative department real estate division of the Bank of China (中國銀行) ("BOC") Guizhou Branch from August 1995 to January 2000; served as vice president of the BOC Guiyang Hebin Sub-branch from January 2000 to April 2003; served as vice president of the BOC Guiyang Dongshan Sub-branch from April 2003 to March 2005; served as president of the BOC Guiyang Yunyan Sub-branch from March 2005 to July 2006; served successively as secretary of the Party committee and president of the BOC Zunyi Sub-branch from July 2006 to February 2009; and served successively as general manager of the business department of the BOC Guizhou Branch and director of business development management committee in Guiyang from



February 2009 to March 2013. Mr. Wang held a post as Chief Officer in our Bank from March 2013 to October 2013. In particular, he served concurrently as leader of the preparatory group of Guiyang Huaxi Sub-branch from March 2013 to May 2013; secretary of the party branch of Xingyiruijin Sub-branch from June 2013 to December 2013; president of Guiyang Huaxi Sub-branch from May 2013 to January 2014; deputy secretary of the Party committee and executive deputy general manager of Guiyang Management Department of our Bank from December 2013 to August 2014; secretary of the Party branch of Duyun Jianjiang Sub-branch from July 2014 to July 2016; and secretary of CPC Branch, president of Duyun Jianjiang Sub-branch from September 2014 to July 2016; and secretary of the Party committee and president of Qiannan branch of our Bank from July 2016 to May 2019. Mr. Wang has been a Chief Officer of our Bank since December 2014.

Mr. Wang graduated as a bachelor in metallography and heat treatment from Guizhou Institute of Engineering (貴州工學院)(currently known as Guizhou University) (貴州大學) in July 1983.

### 6.3.4 The Biographical Details of Joint Company Secretaries

**Mr. ZHOU Guichang (周貴昌)**, one of joint company secretaries of the Bank, was appointed in April 2019. See “Directors, Supervisors and Senior Managements – Working Experience of Senior Managements” for his biography.

**Mr. LEI Kin Keong (李健強)** is one of the joint company secretaries of the Bank. Mr. Lei is currently a non-practicing member of The Hong Kong Institute of Certified Public Accountants and the associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (originally known as the Institute of Chartered Secretaries and Administrators). He holds a Bachelor of Art (Honors) in Accountancy from The Hong Kong Polytechnic University and a Postgraduate Diploma in Corporate Compliance from The University of Hong Kong (School of Professional and Continuing Education). He currently serves as the associate director of SWCS Corporate Services Group (Hong Kong) Limited.

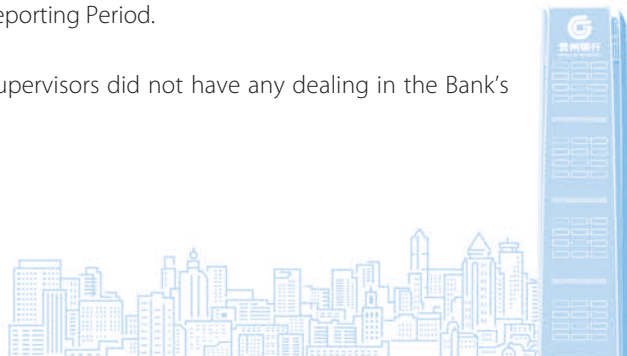
## 6.4 CONFIRMATION ON THE INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors were not involved in any business or financial interests of the Bank and did not take any managerial position in the Bank. Therefore, their independence was well guaranteed. The Bank has received annual independence confirmations from all independent non-executive Directors and confirmed their independence.

## 6.5 DEALING IN SECURITIES BY DIRECTORS AND SUPERVISORS

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules (the “Model Code”) and has complied with Rules 13.67 and 19A.07B of the Hong Kong Listing Rules to regulate the securities transactions of its directors and supervisors. All the Directors and Supervisors were consulted specifically for this matter and all of them confirmed that they had strictly complied with the relevant provisions of the Model Code throughout the Reporting Period.

Subsequent to the listing date of the Bank, the Directors and Supervisors did not have any dealing in the Bank’s shares.



## DIRECTORS, SUPERVISORS, SENIOR MANAGERMENTS, EMPLOYEES AND ORGANIZATION

### 6.6 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 31 December 2019, the interests and short positions of the Directors, Supervisors and chief executives of the Bank in the shares, underlying shares or debentures of the Bank or its associated corporations (i) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Name	Position	Class of Shares held	Number of Shares held Directly or indirectly	Nature of interest	Approximate percentage of the relevant class of share capital of the Bank	Approximate percentage of the total issued share capital of the Bank
XU An (許安)	Executive Director and President	Domestic Shares	500,000	Beneficial Owner	0.004%	0.003%
XIAO Cifa (肖慈發)	Chairman of the Board of Supervisors	Domestic Shares	500,000	Beneficial Owner	0.004%	0.003%
WANG Changyi (王常懿)	Supervisor	Domestic Shares	280,000	Beneficial Owner	0.002%	0.002%
LI Keyong (李克勇)	Supervisor	Domestic Shares	500,000	Beneficial Owner	0.004%	0.003%

Save as disclosed above, none of the Directors, Supervisors and chief executive of the Bank had any interests or short positions in any Shares, underlying Shares or debentures of the Bank or any of its associated corporations as at 31 December 2019.

### 6.7 INFORMATION OF EMPLOYEES

#### 6.7.1 Composition of employees

**(1) By age:**

As of the end of the Reporting Period, the Bank had 1,601 employees aged 30 or under, accounting for 33.2% of the total number of employees; 1,696 employees aged between 31 and 40, accounting for 35.2% of the total number of employees; 1,110 employees aged between 41 and 50, accounting for 23% of the total number of employees; and 413 employees aged over 50, accounting for 8.6% of the total number of employees.



**(2) By gender:**

As at the end of the Reporting Period, the Bank have a total of 1,828 male employees, accounting for 37.93 %, and 2,992 female employees, accounting for 62.07%.

**(3) By education:**

As of the end of the Reporting Period, the Bank had a total of 4,820 employees, including 3,897 employees with a bachelor degree or above, accounting for 80.85% of the total number of employees, and 923 employees with a college degree or below, accounting for 19.15% of the total number of employees.

In addition to the contracted employees, by the end of the reporting period, the bank has 231 transferred employees.

### 6.7.2 Employee training

During the Reporting Period, based on establishing the university for Bank of Guizhou, the Bank established first level supporting system, including project system, course system, lecturer system and evaluation system. We, while improving the fundamental operation system, vigorously carried out construction of first level supporting system, forming a scientific training system with the characteristic of Bank of Guizhou.

During the Reporting Period, according to the training program under the “Work Plan for Employees’ Educational Training for 2019”, the Bank organized training projects by a combination of internal trainings and external dispatches, implemented the training activities under the Employee Professional Image Building Program, conducted studies and researches in advanced banks, participated in external forums and training classes, conducted centralized training on new businesses and products for new employees. It was committed to building a learning and innovative team. As of the end of the Reporting Period, according to the system of “head-branch-sub-branch”, the Bank organized 1,290 training activities which covered about 35,000 employees in total.



## DIRECTORS, SUPERVISORS, SENIOR MANAGERMENTS, EMPLOYEES AND ORGANIZATION

### 6.7.3 Remuneration policy, employee remuneration and welfare

In accordance with the relevant laws and policies, the Board is responsible for the design of the remuneration management system and policies of the Bank, and is ultimately responsible for the remuneration management of the Bank. The Board of the Bank has established the Nomination and Remuneration Committee, which consists of four members and is chaired by an independent non-executive Director. The senior management of the Bank is responsible for organizing the implementation of the resolutions on remuneration management of the Board, and the human resources department is responsible for the implementation of specific matters.

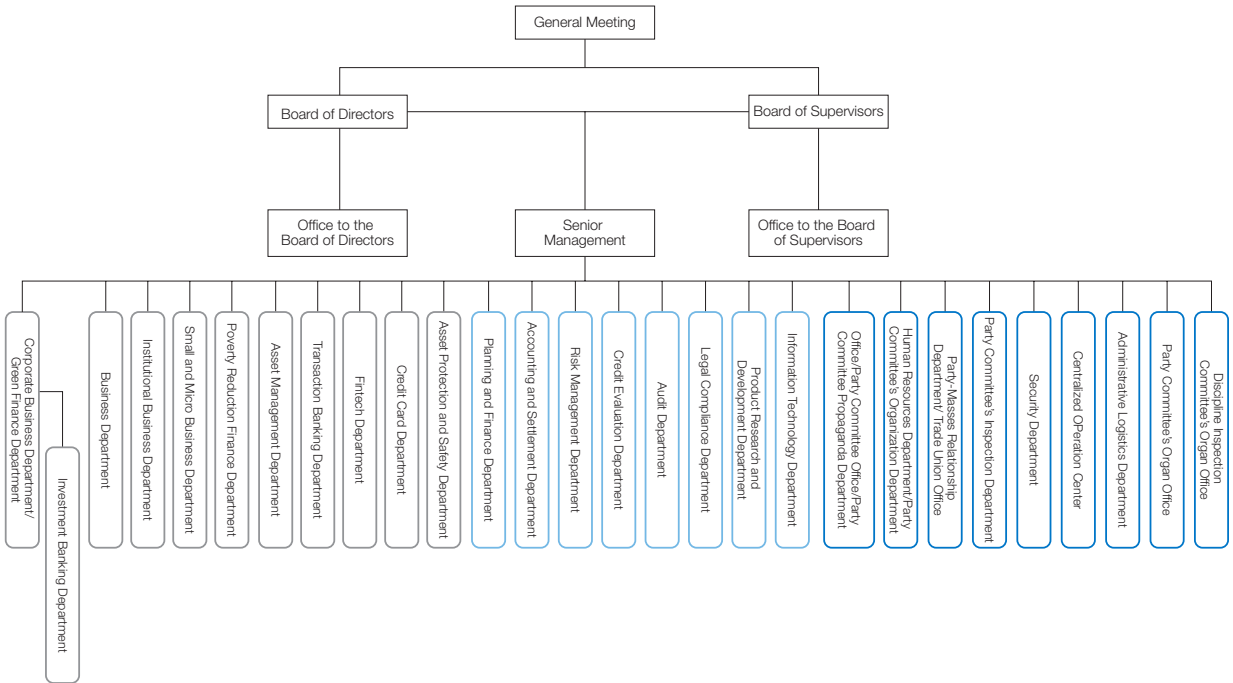
The Bank has formulated the Administrative Measures on Remuneration of Bank of Guizhou, which specifies that the remuneration of employees of the Bank shall be determined based on the rank of employees and the grade of employees and professional skills, among which, the rank of employees shall be determined based on the ability and quality of employees and their performance contribution. The remuneration standards are adjusted according to the changes in employees' roles or positions. In accordance with the requirements of the Guidelines on the Supervision of Steady Remuneration of Commercial Banks, the Bank implements deferred payment of performance-based salary for employees in management sequence and risk-related positions, and manages them according to management authority classification.

Please refer to the section headed "Remuneration of the Management" under Chapter VII Corporate Governance Report and Notes 8 and 9 to the financial statements, for details of the total amount and composition of employee benefits expenses and remuneration of Directors, Supervisors and senior management of the Bank for 2019.

According to the remuneration policy of the Bank, the Nomination and Remuneration Committee will consider factors such as comparable salaries paid, term, commitment, responsibilities and performance (as the case may be) of the Directors, Supervisors and senior management of the Bank when assessing the remuneration payable to the Directors, Supervisors and relevant employees of the Bank. The Bank has established a remuneration system based on the value of job contributions, and determined remuneration of employees based on job contributions and employee performance. We provide our employees with comprehensive social insurance and benefits. As of the end of the Reporting Period, there was no significant change in the Bank's remuneration policies. We do not have any long-term incentive scheme on remuneration.



## 6.8 ORGANIZATIONAL STRUCTURE



## DIRECTORS, SUPERVISORS, SENIOR MANAGERMENTS, EMPLOYEES AND ORGANIZATION

### 6.9 BASIC INFORMATION OF SUB-BRANCHES

As at 31 December 2019, the Bank had 218 licensed institutions, including 1 head office, 8 branches, 203 traditional branches, 5 community branches and 1 branch business department. All branches and sub-branches of the Bank are located within Guizhou Province, and in 2016, we achieved full coverage of all counties.

Region	Name of Organization	Business Address(China)	Remarks
Guiyang, Guizhou Province	Headquarter	No. 41 Middle Ruijin Road, Yunyan District, Guiyang Guizhou Province	Governing 52 licensed institutions in Guiyang
Zunyi, Guizhou Province	Zunyi Branch	Middle Section of Xiamen Road, Huichuan District, Zunyi, Guizhou Province	Governing 50 licensed institutions in Zunyi
Liupanshui, Guizhou Province	Liupanshui Branch	Baolong International Building, No.36 Zhongshan West Road, Liupanshui, Guiyang Guizhou Province	Governing 22 licensed institutions in Liupanshui
Anshun, Guizhou Province	Anshun Branch	No.136 Xihang Road, Anshun, Guiyang Guizhou Province	Governing 24 licensed institutions in Anshun
Bijie, Guizhou Province	Bijie Branch	Building A, Jinyuanda Times Plaza, Bailidujuan Road, Qixingguan District, Bijie, Guiyang Guizhou Province	Governing 12 licensed institutions in Bijie
Tongren, Guizhou Province	Tongren Branch	Wing Building of Jinjiang Hotel, No.8 Jinjiang South Road, Tongren, Guiyang Guizhou Province	Governing 13 licensed institutions in Tongren
Qiandongnan, Guizhou Province	Qiandongnan Branch	1-3 Floor, Fengqiu Xintiandi, Yingbin Avenue, Kaili, Qiandongnan Miao and Dong Autonomous Prefecture, Guiyang Guizhou Province	Governing 19 licensed institutions in Qiandongnan
Qiannan, Guizhou Province	Qiannan Branch	Huaxin Building, No.62 Jianjiang Middle Road, Duyun, Qiannan Bouyei and Miao Autonomous Prefecture, Guiyang Guizhou Province	Governing 16 licensed institutions in Qiannan
Qianxinan, Guizhou Province	Qianxinan Branch	1-2 Floor, Aocheng Xiaoqu, Ruijin Avenue, Xingyi, Qianxinan Bouyei and Miao Autonomous Prefecture, Guiyang Guizhou Province	Governing 10 licensed institutions in Qianxinan



## CORPORATE GOVERNANCE REPORT

The Bank has complied with all the applicable code provisions contained in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Hong Kong Listing Rules throughout the period from 30 December 2019 (the listing date of the Bank) to 31 December 2019.

The Bank has complied with the Hong Kong Listing Rules, the CG Code and the Guidance on Corporate Governance of Commercial Banks (Yin Jian Fa [2013] No.34) (the “Guidelines”) issued by the China Banking Regulatory Commission on 19 July 2013 to the governance structure and policies of the Bank. The Articles of Association, rules of procedure for the general meeting, the Board and its committees fully reflect the CG Code and the Guidelines. The general meeting, the Board and the Board of Supervisors of the Bank have specific areas of responsibilities, forming a good corporate governance structure. The Bank will continue to closely monitor the business operations to ensure compliance with applicable laws, regulations, codes, guidelines and relevant requirements of the Bank’s internal policies.

The Bank will continuously review the corporate governance and strengthen the management to ensure compliance with the requirements of the CG Code and the Guidelines and meet the expectations of shareholders and potential investors.

### 7.1 GENERAL MEETINGS HELD

During the Reporting Period, the Bank held 1 general meeting, being the 2018 annual general meeting of the Bank of Guizhou. This on-site meeting was held on the second floor of Guizhou Howard Johnson Plaza Hotel in the afternoon of 26 March 2019. A total of 89 shareholders and proxies attended the meeting, representing a total of 10,801,355,371.86 shares, accounting for 87.1918% of the total share capital, of which: the shares with restricted voting rights were 845,467,877.28 shares, accounting for 6.8249% of the total share capital; the shares with effective voting rights were 9,955,887,494.58 shares, accounting for 80.3669% of the total share capital and 100% of the shares with effective voting rights presented at the meeting. At the meeting, 19 resolutions were considered and approved, including the Work Report of the Board, the Annual Financial Statements and Reports, the Profit Distribution Plan, and the Performance Evaluation Report of Directors, Supervisors and senior management. The above general meeting was convened in compliance with requirements under relevant laws and regulations.





## CORPORATE GOVERNANCE REPORT

### 7.2 MEETINGS OF THE BOARD AND ITS SPECIAL COMMITTEES HELD

#### 7.2.1 Operation of the Board

The Board meetings are divided into regular meetings and extraordinary meetings, voting at which may be conducted by conference (including video conference and conference call) and correspondence. For regular meetings and extraordinary meetings of the Board, written notices shall be given to all Directors and Supervisors by hand, fax, e-mail, express mail or other means at least 10 and 5 days in advance, respectively. Since the Listing Date, the Bank has complied with the requirements of the Code Provision A.1.3 of the CG Code to give each Director a notice at least 14 days before the convening of regular meetings of the Board.

There are 5 special committees under the Board, including, among others, the Strategic Development Committee, the Risk and Related Party Transactions Management Committee, the Nomination and Remuneration Committee, the Audit Committee, and the Consumer Rights Protection and Social Responsibility Committee. The Bank has set up a Board office as the Board's daily working organ, which shall be responsible for the preparations for and information disclosure of the general meetings, Board meetings and meetings of special committees under the Board, as well as other routine affairs of the Board and special committees thereunder.

#### 7.2.2 Composition of the Board

As of the end of the Reporting Period, the Board of the Bank consisted of eleven Directors, including two executive Directors, namely, Mr. LI Zhiming (Chairman) and Mr. XU An; four non-executive Directors, namely, Mr. YANG Mingshang, Mr. CHEN Yongjun, Ms. GONG Taotao and Mr. LU Lin; and five independent non-executive Directors, namely, Mr. TANG Xin, Mr. WANG Gefan, Mr. SONG Ke, Mr. LI Shoubing and Mr. LAW Cheuk Kin Stephen.

Mr. YANG Mingshang and Mr. CHEN Yongjun tendered their resignations as non-executive Directors of the Bank on 16 March 2020 due to work arrangement and their resignations take effective on 16 March 2020. The number of members and composition of the Board comply with the relevant requirements of laws and regulations.

#### 7.2.3 Changes in Board Members during the Reporting Period

Please refer to the section 6.2 headed "Changes in Directors, Supervisors and Senior Management during the Reporting Period" of the Chapter VI in this report.



### 7.2.4 Powers of the Board

The Board is the executive body of the general meeting of the Bank, which is accountable to the general meeting and upholds the principle of maximization of interests of the Bank. According to the Articles of Association, the primary functions of the Board of the Bank include the following: convening general meetings and reporting its performance at the general meetings; implementing resolutions of the general meetings; determining the Bank's business development strategies, business plans and investment plans; formulating annual financial budget plans, final account plans, profit distribution plans and loss recovery plans of the Bank; assessing and evaluating the performance of the Directors' duties and reporting to the general meeting; formulating proposals for the Bank to increase or decrease its registered capital and issuance of corporate bonds or other securities and the listing plan; formulating proposals for the Company's major asset transfer and alienation, repurchase of the Company's shares or merger, division and dissolution; determining the setting, merger and revocation of branches and internal management bodies of the Company; determining material external guarantees; appointing or dismissing the President and the secretary to the Board; appointing or dismissing vice presidents and other senior management personnel based on the nominations of the President and determining their remunerations, awards or punishments and the method of payment thereof; determining the Company's risk management and internal control policies and formulating the Company's basic management system; formulating any amendments to the Articles of Association; managing the information disclosures of the Company; proposing at a general meeting the engagement, dismissal or discontinuance of an accounting firm that provides audit for the Company; considering and determining working rules of the President, listening to his/her work reports and examining his/her work.

The Board of Directors of the Bank is also responsible for performing the corporate governance functions set out below: formulating and reviewing the Bank's policies and practices in respect of corporate governance; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Bank's policies and practices in respect of compliance with laws and regulatory requirements; formulating, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; reviewing the Bank's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.



## CORPORATE GOVERNANCE REPORT

### 7.2.5 Directors' Responsibility for Preparation of Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements for the year ended 31 December 2019. The Directors are responsible for reviewing and confirming the financial statements for each accounting period to ensure that the financial statements truly and fairly reflect the financial conditions, operating results and cash flows of the Bank. In preparing the financial statements of the Bank for the year ended 31 December 2019, with the assistance of professional financial and accounting personnel, the Directors ensure that the financial statements of the Bank are prepared in accordance with laws and regulations and applicable financial reporting rules.

### 7.2.6 Meetings and the Attendance of Directors

During the Reporting Period, the Bank convened a total of 12 Board meetings, at which 80 resolutions were considered and approved, including the Annual Work Report of the Board, the Annual Audit Report, and the Plan for Listing on the Hong Kong Stock Exchange, and the Strategic Development Plan, etc. Details of the Board meetings convened during the Reporting Period are set out in the table below:

Session	Date	Form
The 3rd meeting of the second session of the Board	24 January 2019	On-site
The 4th meeting of the second session of the Board	5 March 2019	On-site
The 5th meeting of the second session of the Board	18 March 2019	Correspondence
The 6th meeting of the second session of the Board	26 April 2019	On-site
The 7th meeting of the second session of the Board	13 May 2019	On-site
The 8th meeting of the second session of the Board	5 July 2019	Video conference
The 9th meeting of the second session of the Board	18 July 2019	Correspondence
The 10th meeting of the second session of the Board	8 August 2019	Correspondence
The 11th meeting of the second session of the Board	12 October 2019	Correspondence
The 12th meeting of the second session of the Board	22 October 2019	Correspondence
The 13th meeting of the second session of the Board	28 November 2019	On-site
The 14th meeting of the second session of the Board	6 December 2019	Correspondence



The attendance of each Director at the Board meetings during the Reporting Period is as follows:

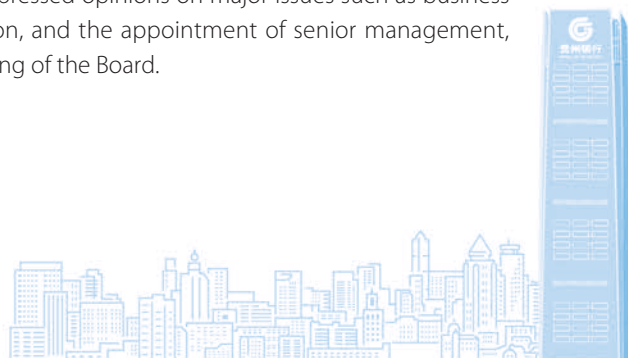
Member of the Board	Number of Attendances Required at Board Meetings	Number of Attendances in Person at Board Meetings	Number of Attendances by Proxy at Board Meetings	Number of Absences at Board Meetings	Number of Attendances/Attendances Required at Shareholders' General Meetings
LI Zhiming	12	12	0	0	1/1
XU An	12	12	0	0	1/1
YANG Mingshang <sup>1</sup>	12	7	4	1	0/1
CHEN Yongjun <sup>2</sup>	12	7	0	0	0/1
GONG Taotao	12	11	1	0	0/1
LU Lin	12	12	0	0	0/1
TANG Xin	12	11	1	0	0/1
WANG Gefan	12	10	2	0	0/1
SONG Ke	12	11	1	0	0/1
LI Shoubing	12	12	0	0	0/1
LAW Cheuk Kin Stephen	12	11	1	0	0/1

Notes:

1. On 16 March 2020, Mr. YANG Mingshang ceased to be a non-executive Director due to work arrangement.
2. On 16 March 2020, Mr. CHEN Yongjun ceased to be a non-executive Director due to work arrangement.

### 7.2.7 Independent non-executive Directors

The Board of the Bank has five independent non-executive Directors. The independent non-executive Directors possess qualifications required by the CBIRC, CSRC and the Hong Kong Listing Rules. The term of office of an independent non-executive Director shall be three years, which is the same as that of other Directors. An independent Director may serve consecutive terms for re-election upon the expiry of his/her term, provided that his/her term of office shall not exceed six years on an accumulative basis. An independent non-executive Director shall not serve concurrently in more than two commercial banks. During the Reporting Period, the independent non-executive Directors conscientiously fulfilled their responsibilities by attending meetings, field investigations, discussions and other methods, and safeguarded the interests of the Bank and all shareholders. All independent non-executive Directors made in-depth research on the relevant resolutions and important documents of the Board and the general meetings, and actively expressed opinions thereon. In particular, they expressed opinions on major issues such as business objectives and plans, risk management, profit distribution, and the appointment of senior management, which played a positive role in the scientific decision-making of the Board.



## CORPORATE GOVERNANCE REPORT

The Bank has received an annual confirmation of independence confirming the independence of each of the independent non-executive Directors, which was issued by such independent non-executive Directors according to the Rule 3.13 of the Hong Kong Listing Rules. The Bank considers that all independent non-executive Directors of the Bank are not involved in any factors influencing their independence mentioned in Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Bank confirms that all independent non-executive Directors have complied with the requirements of the Hong Kong Listing Rules in respect of the independence thereof.

### 7.2.8 Special Committees under the Board

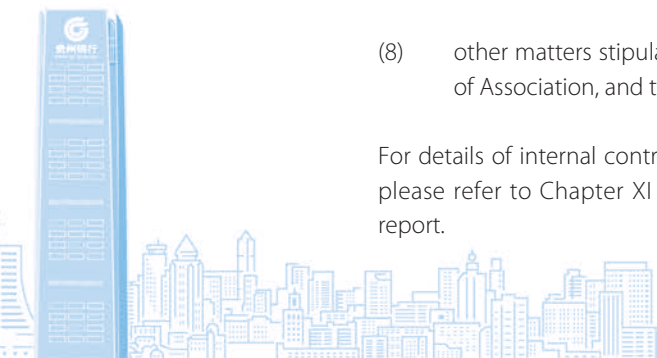
As of the end of the Reporting Period, the Board of the Bank has set up five special committees, including the Audit Committee, the Risk and Related Party Transactions Management Committee, the Nomination and Remuneration Committee, the Strategic Development Committee, and the Consumer Rights Protection and Social Responsibility Committee.

#### (I) **Audit Committee**

As of the end of the Reporting Period, the Audit Committee of the Bank consisted of four Directors, namely, the independent non-executive Director Mr. LI Shoubing (Chairman), the independent non-executive Director Ms. GONG Taotao, the independent non-executive Director Mr. WANG Gefan, and the independent non-executive Director Mr. LAW Cheuk Kin Stephen. The primary duties of the Audit Committee include:

- (1) supervising and evaluating the work of the external auditor;
- (2) guiding the internal audit work;
- (3) reviewing and expressing opinions on the financial reports of the Bank, and submitting to the Board for consideration;
- (4) evaluating the effectiveness of the internal control;
- (5) coordinating the communication of the management, the internal audit department and relevant departments with the external auditor;
- (6) examining the Bank's risks and compliance, financial and accounting policies, financial condition and financial reporting procedures;
- (7) exchanging information in respect of the operation and risk exposure of the Bank with senior management and departments on a regular basis, as well as providing advice and recommendation; and
- (8) other matters stipulated by relevant laws, regulations, regulatory documents and the Articles of Association, and those authorized by the Board.

For details of internal control, internal audit system and work content during the Reporting Period, please refer to Chapter XI "Risk Management, Internal Control and Internal Audit" in this annual report.



During the Reporting Period, the Audit Committee convened a total of 3 meetings, at which resolutions were considered and approved, including the Annual Financial Report of Bank of Guizhou for 2018, the Special Audit Report on Management of Business Continuity of Bank of Guizhou for 2018, the Special Audit Report on Management of Liquidity Risk of Bank of Guizhou for 2018, the Special Audit Report on Management of Market Risk of Bank of Guizhou for 2018, and the Special Audit Report on Capital Management of Bank of Guizhou for 2018.

The attendance of each committee member at the meetings of the Audit Committee held during the Reporting Period is set out in the table below:

Member of the Audit Committee	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance rate
LI Shoubing	3	3	0	100%
GONG Taotao	3	3	0	100%
WANG Gefan	3	3	0	100%
LAW Cheuk Kin Stephen	3	3	0	100%

## (II) **Risk and Related Party Transactions Management Committee**

As of the end of the Reporting Period, the Risk and Related Party Transactions Management Committee of the Bank consisted of four Directors, namely, the independent non-executive Director Mr. WANG Gefan (Chairman), the non-executive Director Mr. YANG Mingshang, the independent non-executive Director Mr. TANG Xin, and the independent non-executive Director Mr. SONG Ke. The primary duties of the Risk and Related Party Transactions Management Committee include:

- (1) being responsible for supervising and evaluating the risk control of the Bank, and making recommendations to improve the risk management and internal control of the Bank;
- (2) expressing clear opinions on significant investments, disposal of material assets and material guarantees of the Bank for the consideration of the Board;
- (3) accepting the filing of general related party transactions, reviewing major related party transactions and significant substantial related party transactions and submit the same to the Board or general meeting for review and approval;
- (4) identifying the related parties of the Bank and reporting the same to the Board and the Board of Supervisors, and promptly announcing the related parties identified by it to the management;
- (5) inspecting and supervising the risk and related party transaction management of the Bank, and submitting the Special Annual Report on Risk Management and Related Party Transaction Control of the Bank to the Board on a regular basis;



## CORPORATE GOVERNANCE REPORT

- (6) evaluating the risk and related party transaction management system and corporate structure of the Bank, as well as expressing opinions and making suggestions on improvement;
- (7) exchanging information in respect of the risks and related party transaction of the Bank with senior management and departments on a regular basis, as well as reviewing the Bank's risk tolerance and level proposed by senior management, and reporting the review results to the Board; and
- (8) other matters stipulated by relevant laws, regulations, regulatory documents and the Articles of Association, and those authorized by the Board.

During the Reporting Period, the Risk and Related Party Transactions Management Committee convened a total of 9 meetings, at which resolutions were considered and approved, including the Report on Comprehensive Risk Management of Bank of Guizhou for 2018, the Report on Management of Business Continuity of Bank of Guizhou for 2018, the Comprehensive Risk Management Policy of Bank of Guizhou for 2019, the Report on Related Party Transactions of Bank of Guizhou for 2018, the Report on Anti-Money Laundering of Bank of Guizhou for 2018 and the Report on Operational Risk of Bank of Guizhou for 2018.

The attendance of each committee member at the meetings of the Risk and Related Party Transactions Management Committee held during the Reporting Period is set out in the table below:

Member of the Risk and Related Party Transactions Management Committee	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance rate
WANG Gefan	9	9	0	100%
YANG Mingshang <sup>1</sup>	9	9	0	100%
TANG Xin	9	9	0	100%
SONG Ke	9	9	0	100%

Note:

1. On 16 March 2020, Mr. Yang Mingshang ceased to be a non-executive Director of the Bank due to working arrangement reasons.



**(III) Nomination and Remuneration Committee**

As of the end of the Reporting Period, the Nomination and Remuneration Committee consisted of four directors, namely, the independent non-executive Director Mr. TANG Xin (Chairman), the non-executive Director Mr. LU Lin, the independent non-executive Director Mr. LI Shoubing and the independent non-executive Director Mr. SONG Ke. More than half of the members of the Nomination and Remuneration Committee of the Bank are independent non-executive Directors, and the Chairman is an independent non-executive Director. The primary duties of the Nomination and Remuneration Committee include:

- (1) making recommendations to the Board on the composition and structure of the Board and senior management according to the business operations, asset scale and shareholding structure of the Bank;
- (2) formulating the standards and procedures for the election of Directors and senior management personnel of the Bank, and conducting preliminary examination on the qualifications and conditions of the candidates for Directors and senior management officers and making recommendations;
- (3) formulating the assessment criteria for Directors and senior management officers, carrying out assessment and making recommendations;
- (4) being responsible for the remuneration policy and system of the Bank, and formulating the remuneration plan for each Director and senior management personnel, proposing compensation plan to the Board, supervising the implementation of the plan;
- (5) communicating with the senior management and departments in respect of the personnel situation of the Bank regularly, making comments and suggestions; and
- (6) other matters stipulated by relevant laws, regulations, regulatory documents and the Articles of Association, and those authorized by the Board.

During the Reporting Period, the Nomination and Remuneration Committee convened a total of 1 meeting, at which resolutions were considered and approved, including the Resignation of HU Kai as the Vice President and the secretary to the Board of Bank of Guizhou, the Resignation of LUO Tingkun as the assistant to the President of Bank of Guizhou, Nomination of WU Fan as a Candidate of Vice President of Bank of Guizhou, the Nomination of LIU Gang as a Candidate of assistant to the President of Bank of Guizhou, and the Nomination of ZHOU Guichang as a Candidate of secretary to the Board of Bank of Guizhou.





## CORPORATE GOVERNANCE REPORT

During the Reporting Period, the attendance of each member at the meeting of the Nomination and Remuneration Committee is as follows:

Member of the Nomination and Remuneration Committee	Number of Attendances Required at the Meeting	Number of Attendances in Person at the Meeting	Number of Attendances by Proxy at the Meeting	Attendance rate
TANG Xin	1	1	0	100%
LU Lin	1	1	0	100%
LI Shoubing	1	1	0	100%
SONG Ke	1	1	0	100%

### *Board Diversity Policy*

The Board has adopted a board diversity policy (the "Board Diversity Policy") in order to enhance the effectiveness of the Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

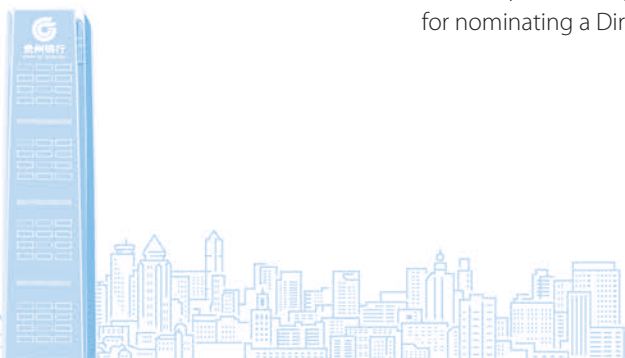
The Nomination and Remuneration Committee is responsible for reviewing the diversity of the Board. The Nomination and Remuneration Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination and Remuneration Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

The Directors of the Bank have a balanced mixed of knowledge and skills, including but not limited to overall business management, finance and accounting, investment and law. They obtained degrees in various majors including business administration, science, geology and mineralogy, finance, accounting and law. The Board is of the view that the Board of the Bank satisfies the Board Diversity Policy.

### *Nomination Policy*

Factors considered by the Nomination and Remuneration Committee in evaluating candidates for Directors include (but not limited to) the following:

- (1) basic requirements prescribed in the Articles of Association on the methods and procedures for nominating a Director;



- (2) achievements and experience in banking or related industries;
- (3) time to be devoted to the Bank; and
- (4) the Board Diversity Policy.

The Nomination and Remuneration Committee shall convene a meeting and ask the Board members to nominate candidates (if any) for consideration by the Nomination and Remuneration Committee before the meeting. The Nomination and Remuneration Committee can also nominate candidates who are not nominated by Board members.

The Nomination and Remuneration Committee will conduct preliminary review on the qualifications and conditions of director candidates. Qualified candidates will be proposed to the Board for consideration and, upon approval by the Board, to the annual general meeting by written proposals.

In order to provide the information of candidates who are nominated by the Board and proposed to the general meeting, the Bank will dispatch a circular to shareholders which sets out the relevant information. The information of candidates will be set forth in the circular to shareholders pursuant to applicable laws, rules, and regulations. The nominated candidate shall not assume that he/she has been recommended by the Board and proposed to the general meeting before the dispatch of the circular to shareholders.

#### **(IV) Strategic Development Committee**

As at the end of the Reporting Period, the Strategic Development Committee of the Bank consisted of five Directors, namely, the executive Director Mr. LI Zhiming (Chairman), the executive Director Mr. XU An (Vice Chairman), the independent non-executive Director Mr. WANG Gefan, the independent non-executive Director Mr. TANG Xin and the independent non-executive Director Mr. SONG Ke. The major duties of the Strategic Development Committee include:

- (1) formulating the business management objectives and medium and long-term development strategies of the Bank, and examining and correcting the implementation of the medium and long-term development strategies;



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- (2) making recommendation on significant investments and financing plans of the Bank;
- (3) supervising and examining the implementation of annual business plan and investment and financing plan;
- (4) proposing plans and strategies for major issues related to the development of the Bank;
- (5) reviewing the capital plan, management plan and management report of capital adequacy ratio formulated by senior management, and evaluation report on the internal capital adequacy, and submitting the same to the Board for consideration;
- (6) being responsible for formulating green credit development strategies, approving green credit goals formulated by and green credit report submitted by senior management, as well as monitoring and evaluating the implementation of the green credit development strategies of the Bank; and
- (7) other matters stipulated by relevant laws, regulations, regulatory documents and the Articles of Association, and those authorized by the Board.

During the Reporting Period, the Strategic Development Committee convened a total of 1 meeting, at which resolutions were considered and approved, including the Plan of Development Strategies for 2018 to 2022 of Bank of Guizhou, the Plan of IT Strategies of Bank of Guizhou (2019–2021).

The attendance of each committee member at the meeting of the Strategic Development Committee held during the Reporting Period is set out in the table below:

Member of the Strategic Development Committee	Number of Attendances Required at the Meeting	Number of Attendances in Person at the Meeting	Number of Attendances by Proxy at the Meeting	Attendance rate
LI Zhiming	1	1	0	100%
XU An	1	1	0	100%
WANG Gefan	1	1	0	100%
TANG Xin	1	1	0	100%
SONG Ke	1	1	0	100%



**(V) Consumer Rights Protection and Social Responsibility Committee**

As of the end of the Reporting Period, the Consumer Rights Protection and Social Responsibility Committee consisted of three Directors, namely, the executive Director Mr. XU An (Chairman), the non-executive Director Mr. CHEN Yongjun and the independent non-executive Director Mr. LI Shoubing.

The primary duties of the Consumer Rights Protection and Social Responsibility Committee include:

- (1) formulating the social responsibility strategies and policies of the Bank;
- (2) formulating plans and measures to fulfill social responsibilities and protect consumers' rights and interests;
- (3) reviewing strategies, policies and goals of consumer rights protection;
- (4) reviewing credit policies related to environment and sustainable development;
- (5) approving matters in relation to external donation, as authorized by the Board;
- (6) reviewing the report on corporate social responsibility and report on consumer rights protection prepared by senior management on a regular basis, as well as supervising, inspecting and evaluating the Bank's performance of social responsibility and consumer rights protection; and
- (7) other matters stipulated by relevant laws, regulations, regulatory documents and the Articles of Association, and those authorized by the Board.

During the Reporting Period, the Consumer Rights Protection and Social Responsibility Committee convened a total of 2 meetings, at which resolutions were considered and approved, including the Summary of Consumer Rights Protection Work in 2018 and Plan for 2019 of Bank of Guizhou, the Summary of Consumer Rights Protection Work in the First Half of 2019 of Bank of Guizhou.



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The attendance of each committee member at the meetings of the Consumer Rights Protection and Social Responsibility Committee held during the Reporting Period is set out in the table below:

Member of the Consumer Rights Protection and Social Responsibility Committee	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meetings	Number of Attendances by Proxy at the Meetings	Attendance rate
XU An	2	2	0	100%
CHEN Yongjun <sup>1</sup>	2	1	0	50%
LI Shoubing	2	2	0	100%

Note: 1. Mr. CHEN Yongjun tendered his resignation on 16 March 2020.

### 7.3 MEETINGS OF THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES HELD

The Board of Supervisors is the supervisory body of the Bank and is accountable to the Shareholder of the Bank. It supervises the Bank's operating activities and the legal compliance of the Board of the Bank, senior management and its members in performing their duties, and safeguards the legal rights and interests of the Bank, shareholders, employees, creditors and other stakeholders.

#### 7.3.1 Composition of the Board of Supervisors

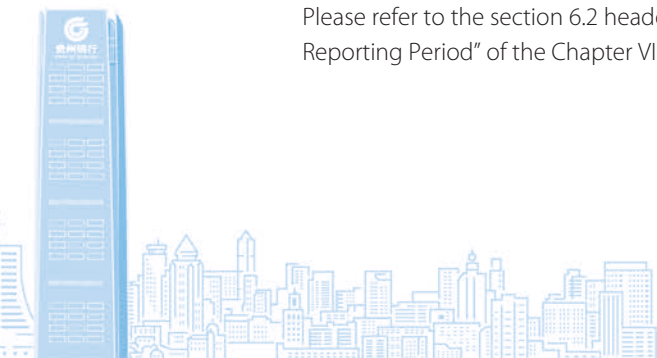
As of the end of the Reporting Period, the Board of Supervisors of the Bank consisted of seven Supervisors, including three employee Supervisors, namely Mr. XIAO Cifa (Chairman), Mr. WANG Changyi and Mr. LI Keyong, one shareholder Supervisor, namely Ms. WU Qiangli and three external Supervisors, namely Mr. LIU Hanmin, Mr. CHEN Houyi and Mr. SU Zhi. The composition of the Board of Supervisors is reasonable, which has sufficient professionalism and independence, and enable the Board of Supervisors to exercise its supervisory function effectively.

On 17 March 2020, Ms. Wu Qiangli resigned as the shareholder Supervisor of the Bank and a member of the Supervision Committee due to work arrangement. Ms. WU will continue to perform her duties as the shareholder Supervisor and a member of the Supervision Committee until the appointment of new shareholder supervisor.

Please refer to section 6.2, "Changes in Directors, Supervisors and Senior Management during the Reporting Period", of this report.

#### 7.3.2 Changes of members of the Board of Supervisors during the Reporting Period

Please refer to the section 6.2 headed "Changes in Directors, Supervisors and Senior Management during the Reporting Period" of the Chapter VI in this report.



### 7.3.3 Meetings of the Board of Supervisors and the Attendance of Supervisors

During the Reporting Period, the Board of Supervisors convened a total of 4 on-site meetings. Seven Supervisors attended all of such meetings and exercised their voting and supervision rights in accordance with the requirements. Such meetings considered a total of 48 resolutions, including the Annual Financial Report of Bank of Guizhou for 2018, the Financial Budget Plan of Bank of Guizhou for 2019 and the Profit Distribution Plan of Bank of Guizhou for 2018, and heard 12 reports, including the Report on the Implementation of Strategies of Bank of Guizhou in 2019, the Report on the Implementation of Phoenix Project of Bank of Guizhou, and the Completion Report on the Implementation of New Capital Accord and Problems Existed of Bank of Guizhou.

#### **Meeting of the Board of Supervisors in 2019**

Meeting	Date	Form
The 4th meeting of the second session of the Board of Supervisors of Bank of Guizhou	4 March 2019	On-site Meeting
The 5th meeting of the second session of the Board of Supervisors of Bank of Guizhou	13 May 2019	On-site Meeting
The 6th meeting of the second session of the Board of Supervisors of Bank of Guizhou	24 July 2019	On-site Meeting
The 7th meeting of the second session of the Board of Supervisors of Bank of Guizhou	24 December 2019	On-site Meeting

#### **The Attendance of Supervisors at the Meetings of the Board of Supervisors in 2019**

Name of Supervisor	Number of Attendances Required at the Meetings	Number of Attendances in Person at the Meeting	Number of Attendances by Proxy at the Meetings	Attendance rate
XIAO Cifa	4	4	0	100%
LIU Hanmin	4	4	0	100%
SU Zhi	4	4	0	100%
CHEN Houyi	4	4	0	100%
WU Qiangli <sup>1</sup>	4	4	0	100%
WANG Changyi	4	4	0	100%
LI Keyong	4	4	0	100%

*Note:* On 17 March 2020, Ms. Wu Qiangli resigned as the shareholder Supervisor of the Bank and member of the Supervision Committee, which will be effective from the date of election and appointment of new shareholder Supervisor at the general meeting.



## CORPORATE GOVERNANCE REPORT

### 7.3.4 Special Committees under the Board of Supervisors

The Board of Supervisors of the Bank has set up two committees, namely the Supervision Committee and the Nomination, Remuneration and Evaluation Committee.

#### *Information on the Special Committees under the Board of Supervisors*

Name	Chairman	Members	Meetings held in 2019	Attendance
The Supervision Committee	LIU Hanmin	WU Qiangli <sup>1</sup> , LI Keyong	Four on-site meetings	All of the three members attended such on-site meetings
The Nomination, Remuneration and Evaluation Committee	SU Zhi	CHEN Houyi, WANG Changyi	Four on-site meetings	All of the three members attended such on-site meetings

*Note:* Ms. WU Qiangli resigned as the shareholder Supervisor of the Bank and member of the Supervision Committee on 17 March 2020, which shall be effective from the date of election and appointment of new shareholder Supervisor at the general meeting.

The Supervision Committee is mainly responsible for formulating supervision plans and carrying out relevant inspections on major issues of the Bank, supervising the Board in establishing a sound business philosophy and value standards, as well as formulating development strategies consistent with the Bank's condition. During the Reporting Period, the Supervision Committee convened 4 meetings at the attendance of 3 members, at which 25 resolutions and major issues were considered.

The Nomination, Remuneration and Evaluation Committee is mainly responsible for formulating the selection criteria and procedures for Supervisors, supervising the scientificity and rationality of the remuneration management system and policies and remuneration plan of the whole Bank, formulating methods for evaluating the performance of Directors, Supervisors and senior management and organizing the implementation. During the Reporting Period, the Nomination, Remuneration and Evaluation Committee convened 4 meetings at the attendance of 3 members, at which 13 resolutions and major issues were considered.

### 7.3.5 Attendance of Supervisors at the General Meetings during the Reporting Period

During the Reporting Period, 7 Supervisors attended the 2018 Annual General Meeting of the Bank and supervised the legal compliance in convening the general meeting, the voting procedures, the validity of voting rights, as well as the attendance of Directors, opinions expressed by them and voting on site. XIAO Cifa, Chairman of the Board of Supervisors, reported its work to the general meeting on behalf of the Board of Supervisors, and notified the "The Board, the Board of Supervisors and Senior Management" and the performance assessment of its members.



## 7.4 TRAINING ATTENDANCE AND INVESTIGATION PARTICIPATED BY DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

During the Reporting Period, the Directors attended or participated in relevant training or investigation according to their performance requirements, covering corporate governance, policies and regulations, and operation and management of banks. The training or investigation mentioned above will help to improve the performance of Directors, and ensure that Directors have a full grasp of the information required to perform their duties and continue to make contribution to the Board according to the actual condition of the Bank.

During the Reporting Period, the Board of Supervisors organized two training sessions for the Supervisors in relation to the supervision of the performance of supervisors of commercial banks in respect of listing and comprehensive risk management of commercial banks. Supervisors were allocated to 8 branches and 22 sub-branches at county level of the Bank to conduct special investigations, and completed five research reports, namely the Solving the Difficulties and Problems in the Strategic Transformation of Sub-branches at County Level and the Research on the Transformation of Sub-branches at County Level to Service Real Economy.

During the Reporting Period, all Directors and Supervisors attended the training arranged by Clifford Chance LLP on relevant trainings on directors and supervisors' responsibilities, corporate governance, notifiable transactions, connected transactions and information disclosure after the listing of the H shares of the Bank.

## 7.5 SENIOR MANAGEMENT

The senior management is the executive body of the Bank. It is headed by the President, senior management such as Vice Presidents shall assist the President in his/her work. The main powers of the President include: taking charge of the business operation and management of the Bank organizing the implementation of the resolutions of the Board and reporting to the Board; organizing the implementation of the annual business plans and investment plans of the Bank; preparing plans for the establishment of internal management structure of the Bank; drafting the Bank's basic management system; appointing or dismissing persons in charge of the functional departments and branches other than those to be engaged or dismissed by the Board; proposing the Board to appoint or dismiss the Vice Presidents and other senior management personnel; authorizing other senior management personnel and persons in charge of internal functional departments and branches to conduct operation activities.

## 7.6 CHAIRMAN AND PRESIDENT

During the Reporting Period, the roles and functions of the Chairman of the Board and the President of the Bank were held by different individuals. The responsibilities of the Chairman and the President were clearly defined and complied with relevant requirements of the Hong Kong Listing Rules.

As of the end of the the Reporting Period, Mr. LI Zhiming, as the Chairman to the Board, was responsible for the overall work of Party Committee and and the Board. Mr. XU An, as the President, was responsible for the daily operation and management of the Bank.





## CORPORATE GOVERNANCE REPORT

### 7.7 MAIN CONTACT PERSON OF JOINT COMPANY SECRETARIES AND PROFESSIONAL TRAINING

Mr. ZHOU Guichang, the secretary to the Board of the Bank, and Mr. LEI Kin Keong, the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (an external services provider) and who has relevant qualifications as a company secretary required by Rule 3.28 of the Hong Kong Listing Rules, are the joint company secretaries of the Bank under Hong Kong Listing Rules. Mr. LEI Kin Keong is responsible for assisting Mr. ZHOU Guichang in company secretarial matters. Mr. ZHOU Guichang is the main contact person of Mr. LEI Kin Keong in the Bank.

For the purpose of complying with Rule 3.29 of the Hong Kong Listing Rules, as of the end of the Reporting Period, each of Mr. ZHOU Guichang and Mr. LEI Kin Keong has received no less than 15 hours of the professional training in respect of the Hong Kong Listing Rules and other compliance requirements.

### 7.8 RELATIONSHIPS AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

### 7.9 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the 2018 Annual General Meeting of the Bank considered and approved the resolution in relation to the amendments to the Articles of Association of Bank of Guizhou Co., Ltd. The amendments to the Articles of Association are mainly amendments to some provisions in accordance with regulatory rules and the actual condition of the Bank after the listing of H shares. The amended Articles of Association of the Bank is available for inspection on the website of the Bank and the website of the Hong Kong Stock Exchange.

### 7.10 COMMUNICATION WITH SHAREHOLDERS

The Bank always attaches great importance to the opinions and suggestions of shareholders, and establishes and maintains effective channels of communication with shareholders through various forms, such as convening general meetings and maintaining an investor hotline, to ensure that all shareholders are treated equally, properly informed and able to participate in and exercise their voting and other rights regarding the major issues of the Bank.

Shareholders and investors may send their enquiries to the Board as follows:

Address: No. 149 South Zhonghua Road, Nanming District, Guiyang, Guizhou Province, PRC  
Postal code: 550002  
Contact number: (86) 0851-86207888  
Fax: (86) 0851-86207999  
Mailbox: irm@bgzchina.com



## 7.11 SHAREHOLDERS' RIGHTS

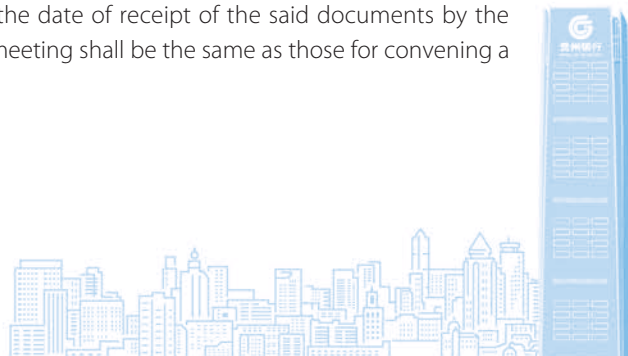
### 7.11.1 Procedures for Convening Extraordinary General Meetings

According to the Articles of Association, in any of the following circumstances, the Bank shall convene an extraordinary general meeting within two months from the date upon which the circumstance occurs:

- (1) the number of Directors is less than the number required by the Company Law or less than two thirds of the minimum number of Directors of the Bank required by the Articles of Association;
- (2) the unrecovered losses of the Company amount to one third of the total share capital;
- (3) Shareholder(s) severally or jointly holding more than 10% of the Company's total voting shares request(s) in writing to request to convene an extraordinary general meeting <sup>(note1)</sup>;
- (4) the Board deems it necessary to convene the meeting;
- (5) the Board of Supervisors proposes to convene the meeting;
- (6) above half of the independent Directors propose to convene the meeting (the only two independent Directors unanimously propose to convene the meeting);
- (7) above half of the external Supervisors propose to convene the meeting (the only two external Supervisors of the Company unanimously propose to convene the meeting);
- (8) the Chairman of the Board proposes to convene the meeting in special circumstances; and
- (9) other circumstances as stipulated by laws and regulations, securities regulatory authorities at the place where the Bank's shares are listed or the Articles of Association.

*Note1:* The number of Shares held by the shareholders of the Bank should base on the date when the request of shareholders of the Bank in writing.

Where the Supervisory Committee or more than half of the independent Directors request the convening of an extraordinary general meeting, the following procedures shall be followed: (1) to sign one or more written documents in the form of counterparts, to convene an extraordinary general meeting, and to specify the subject of the meeting and the matters to be resolved. The Board shall convene an extraordinary general meeting as soon as possible upon receipt of the aforesaid written documents. (2) If the Board of Directors fails to give a notice of convening an extraordinary general meeting within 30 days after receipt of the written documents for convening the extraordinary general meeting, the Supervisory Committee proposing to convene the meeting or more than half of the independent Directors may convene an extraordinary general meeting by themselves after two months from the date of receipt of the said documents by the Board of Directors. The procedures for convening such a meeting shall be the same as those for convening a shareholders' general meeting by the Board.



## CORPORATE GOVERNANCE REPORT

Shareholders who individually or jointly hold more than 10% of the total number of voting shares of the Company have the right to request or convene an extraordinary general meeting by themselves shall follow the following procedures: (1) may sign one or more written documents in the form of counterparts specifying the subject of the meeting and the matters to be resolved. The Board shall convene an extraordinary general meeting or a class meeting as soon as possible after having received the aforesaid written documents. The number of shares held by the above shareholders shall be calculated as at the date of submission of written documents by the shareholders. (2) If the Board of Directors fails to give a notice of convening an extraordinary general meeting or a class meeting within 30 days after receipt of the written documents, the shareholders who put forward the written documents may convene such a meeting by themselves within four months after the Board of Directors receives the written documents, and the procedures for convening such a meeting shall be as similar as possible to those for convening a shareholders' general meeting by the Board of Directors. Where shareholders convene and hold a meeting because the Board of Directors fails to do so, the reasonable expenses incurred shall be borne by the Company and shall be deducted from the amount payable by the Company to the Directors who are in default.

If shareholders decide to convene an extraordinary general meeting on their own, the Board of Directors and the secretary to the Board of Directors shall perform their duties. The extraordinary general meeting may be chaired by the shareholder who made the request and the procedures for convening the meeting shall be in compliance with the provisions of the Articles of Association and a legal opinion shall be issued by a lawyer.

### 7.11.2 Procedures for Submitting Proposals at Shareholders' General Meetings

According to the Articles of Association, when the Bank convenes a general meeting, shareholders severally or jointly holding more than 3% of the total voting shares of the Bank shall have the right to submit new proposals in writing to the Company, and the Bank shall place the proposals on the agenda for the said general meeting if the said proposals fall within the functions and powers of the general meeting.

Shareholders severally or jointly holding more than 3% of the total voting shares of the Bank may propose an interim proposal and submit it in writing to the convener 10 days before the general meeting is convened; the convener shall issue a supplementary notice of general meeting within 2 days after receipt of the said proposal, announce the contents of the said interim proposal and submit the said interim proposal to the general meeting for consideration. The contents of the interim proposal shall fall within the scope of the functions and powers of the general meeting, and the proposal shall provide specific topics for discussion and specific matters to be resolved.

Proposals at general meeting shall meet the following conditions: (i) the contents of such proposals shall not be in conflict with provisions of the laws and regulations and the Articles of Association and shall fall within the scope of business of the Bank and the functions and powers of the general meeting; (ii) the proposals shall provide specific topics for discussion and specific matters to be resolved; and (iii) the proposals shall be submitted or delivered to the Board in written form.



## 7.12 EXTERNAL AUDITORS AND THEIR REMUNERATION

The Bank engaged KPMG Huazhen LLP and KPMG as its domestic and oversea auditors for 2019, respectively. The Bank agreed to pay RMB2,500,000 totally for the audit of the financial statements for the year ended 31 December 2019. During the Reporting Period, the Bank has not occurred any non-audit service expenses.

The Audit Committee under the Board of Directors is of the view that KPMG Huazhen LLP and KPMG can properly complete the work as required by the Bank, comply with the principles of independence, objectivity and impartiality, the relevant accounting principles and the ethics of accountants, and carefully and conscientiously handle the audit work. During the Reporting Period, the Board has no disagreement with the Audit Committee on the appointment of external auditors.

## 7.13 REMUNERATION OF SENIOR MANAGEMENT

During the Reporting Period, 11 individuals, namely the Bank's Directors (LI Zhiming and XU An), Supervisors (XIAO Cifa, WANG Changyi and LI Keyong), and senior management (LI Tao, CHAI Bolin, HU Liangpin, WU Fan, WANG Xiangdong and Zhou Guichang), were paid by the Bank, with a total remuneration of RMB9.5597 million. In addition, during the Reporting Period, the Bank's five independent non-executive Directors (TANG Xin, WANG Gefan, SONG Ke, LI Shoubing, LAW Cheuk Kin Stephen) and three external supervisors (LIU Hanmin, SU Zhi, CHEN Houyi) received subsidies from the Bank, totaling RMB1.094 million. Details of the remuneration of Directors and Supervisors of the Bank are set out in note 9 to the financial statements. None of these individuals received any inducement to join or upon joining the Bank or compensation for loss of office, or waived any emoluments during relevant reporting periods.

For the year ended 31 December 2019, there was no Director or Supervisor (31 December 2018: one Supervisor) of the Bank amongst the five individuals with highest emolument. Emoluments of other individuals with highest remuneration are set out below:

	Number of employees in 2019	Number of employees in 2018
HKD0 – HKD1,000,000	–	–
HKD1,000,001 – HKD1,500,000	–	1
HKD1,500,001 – HKD2,000,000	5	–
HKD2,000,001 – HKD2,500,000	–	3
Total:	5	4



## CORPORATE GOVERNANCE REPORT

### 7.14 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

Since the Listing Date of the Bank, the Bank has adopted the Model Code (the “Model Code”) for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, and complied with Rules 13.67 and 19A.07B of the Hong Kong Listing Rules to regulate securities transactions by Directors, Supervisors and relevant employees of the Bank. All the Directors, Supervisors and other relevant employees were consulted specifically for this matter.

During the period from the listing date of the Bank to 31 December 2019, all the Directors, Supervisors and relevant employees confirmed that they have complied with the Model Code and they did not have any dealing in the Bank’s securities.

### 7.15 MANAGEMENT OF INFORMATION DISCLOSURE AND INSIDE INFORMATION

The Bank attached great importance to the management of information disclosure and inside information, and disclosed information in a truthful, accurate, complete and timely manner in strict compliance with the requirements of laws, rules and relevant regulations, and ensured that all shareholders had an equal access to the relevant information of the Bank, thereby ensuring the transparency of the Bank.

In January 2020, in order to comply with regulatory requirements related to the listing of the H shares of the Bank, the Bank amended the Administrative Measures for Information Disclosure, which was considered and approved at the first meeting of the Board (extraordinary) of the Bank in 2020.

The Bank strengthened the management of inside information, worked to ensure the confidentiality of inside information, and maintained the principle of fairness in information disclosure in strict compliance with requirements of the Hong Kong Listing Rules. The Board of the Bank designated the secretary to the Board to be responsible for the Bank’s information disclosure, and the Board office also assisted the secretary to the Board in information disclosure. Meanwhile, the Bank set up an investor relations section on the website to disclose relevant information of the Bank in a timely manner.

During the Reporting Period, the Bank organized internal investigation into trading of shares and derivatives of the Bank by insiders, and found that none of the insiders had taken advantage of inside information in share transactions before any information disclosure of significant price-sensitive nature that may affect the share price of the Bank, and the Bank has not received any punishment and administrative measures imposed by regulatory departments due to the possible involvement in insider trading.



## REPORT OF THE BOARD OF DIRECTORS

### 8.1 PRINCIPAL BUSINESS AND BUSINESS REVIEW

For principal business and review of the Bank during the Reporting Period, please refer to the section headed Management Discussion and Analysis.

### 8.2 ANNUAL GENERAL MEETING AND DIVIDEND

#### 8.2.1 Annual General Meeting

The Bank will convene 2019 annual general meeting (the "AGM") on Wednesday, 20 May 2020. In order to determine the list of Shareholders who are entitled to attend and vote at the AGM, the Bank's register of members will be closed from Saturday, 18 April 2020 to Wednesday, 20 May 2020 (both days inclusive), which period no transfer of shares will be effected. Shareholders whose names appear on the register of members of the Bank on Wednesday, 20 May 2020 are entitled to attend and vote at the AGM.

For a holder of the shares of the Bank to be eligible for attending and voting at the AGM, all transfer documents together with the relevant share certificates and other appropriate documents of the holders of the shares of the Bank shall be delivered to the H Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) or the office of the board of directors of the Bank at Zhongdu Building, No. 149 South Zhonghua Road, Nanming District, Guiyang, Guizhou Province, the PRC (for Domestic Shareholders) not later than 4:30 pm on Friday, 17 April 2020 for registration.

Circular of the AGM will be published and despatched to shareholders when appropriate.

#### 8.2.2 Dividend

##### *I. Dividend policy*

The Board of Directors is responsible for submitting proposals for dividend payments to the Shareholders' general meeting for approval. The determination of whether to pay a dividend, amount of dividend or dividend payout ratio is based on our results of operations, cash flow, financial condition, capital adequacy ratios, future business prospects of the Bank, statutory and regulatory restrictions which are required to be complied with by the Bank for its dividend payment and other factors that the Board of Directors deems relevant.

The Bank does not currently have a predetermined dividend payout ratio. According to the PRC laws and the Articles of Association, dividends can only be paid from distributable profits as calculated in accordance with generally accepted accounting standards in the PRC or International Financial Reporting Standards, whichever is lower.

Pursuant to Article 268 of the Articles of Association, the Bank's profits after payment of income taxes shall be distributed in the following order of priority according to the Financial System for Financial and Insurance Enterprises issued by the Ministry of Finance:

- (I) to make up for the losses of confiscated properties, pay late fees and fines for various taxes, and pay additional interests due to underpayment or late payment of deposit reserves;
- (II) to make up losses of previous years (if the statutory common reserve fund is not sufficient to make up the losses of previous years, profit of the year shall be used to make up the losses before withdrawing the statutory common reserve fund according to sub-paragraph (III) of this article);



## REPORT OF THE BOARD OF DIRECTORS

- (III) to set aside no less than 10% of the after-tax profit (after deducting the first two items) for statutory common reserve fund until the accumulated amount of statutory common reserve fund has reached more than 50% of the registered capital of the Board;
- (IV) to set aside discretionary common reserve fund;
- (V) to set aside general reserve; and
- (VI) to distribute dividends to Shareholders by shares.

The specific withdrawal ratio of discretionary common reserve fund and general reserve shall be determined by the Shareholders' general meeting according to the annual operating conditions. The Bank shall not distribute any profit to Shareholders before making up losses and withdrawing statutory common reserve fund.

Even though financial statements of the Bank show that it has achieved operating profit, the Bank may not have adequate or any profit for distribution of future dividends.

Pursuant to Article 271 of the Articles of Association, the Bank may distribute dividends in the form of cash or shares. Distributing dividends in the form of shares shall be decided by the Shareholders' general meeting and submitted to the banking regulatory authorities for approval.

Pursuant to Article 272 of the Articles of Association, after the profit distribution plan is adopted at the Shareholders' general meeting, the Board shall finish distributing dividends (or shares) within 2 months after conclusion of the Shareholders' general meeting.

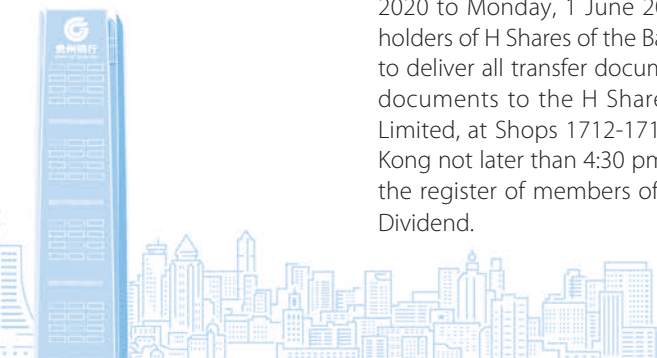
### **II. Profit and profit distribution plan**

As considered at the 2018 annual general meeting of the Bank held on 26 March 2019 the Bank has determined not to pay any dividends from the profit in 2018.

As audited by KPMG, the Bank achieved a net profit of RMB3,563,635,800 in 2019, and the distributable profit at the end of 2019 was RMB5,799,731,800. From the interests of shareholders and the future development of the Bank, according to the relevant laws and regulations and the Bank's Articles of Association, the Board recommends its 2019 profit distribution plan as follow:

Based on the share capital of 14,588,046,700 shares as at the end of 2019, cash dividends will be distributed at 7% of the share capital, representing a cash of RMB0.07 per share (before tax). The total cash dividend paid was RMB102,116,330,000 (tax inclusive). According to the relevant provisions of the state taxation law, the Bank shall withhold and pay individual income tax on behalf of individual shareholders. The above profit distribution plan is subject to the consideration and approval by the Bank at the 2019 annual general meeting. Upon the profit distribution plan being approved, the Bank expects to pay cash dividends for the year ended 31 December 2019 to the holders of H Shares of the Bank on 17 July 2020.

The register of members in respect of the H Shares of the Bank will be closed from Tuesday, 26 May 2020 to Monday, 1 June 2020 (both days inclusive). In order to be entitled to the final dividend, holders of H Shares of the Bank who have not registered the relevant transfer documents are required to deliver all transfer documents together with the relevant share certificates and other appropriate documents to the H Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Monday, 25 May 2020. Holders of H Shares whose names appear on the register of members of the H Shares on Monday, 1 June 2020 are entitled to receive the Final Dividend.



The Bank will make further announcement regarding the details of cash dividends payment after the 2019 annual general meeting.

### **III. Withholding Income Tax**

Pursuant to the Corporate Income Tax Law of the PRC and its implementing regulations (hereafter referred to as "CIT Law"), the tax rate of the corporate income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H Shares registered under the name of non-individual enterprise, including the H Shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders as defined under the CIT Law. The Bank will distribute the final dividend to non-resident enterprise Shareholders subject to a deduction of 10% corporate income tax withheld and paid by the Bank on their behalf.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Guo Shui Fa [1993] No. 45 Document (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) issued, the Bank shall withhold and pay personal income tax for individual shareholders of H shares. Individual shareholders of H shares who are residents of Hong Kong, Macau, and other countries or regions that have entered into tax treaties with PRC at the rate of 10%. The Bank will withhold and pay individual income tax at the rate of 10% for these shareholders.

Individual shareholders of H shares are residents of countries or regions that have entered into tax treaties with the PRC stipulating a dividend rate of lower than 10%. The Bank will withhold and pay individual income tax at the rate of 10% for these shareholders. If these shareholders request a refund of more than the amount of personal income tax payable under the tax agreement, the Bank may process the application entitled to the relevant tax treaty treatment on their behalves. While the shareholder must promptly provide relevant documents and information in accordance with the Administrative Measures on the Tax Treaties Treatment of Non-resident Taxpayers (《非居民納稅人享受稅收協定待遇管理辦法》) (Announcement of SAT No. 60 in 2015) and relevant tax treaties. After review and approval by the competent tax authority, the Bank will assist in the refund of excess withholding tax.

Individual shareholders of H shares are residents of countries or regions that have entered tax treaties with the PRC stipulating a dividend rate higher than 10% but lower than 20%. The Bank will withhold and pay individual income tax at the applicable tax rates stipulated in these tax agreements.

Individual shareholders of H shares are residents of countries or regions that have entered into a tax treaty with the PRC stipulating a dividend rate of 20% or have not entered into any tax treaty with the PRC, and in other circumstances. The Bank will withhold and pay individual income tax at tax rate of 20% for these shareholders.

The Bank is not responsible for any claims or disputes over the withholding and payment mechanism caused by the failure to determine the shareholder status in a timely or erroneous manner.





## REPORT OF THE BOARD OF DIRECTORS

### 8.3 SHARE CAPITAL AND SHAREHOLDERS

For details of share capital and shareholders of the Bank, please refer to the section headed “Changes in Share Capital and Information on Shareholders”.

### 8.4 ISSUES AND REPURCHASES OF BONDS

#### I. Interbank Certificates of Deposit Issued

- (1) In 2018, the Bank issued a number of interbank deposit certificates with total nominal amount of RMB72,010.00 million and term of 9 to 12 months. The effective interest rates are ranged from 3.79% to 5.50% per annum.
- (2) In 2019, the Bank issued a number of interbank deposit certificates with total nominal amount of RMB80,180.00 million and term of 1 to 12 months. The effective interest rates are ranged from 2.73% to 3.86% per annum.
- (3) As at 31 December 2019, the fair value of the outstanding interbank deposit certificates issued by the Bank in the interbank market was RMB79,137.95 million (31 December 2018: RMB70,546.94 million).

#### II. Financial Bonds Issued

- (1) In November 2018, the Bank issued 3-year fixed rate green financial bonds with a nominal value of RMB3,000.00 million. The coupon rate is 4.03% per annum.
- (2) In December 2018, the Bank issued 3-year fixed rate green financial bonds with a nominal value of RMB2,000.00 million. The coupon rate is 4.00% per annum.
- (3) As at 31 December 2019, the fair value of the outstanding financial bonds issued by the Bank in the interbank market was RMB5,046.48 million (31 December 2018: RMB5,001.1 million).

#### III. Tier-II Capital Bonds Issued

- (1) In June 2018, the Bank issued 10-year tier-II capital bonds with a nominal value of RMB1,800.00 million at a fixed coupon rate of 5.00% per annum.
- (2) In December 2018, the Bank issued 10-year fixed rate tier-two capital bonds with a face value of RMB1,000.00 million at a coupon rate of 5.50% per annum.
- (3) As at 31 December 2019, the fair value of the outstanding tier-II capital bonds issued by the Bank in the interbank market was RMB2,886.70 million (31 December 2018: RMB2,817.12 million).

### 8.5 RESERVES

Details of movements in reserve of the Bank as at 31 December 2019 are set out in the Note 31 to the financial statements of this report.



## 8.6 PROPERTIES AND EQUIPMENT

Details of movements of properties and equipment of the Bank as at 31 December 2019 are set out in the Note 20 to the Financial Statements of this report.

## 8.7 RELATED PARTY TRANSACTION

Please refer to the Note 36 to the financial statements of this report for details of related parties transactions of the Bank as at 31 December 2019.

## 8.8 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The details of Directors, Supervisors and senior management are set out in the section headed “Directors, Supervisors, Senior Management, Employees and Organization”.

## 8.9 COMPETING INTERESTS OF DIRECTORS AND SUPERVISORS IN A BUSINESS WITH THE BANK

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

## 8.10 REMUNERATION AND RETIREMENT BENEFITS OF DIRECTORS AND SUPERVISORS

According to the remuneration policy of the Bank, the Nomination and Remuneration Committee will consider factors such as comparable paid salaries, tenure, commitment, responsibilities and performance (as the case may be) of the Directors and Supervisors of the Bank in assessing the remuneration payable to the Directors and Supervisors of the Bank.

During the Reporting Period, the total remuneration before tax of Directors and Supervisors (including existing and resigned) actually received from the Bank was RMB4.9287 million, of which details are set out in Note 9 to the Financial Statements. As at the end of the Reporting Period, the Bank did not grant incentive shares to Directors, Supervisors and senior management.

## 8.11 SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

According to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Bank has entered into a contract with each of the Directors and Supervisors in respect of compliance of relevant laws and regulations, as well as Articles of Association and provisions on arbitration. Save as disclosed above, none of the Directors or Supervisors of the Bank has entered into or is proposed to enter into any service contracts with the Bank in their respective capacities as Directors/Supervisors (other than contracts expiring or terminable by the employers within one year without the payment of compensation (other than statutory compensation)).

## 8.12 DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, the Directors or Supervisors of the Bank or entities that are connected to them did not have material interests, whether directly or indirectly, in any material contract entered into by the Bank.



## REPORT OF THE BOARD OF DIRECTORS

### 8.13 ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period, was the Bank a party to any arrangement to enable the Directors and Supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

### 8.14 MANAGEMENT CONTRACTS

During the Reporting Period, no contract in relation to substantial business of the Bank or administration contract was entered into by the Bank.

### 8.15 PERMITTED INDEMNITY PROVISION – LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As authorized in 2018 annual general meeting, the Bank has taken out a liability insurance for Directors, Supervisors, and senior management. Appropriate insurance coverage has been arranged for Directors, Supervisors and senior management of the Bank against potential legal actions and liabilities that arise from performing their duties to reasonably avoid management and legal risks faced by Directors, Supervisors and senior management of the Bank and to procure the full discharge of duties by the Directors, Supervisors and senior management of the Bank.

### 8.16 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE BANK

The Bank was listed on the main board of Hong Kong Stock Exchange on 30 December 2019. Subsequent to the Listing Date of the Bank to 31 December 2019, the Bank had not purchased, sold or redeemed any listed securities of the Bank.

### 8.17 PRE-EMPTIVE RIGHTS

There is no provision in respect of pre-emptive rights under the Bank's Articles of Association and the PRC laws.

### 8.18 DONATIONS

During the Reporting Period, the Bank made external donations amounted to RMB2.25 million.

### 8.19 EQUITY LINKED AGREEMENTS

During the Reporting Period, the Bank did not enter into or renew any equity linked agreements.

### 8.20 RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Bank conscientiously safeguards employees' interests, it is committed to building it as a happy home where its employees can entrust for life and provides employees with a more competitive salary and a social insurance and benefit system. The Bank adheres to the concept of "a bank serving with heart (用心的銀行)", actively innovates financial products and services, protects interests of customers, and improves customer satisfaction. The Bank regards suppliers as important stakeholders, for which it has established a fair and reasonable procurement management system to maintain the interests of suppliers, and establish good cooperative relations with them.



## 8.21 PUBLIC FLOAT

When the Bank applied for listing of its H Shares on the Hong Kong Stock Exchange, the Bank has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted the Bank, a waiver that the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules be reduced and the minimum percentage of H Shares from time to time held by the public to be the higher of:

- (a) 15.08% of the total issued share capital of the Bank; or
- (b) such percentage of shares of the Bank to be held by the public after the exercise of the Option.

Immediately after the expiration of the Over-allotment Option on 18 January 2020 and as at the date of this report, based on the information publicly available to the Bank and to the knowledge of the Directors, the Bank had complied with the minimum public float requirements for its shares issued under the Hong Kong Listing Rules.

## 8.22 CORPORATE GOVERNANCE

Please refer to the section headed Corporate Governance Report.

## 8.23 MAJOR DEPOSITORS AND BORROWERS

The Bank is not dependent on a single major depositor/borrower. As of the end of the Reporting Period, the operating income from the top five largest depositors/borrowers of the Bank accounted for no more than 30% of the Bank's total operating income.

## 8.24 ACCOUNTING STANDARDS

The financial information set out in this annual report is prepared in accordance with the International Financial Reporting Standards. Unless otherwise stated, all data of the Bank are denominated in RMB.

## 8.25 ENVIRONMENTAL AND SOCIAL POLICY

In recent years, the Bank has actively undertaken the social responsibilities under relevant environmental policies. The Bank actively advocates the concept of environmental protection in the course of operation. Specifically, the Bank optimizes online services, practices green office, advocates green public welfare and develops green credit to promote green financial undertakings.

In 2019, the Bank has complied with the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guidelines. For details, please refer to the 2019 Environmental, Social and Governance Report which will be issued by the Bank in accordance with the Hong Kong Listing Rules.

## 8.26 COMPLIANCE WITH LAWS AND REGULATIONS

The Board pays close attention to policies and regulations regarding compliance with legal and regulatory requirements and strictly abide by laws and regulations including the Company Law of the People's Republic of China, the Labor Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, and the Hong Kong Listing Rules. As of 31 December 2019, as far as the Board is aware, the Bank has complied with all applicable laws and regulations that may have a significant impact on the Bank in all material respects.

## 8.27 REVIEW THE DETAILS OF MAJOR EVENTS THAT HAVE AN IMPACT ON THE BANK AFTER THE END OF THE FINANCIAL YEAR

The Bank comprehensively reviewed the 2019 financial performance in accordance with national laws and regulatory requirements and prepared the 2019 annual report. After the end of the annual financial review, the Bank did not have any incidents or cases that had a significant impact on the Bank.



## REPORT OF THE BOARD OF SUPERVISORS

### 9.1 MAJOR WORK

#### I. Further Improvement of the Systems of the Board of Supervisors

In accordance with the requirements of the Hong Kong Listing Rules, the Board of Supervisors strengthened continuously the supervisory systems. During the Reporting Period, we amended our systems including the Rules of Procedure of the Board of Supervisors of the Bank of Guizhou, the Assessment Methods for Directors, Supervisors and Senior Management of Bank of Guizhou in Performing Duties to provide the necessary safeguard for the Board of Supervisors in performing the duties normatively.

#### II. Enhancement of Review and Supervision

The Board of Supervisors continued to take meetings as an important way to conduct on-site supervision on the performance of the management. During the Reporting Period, the Board of Supervisors held four meetings to receive reports on key issues such as financial management, risk management, internal control compliance and strategic implementation, and considered and approved 48 major resolutions, including financial budgets, strategic implementation, non-performing assets disposal and management of connected transactions. The Board of Supervisors has established the Supervisory Committee and the Nomination, Remuneration and Evaluation Committee, which chairmen are acted by the external directors, had exercised fully their functions, each of both held 4 meetings, at which discussed and approved 38 resolutions. All the Supervisors were able to consider and approval the resolutions in accordance with their duties and responsibilities, and delivered independent and objective opinions. We organized Supervisors to attend the Shareholders' general meeting and Board meeting for one and four times respectively to supervise the processes, contents of the resolutions and voting procedures in accordance with law, and provided supervision opinions or suggestions in a timely manner.

#### III. Further Implementation of Evaluation and Supervision in Performing Duties

During the Reporting Period, the Board of Supervisors effectively facilitated the Directors, Supervisors and senior management to perform their duties in accordance with laws and regulations. In order to improve and standardize the evaluation of the Board of Supervisors on the Directors, Supervisors and senior management in performing their duties to promote their diligent performance of duties, we modified and improved the performance evaluation methods for Directors, Supervisors and senior management. In terms of four aspects, including term of appointment, performance, ability and discipline, the Board of Supervisors refined its evaluation work in the daily specific daily tasks by using written testing, statistics of daily work, regular reporting and comprehensive assessment, etc., and by combining qualitative and quantitative information, it has made an objective evaluation on their performance of duties. By optimizing the performance evaluation process and improving the evaluation mechanism, the Board of Supervisors completed its performance evaluation reports on the Board of Directors, the Board of Supervisors and the management for 2018, which were reported to the general meeting and the regulatory authority.



#### **IV. Carrying out Comprehensively and Vigorously Daily Supervision**

During the Reporting Period, based on the annual key tasks of the Bank, the Board of Supervisors actively performed its supervisory functions by attending meetings, on-site inspections, grassroots investigation, and participating in on-site bidding activities for major procurement projects for the Bank and others. For the potential risks observed, the Board of Supervisors sent timely its reminders with 25 working reminder letters or risk reminder letters being sent to the relevant department during the year to promote risk prevention and stable development of the Bank. In the implementation of the Bank's strategies, the Supervisors were organized to carry out special supervision on the implementation of the Bank's strategies, reaching out to the Bank's 8 branches and 22 county-level sub-branches to conduct on-site supervision of its strategies.

#### **V. Enhancement of the Ability of Supervisors to Perform their Duties**

During the Reporting Period, all Supervisors carried out special trainings and participated in courses for Supervisors' practical work, and enhanced their ability to perform duties. Supervisors conducted special investigations and completed 5 investigation reports such as, the "Economy Research on the Transformation from County Level Branch to Service", "Supervision Evaluation Report about Strategic Planning". It put forward specific opinions and advices in strategy implementation, transformation and development, risk prevention and control, salary incentives, and corporate governance. Through concentrating studying, telephone meeting, wechat working groups and sending study information to Supervisors, the Board of Supervisors urged its members to learn the latest financial policies, new rules on supervision and industry policy, thus enhanced their capability.

## **9.2 DELIVERING INDEPENDENT OPINIONS ON RELATED MATTERS**

### **9.2.1 Legal Operation of the Bank**

During the Reporting Period, our operation and management have been complied with the laws and regulations including the PRC Company Law and the PRC Commercial Banking Law, regulatory requirements and the Articles of Association. The decision-making procedures of the Board of Directors are standardized, the content is legal and effective. Our senior management operates and manages our business in accordance with laws and regulations, the authorization of the Board of Directors, and the Company's rules and regulations. The Board of Supervisors has not found that the Board of Directors, the senior management and its members have violated laws and regulations or damaged the interests of the Bank and shareholders.

### **9.2.2 Financial Reporting**

The 2019 financial statements have been audited by KPMG and KPMG Huazhen LLP, with standard unqualified auditors' reports being issued. The financial statements of the Bank truly and objectively reflects our financial status and operating results. The Board of Supervisors has not found any false records or major omissions.



## REPORT OF THE BOARD OF SUPERVISORS

### 9.2.3 Related Party Transactions

During the Reporting Period, our procedures for reviewing, voting, disclosing, and performing of related party transactions were in compliance with laws and regulations. The Board of Supervisors has not found any violation of the principle of fairness nor any damage to the interests of shareholders and the Bank.

### 9.2.4 Implementation of Resolutions Approved in Shareholders' General Meetings

During the Reporting Period, the Board of Supervisors has no disagreement with the reports and proposals proposed by the Board being considered and approved in the Shareholders' general meetings. The Board of Supervisors supervised the implementation of the resolutions of general meetings and considered that the Board of Directors of the Bank seriously implemented the resolutions of general meetings.

### 9.2.5 Information Disclosure

During the Reporting Period, the Bank has, in accordance with the principles of openness, fairness and impartiality, disclosed our information to investors and the public in a timely manner. The Board of Supervisors did not find any false disclosures or major omissions.

### 9.2.6 Performance of Duties of the Board of Directors and Senior Management Concerning Capital Management and Consolidated Financial Statements Management

During the Reporting Period, the Board of Directors and the senior management further revised and improved the rules and regulations on capital management, formulated a capital supplement plan, and effectively managed capital. On the basis of ensuring that the Bank's capital matches with the business development, the Bank formulated reasonable business development plan, and has completed the listing and financing in the Hong Kong capital market. The Bank's capital management indicators meet the requirements of regulatory agencies, and capital management work is fruitful.



## MAJOR EVENTS

### 10.1 USE OF PROCEEDS

As at the date of this report, we issued a total of 2.2 billion H Shares, with total proceeds from the global offering amounting to approximately HK\$5,456 million. The proceeds raised by the Bank are used in accordance with the purposes disclosed in the prospectus, that is, to supplement the Bank's capital, strengthen the capital base, to meet the continuous growth needs of the Bank's various businesses, and to support the rapid, healthy and sustainable development of the Bank's various businesses.

### 10.2 MAJOR LAWSUITS, ARBITRATIONS AND MAJOR CASES DURING THE REPORTING PERIOD

As of 31 December 2019, the Bank, as the plaintiff, the arbitration applicant, has five pending litigation and arbitration cases with the principal balance of the subject matter in dispute at or above RMB10 million, involving a total principal balance of about RMB1.091 billion. The Bank as the defendant and the respondent has one pending litigation or arbitration case with the amount of the subject matter in dispute at or above RMB10 million, with the amount of about RMB12 million. The above pending litigations and arbitrations are all loan disputes or recovery loan disputes arising from banking business, and as of the end of the Reporting Period, the bank does not expect that such litigation and arbitration (individually or jointly) will have a material adverse effect on the bank's business, financial position and business performance. Save as disclosed above, as at the date of this report, the Bank had no material litigation, arbitration and major case, or material contingent liabilities.

### 10.3 SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (i) Related Party Transaction as Defined by the CBIRC

As at the end of the Reporting Period, the balance of related party transactions as defined by the CBIRC is as follows:

##### 1. Credit

No.	Name of related parties (related group consolidation)	Credit balance as at the end of the reporting period (RMB million)	Type of connected transactions	Percentage of net capital of the Bank (%)
1	GuiAn New District Development and Investment Co., Ltd.	3,694.15	Loans and non-standard assets business	9.33%
2	Zunyi State-owned Assets Investment and Financing Management Co., Ltd.	237.99	Loan, non-standard asset business and self-issuance of bank acceptance bills	0.60%
3	China Kweichow Moutai Distillery (Group) Co., Ltd.	231.04	Loans, non-standard assets business, investment in bond funds	0.58%
4	Guizhou Water Investment Water Affairs Group Limited	96.25	Loans	0.24%
5	Related natural persons	30.61	Loans	0.08%
6	Liupanshui Laowengji E-commerce Co., Ltd.	1.80	Qian Wei Dai	0.00%





## MAJOR EVENTS

### 2. Non-credit

Customer Basic Information				
No.	Name of customer	Type of business	Amount (RMB million)	Junior-grade Contractual conversion amount (RMB million)
1	GuiAn New District Development and Investment Co., Ltd.	Wealth management investment: bond business, non-standard assets	1,658.00	1,591.03

During the Reporting Period, there were a total of 2 significant Related party transactions between the Bank and related parties under the definition ascribed by the Bank and the CBIRC:

- As considered and approved by the third meeting of the second session of the Board, grant GuiAn New District Development and Investment Co., Ltd. a credit of RMB1,750 million with a term of 1 year, the pricing policy: not less than 50% above the benchmark interest rate.
- As considered and approved by the fourteenth meeting of the second session of the Board, the Bank invested its financial funds of RMB1,230.5392 million in GuiAn New District Development and Investment Co., Ltd. the pricing policy: the market pricing mechanism.

The above related party transactions are conducted under conditions not superior to similar transactions of non-related parties, with reasonable and fair pricing, and in line with relevant regulatory requirements and related party transaction management regulations of the Bank, and the credit granting process in line with internal control system requirements of the Bank. Related party transactions have no significant impact on the operation and financial status of the Bank.

### (ii) Connected Transactions as Defined in the Hong Kong Listing Rules

During the Reporting Period, the Bank did not engage in any connected transaction with connected parties defined in the Hong Kong Listing Rules.

### (iii) Related Party Transactions as Defined in Accounting Standards

For details, please refer to the "Related Party Relationship and Transactions" in the Note 36 to the Financial Statements of this report.



## 10.4 PENALTIES AGAINST THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As far as the Bank is aware, during the Reporting Period, the Bank, its Directors, Supervisors and senior management were not investigated by the competent authority, enforced by the judicial disciplinary inspection department, transferred to the judicial authority or investigated for criminal responsibility, none of them were filed by the Securities Regulatory Commission or administrative penalties, banned from the securities market, being deemed inappropriate, or being publicly condemned by the stock exchange. The Bank has not been penalized by other regulatory agencies that have a significant impact on the Bank's operations.

## 10.5 SIGNIFICANT CONTRACTS AND PERFORMANCE

### 10.5.1 Major contracts

During the Reporting Period, the major contracts entered into by the Bank were mainly underwriting agreements with joint sponsors, joint representatives and Hong Kong underwriters on the Hong Kong public offering of H Shares on 13 December 2019.

### 10.5.2 Significant custody, contracting and lease

During the Reporting Period, the significant contracts signed by the Bank did not involve custody, contracting, or leasing of assets of other companies outside the normal business scope of the bank, or custody, contracting, or leasing of assets of the Bank by other companies.

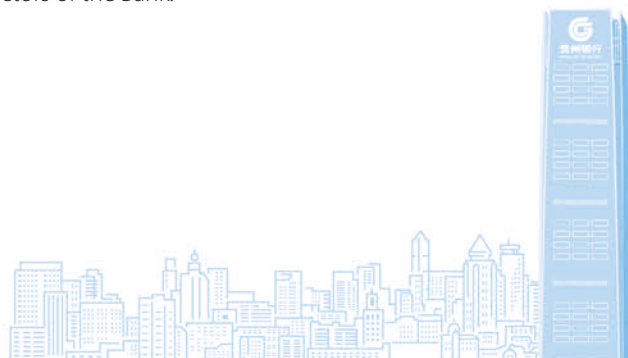
## 10.6 SIGNIFICANT GUARANTEES AND COMMITMENTS

As of the end of the Reporting Period, the Bank's guarantee balance was RMB1.049 billion, an increase of RMB517 million or 97.18% over the end of last year; the letter of credit balance accepted was RMB1.92 billion, and the unaccepted letter of credit balance was RMB2 million.

The guarantee business is our daily business. The above businesses are all financial guarantee services within the scope of business approved by the CBIRC during the Reporting Period.

## 10.7 AUDIT REVIEW

The financial statements for the year ended 31 December 2019 which have been prepared in accordance with International Financial Reporting Standards disclosed in this annual report have been audited by KPMG in accordance with Hong Kong Standards on Auditing. KPMG has issued an unqualified audit report. This annual report has been reviewed by the Audit Committee and the Board of Directors of the Bank.



## MAJOR EVENTS

### 10.8 APPOINTMENT AND DISMISSAL OF ACCOUNTANT

In 2018, Pan-China Certified Accountants (Chongqing Branch) resigned as the auditors of the Bank, and KPMG Huazhen LLP and KPMG were appointed as the domestic and international auditors of the Bank respectively in 2019.

During the Reporting Period, the Bank did not change its auditors in the last three years.

### 10.9 SIGNIFICANT ASSET ACQUISITIONS, DISPOSAL AND CORPORATE MERGERS

As of the end of the Reporting Period, the Bank has no significant asset, acquisitions, disposal and corporate mergers.

### 10.10 SIGNIFICANT INVESTMENT

As of the end of the Reporting Period, the investment securities and other financial assets of the Bank were all financial markets within the scope of operation approved by the CBIRC. The Bank has inspected the disclosure requirements for material investments as set out in Appendix 16 to the Hong Kong Listing Rules, and to the best knowledge of the Bank, there was no book value of any particular investment accounting for 5% or more of the Bank's total assets as at 31 December 2019.

During the Reporting Period, the Bank had no significant investment.

### 10.11 LOAN AGREEMENT

During the Reporting Period, the Bank did not violate any loan agreement.

### 10.12 EQUITY INCENTIVE PLAN AND EMPLOYEE STOCK OWNERSHIP PLAN

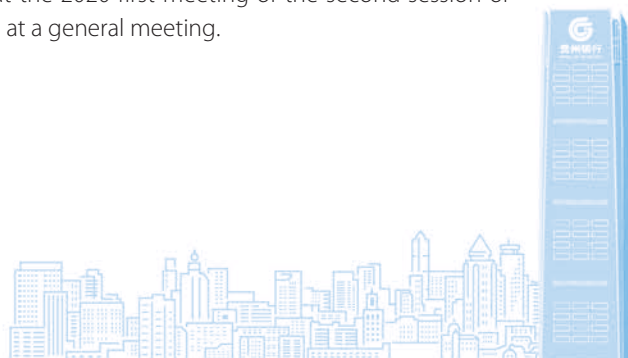
As of the end of the Reporting Period, the Bank has not implemented equity incentive plans or employee stock ownership plans.



## 10.13 SUBSEQUENT EVENTS

### 10.13.1 Changes in Information of Directors and Supervisors

- (I) On 16 March 2020, Mr. YANG Mingshang ceased to be a non-executive Director due to other engagements. Mr. YANG Mingshang confirmed that he has no disagreement with the Board and there are no other matters in relation to his resignation that need to be brought to the attention of the shareholders and creditors of the Bank or the Hong Kong Stock Exchange. For details, please refer to the announcement in relation to resignation of non-executive Director issued by the Bank on 16 March 2020.
- (II) On 16 March 2020, Mr. CHEN Yongjun ceased to be a non-executive Director due to other engagements. Mr. CHEN Yongjun confirmed that he has no disagreement with the Board and there are no other matters in relation to his resignation that need to be brought to the attention of the shareholders and creditors of the Bank or the Hong Kong Stock Exchange. For details, please refer to the announcement in relation to resignation of non-executive Director issued by the Bank on 16 March 2020.
- (III) As recommended by the Finance Bureau of Guizhou Province as a shareholder, Mr. CHEN Jingde<sup>(1)</sup> was nominated as a candidate for the second session of the Board of the Bank. This nomination has been considered and approved at the 2020 first meeting of the second session of the Board of the Bank and subject to consideration at a general meeting.
- (IV) As recommended by China Kweichow Moutai Distillery (Group) Co., Ltd. as a shareholder, Mr. WANG Zhiming<sup>(1)</sup> was nominated as a candidate for the second session of the Board of the Bank. This nomination has been considered and approved at the 2020 first meeting of the second session of the Board of the Bank and subject to consideration at a general meeting.
- (V) As recommended by GuiAn New District Development and Investment Co., Ltd. as a shareholder, Mr. SHI Xianyin<sup>(1)</sup> was nominated as a candidate for the second session of the Board of the Bank. This nomination has been considered and approved at the 2020 first meeting of the second session of the Board of the Bank and subject to consideration at a general meeting.
- (VI) As recommended by Guizhou Expressway Group Co., Ltd. as a shareholder, Mr. ZHAO Yong<sup>(1)</sup> was nominated as a candidate for the second session of the Board of the Bank. This nomination has been considered and approved at the 2020 first meeting of the second session of the Board of the Bank and subject to consideration at a general meeting.
- (VII) As recommended by Guizhou Water Investment Group Co., Ltd. as a shareholder, Mr. ZHONG Xueliang<sup>(1)</sup> was nominated as a candidate for the second session of the Board of the Bank. This nomination has been considered and approved at the 2020 first meeting of the second session of the Board of the Bank and subject to consideration at a general meeting.



## MAJOR EVENTS

- (VIII) On 17 March 2020, Ms. WU Qiangli resigned as the shareholder Supervisor and member of the Supervision Committee due to other engagements, which will be effective from the date of election and appointment of new shareholder Supervisor at the general meeting. Ms. WU Qiangli confirmed that he has no disagreement with the Board and the Board of Supervisors and there are no other matters in relation to his resignation that need to be brought to the attention of the shareholders and creditors of the Bank or the Stock Exchange of Hong Kong Limited. For details, please refer to the announcement in relation to resignation of shareholder representative supervisor issued by the Bank on 17 March 2020.
- (IX) As recommended by Qianxinan Prefecture Hongsheng Capital Operation Co., Ltd. (黔西南州宏升資本營運有限責任公司) as a shareholder of the Bank, Ms. XU Yu <sup>(2)</sup> is nominated as a candidate for the second session of the Board of Supervisors of the Bank. Such nomination has been considered and approved at the 2020 first meeting of the second session of the Board of Supervisors and is required to be submitted to the general meeting for further consideration.
- (X) As recommended by Guizhou Renhuai Sauce-flavored Liquor industrial Development Investment Co., Ltd. (貴州省仁懷市醬香型白酒產業發展投資有限責任公司) as a shareholder of the Bank, Mr. CHEN Hongcai <sup>(2)</sup> is nominated as a candidate for the second session of the Board of Supervisors of the Bank. Such nomination has been considered and approved at the 2020 first meeting of the second session of the Board of Supervisors and is required to be submitted to the general meeting for further consideration.

*Notes:* (1) For biography profile of Mr. CHEN Jingde, Mr. WANG Zhiming, Mr. SHI Xianyin, Mr. ZHAO Yong and Mr. ZHONG Xueliang, all of whom were proposed Directors, please refer to the announcement in relation to proposed appointment of non-executive Directors issued by the Bank on 26 March 2020.

(2) For the biography of Ms. XU Yu and Mr. CHEN Hongcai who are the proposed Supervisors, please refer to the announcement headed "Proposed Appointment of Supervisors" issued by the Bank on 31 March 2020.

No significant events which affect the Bank incurred after the end of the Reporting Period.



## RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

### 11.1 RISK MANAGEMENT AND INTERNAL CONTROL

The Bank attaches great importance to risk management and internal control management, and earnestly implements various regulatory requirements in accordance with the working requirements of “establishing rules, serious implementation and supervision and strict accountability”. Taking the rating as the starting point, the Bank continuously consolidated its internal management foundation and enhanced its risk management and control capabilities through improving system construction, strengthening supervision and inspection. The Board of the Bank has fully reviewed the risk management and internal control systems for the year ended 31 December 2019. Such review is conducted annually. The Board of the Bank is of the view that the risk management and internal control systems of the Bank for the year ending 31 December 2019 were adequate and effective.

#### I. Procedures for identification, assessment and management of material risks

In accordance with the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and its schedules issued by the CBRC, the definition of risks and relevant professional terms issued by the Basel Committee and the practice of domestic and foreign banks, the Bank identifies, measures and controls a series of quantitative and non-quantitative risks that may arise from the interaction between external macroeconomic environment, business strategies, product portfolios and customer demands, taking full account of its own actual situation.

The material risks faced by the Bank include: credit risk, market risk, operational risk, liquidity risk, interest rate risk, compliance risk, legal risk, reputation risk and strategic risk. The Bank have established clear and specific procedures to ensure timely reporting and communication of relevant risks and incidents by the risk management departments at our head office, relevant departments and branches and sub-branches, and to ensure the efficient and orderly implementation of our risk management work.

#### II. Main features of risk management and internal control systems

The overall target of the Bank in risk management is to maintain the balance of risks and business development so that it could effectively mitigate risks and develop its business in a sustainable way. The objectives of internal control of the Bank are to reasonably ensure the legal and regulatory compliance of operations and management and the security of corporate assets, and to ensure the truthfulness and completeness of financial reports and the relevant information; to enhance the efficiency and effectiveness of operations and facilitate the implementation of development strategies. The Bank's internal control is in line with its business scale, business scope, competition and risk level, and is adjusted in a timely manner in response to changes in such circumstances.



## RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

### III. Ultimate responsibility of the Board for risk management and internal control system management

The Board of the Bank is ultimately responsible for risk management and internal control system management. The Board is responsible for establishing an adequate and effective risk management system, deciding on the Bank's risk management and internal control policies, reviewing the internal control evaluation report, monitoring and evaluating the adequacy and effectiveness of the Bank's risk management system, so as to ensure the Bank's prudent operation and compliance with relevant laws, regulations and financial policies, and be responsible for material losses caused by the failure of internal control.

The Bank's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and the Board is of the view that the risk management and internal control systems established and implemented by the Bank are adequate and effective.

### IV. Procedures and internal control measures for handling and disseminating of inside information

In accordance with the Inside Information Disclosure Guidelines and other relevant regulations issued by the Securities and Futures Commission, and in order to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Bank regularly reminds the Directors, Supervisors and its employees to comply with the relevant policies on inside information and the latest notices of the regulatory authorities.

The Bank is aware of its responsibilities under the Securities and Futures Ordinance and the Listing Rules. The overriding principle that the information shall be published as soon as practicable if it is determined to be inside information, and that it shall handle such information with close regard to the applicable laws and regulations.



## 11.2 INTERNAL AUDIT

The Bank has established an independent vertical internal audit system. The Board ensures the independence and effectiveness of internal audit and assumes ultimate responsibility for it. The Board has established an Audit Committee to guide and supervise the Bank's internal audit work, and the Board of the Supervisors oversees the internal audit.

During the Reporting Period, the Bank's audit management system was further improved. The "Operation Guide to Audit Management System of the Bank of Guizhou" was formulated, and the "Measures on Information Technology Audit Management of the Bank of Guizhou" were revised, the internal audit system was more comprehensive. Guiyang, Zunyi and Liupanshui audit centers have been listed and the audit system has been fully launched, laying a foundation for further advancement of audit informationization and intelligence. During the Reporting Period, the Bank completed 26 special audit projects, and 46 items was audited by middle and senior management personnel with one follow-up tracking audit project. At the same time, the Bank strictly implemented rectification supervision to ensure that problems found during audits were rectified, hidden risks were prevented, and violations were dealt with and feasible recommendations were implemented.

The Bank has reviewed the effectiveness of the Bank's risk management and internal controls systems during the Reporting Period. The Board of Directors believes that during the Reporting Period, the Bank has effectively implemented risk management and internal control and achieved the Bank's objectives, and no major defects are existed.





## INDEPENDENT AUDITOR'S REPORT

### **Independent auditor's report to the shareholders of Bank of Guizhou Co., Ltd.**

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

### **OPINION**

We have audited the financial statements of Bank of Guizhou Co., Ltd. (the "Bank") set out on pages 145 to 284, which comprise the statement of financial position as at December 31, 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at December 31, 2019 and of its financial performance and its cash flows for the year then ended 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 Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") together with any ethical requirements that are relevant to our audit of the financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## KEY AUDIT MATTERS (CONTINUED)

### LOSS ALLOWANCES OF LOANS AND ADVANCES TO CUSTOMERS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST

Refer to Note 17 and Note 18 to the financial statements and the accounting policies in Note 2(7)(iv).

#### The Key Audit Matter

The Bank uses the expected credit loss ("ECL") model to calculate the loss allowance in accordance with International Financial Reporting Standard 9 Financial Instruments ("IFRS 9").

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.

In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Bank's internal credit risk management strategy. The expected credit losses for corporate loans and financial investments 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.

#### How the matter was addressed in our audit

Our audit procedures to assess loss allowances of loans and financial investments 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 investments measured at amortised cost, the credit grading process and the measurement of loss allowances;
- with the assistance of our internal specialists, 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;



## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (CONTINUED)

#### LOSS ALLOWANCES OF LOANS AND ADVANCES TO CUSTOMERS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to Note 17 and Note 18 to the financial statements and the accounting policies in Note 2(7)(iv).

##### The Key Audit Matter

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 realization 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 investments measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Bank.

##### 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 loan agreements, we compared the total balance of the loan and financial investment list used by management to assess the loss allowances with the general ledger, selecting samples and comparing individual loan and investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and investment 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 Bank's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged the reasons for modifications to estimates and input parameters compared with prior period 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 used in the expected credit loss model 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. In addition, we involved our IT specialists to assess the logics and compilation of the overdue information and the operational process of the credit grading of corporate customers for selected samples;



## KEY AUDIT MATTERS (CONTINUED)

### LOSS ALLOWANCES OF LOANS AND ADVANCES TO CUSTOMERS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to Note 17 and Note 18 to the financial statements and the accounting policies in Note 2(7)(iv).

#### The Key Audit Matter

#### How the matter was addressed in our audit

- evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting risk-based samples. 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 increased 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 advances to customers 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 realization of collateral, evaluated the forecast cash flows, challenged the viability of the Bank'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 investments 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 investments measured at amortised cost comply with the disclosure requirements of the prevailing accounting standards.



## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (CONTINUED)

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

Refer to Note 39 to the financial statements and the accounting policies in Note 2(7)(v).

##### The Key Audit Matter

Financial instruments carried at fair value account for a significant part of the Bank's assets. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.

The valuation of the Bank's financial instruments measured 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, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgment.

The Bank has developed its own models to value certain level 3 financial instruments, which also involve significant management judgment.

We 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 judgment 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:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments;
- assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Bank with publicly available market data.
- performing, on a sample basis, independent valuations of level 2 and level 3 financial instruments measured at fair value and comparing these valuations with the valuations of the Bank. Our procedures included comparing the valuation models of the Bank with our knowledge of practice, testing inputs to the fair value calculations or, with the assistance of our internal valuation specialists, establishing our own valuation models to perform revaluations; and
- assessing whether the disclosures in the financial statements appropriately reflected the Bank's exposure to financial instrument valuation risk and met the requirements of the prevailing accounting standards.



## KEY AUDIT MATTERS (CONTINUED)

### CONSOLIDATION OF STRUCTURED ENTITIES

Refer to Note 33 to the financial statements and the accounting policies in Note 2(24)(f).

#### The Key Audit Matter

Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.

The Bank may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing an asset management plan, a trust plan or a wealth management product.

In determining whether a structured entity is required to be consolidated by the Bank, management is required to consider the risks and rewards retained, the power the Bank is able to exercise over the activities of the entity and its ability to influence the Bank's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.

We identified the consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and the judgement exercised by management in the qualitative assessment of the terms and nature of each entity.

#### How the matter was addressed in our audit

Our audit procedures to assess the consolidation of structured entities included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over consolidation of structured entities;
- selecting significant structured entities of each key product type and performing the following procedures for each structured 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 Bank has with the structured entity and to assess management's judgement over whether the Bank has the ability to exercise power over the structured entity;
  - inspecting 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 the exposure, or rights, to variable returns from the Bank's involvement in such an entity;
  - evaluating management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Bank's economic interests in the structured entity to assess management's judgement over the Bank'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
- assessing whether the disclosures in the financial statements in relation to structured entities comply with the requirements of the prevailing accounting standards.



## INDEPENDENT AUDITOR'S REPORT

### INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 FINANCIAL STATEMENTS

The directors are responsible for the preparation of the 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Bank's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.



## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- 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 Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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





## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the 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 Pang Shing Chor, Eric.

#### **KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

26 March 2020



## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2019  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2019	2018
Interest income		18,264,227	14,676,173
Interest expenses		(8,393,268)	(6,349,876)
<b>Net interest income</b>	3	9,870,959	8,326,297
Fee and commission income		191,726	108,419
Fee and commission expenses		(97,090)	(87,119)
<b>Net fee and commission income</b>	4	94,636	21,300
Net trading gains	5	116,386	151,596
Net gains arising from investment securities	6	662,280	217,160
Other operating (expenses)/income	7	(38,734)	53,261
<b>Operating income</b>		10,705,527	8,769,614
Operating expenses	8	(3,422,114)	(3,039,832)
Impairment losses on assets	11	(3,172,769)	(2,392,283)
Share of losses of associates		(19,258)	(34,460)
<b>Profit before tax</b>		4,091,386	3,303,039
Income tax	12	(527,749)	(426,468)
<b>Net profit for the year</b>		3,563,637	2,876,571
Basic and diluted earnings per share ( <i>in RMB</i> )	13	0.29	0.24

The notes on pages 153 to 284 form part of these financial statements.



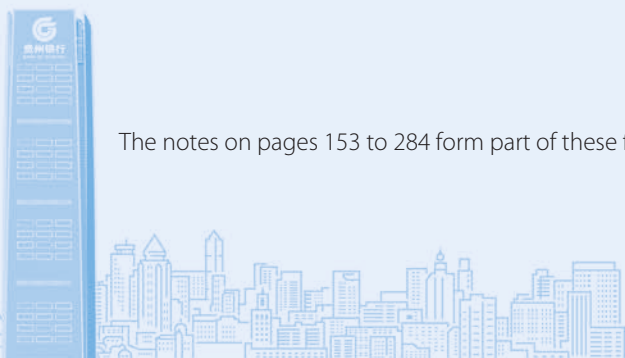
## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2019	2018
<b>Net profit for the year</b>		3,563,637	2,876,571
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income:			
net movement in the fair value reserve, net of tax	31(d)	87,637	220,174
net movement in the impairment losses, net of tax	31(e)	13,435	3,214
Item that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability, net of tax	31(f)	(9,550)	(16,000)
<b>Other comprehensive income, net of tax</b>		91,522	207,388
<b>Total comprehensive income</b>		3,655,159	3,083,959

The notes on pages 153 to 284 form part of these financial statements.



## STATEMENT OF FINANCIAL POSITION

as at December 31, 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2019	2018
<b>Assets</b>			
Cash and deposits with the central bank	14	64,150,807	45,802,967
Deposits with banks and other financial institutions	15	6,292,147	834,826
Financial assets held under resale agreements	16	9,923,576	14,700,328
Loans and advances to customers	17	173,349,699	135,831,853
Financial investments:	18		
– Financial investments at fair value through profit or loss		12,217,953	8,670,658
– Financial investments at fair value through other comprehensive income		30,011,934	14,117,103
– Financial investments at amortised cost		105,804,159	113,857,259
Interest in associates	19	75,306	94,564
Property and equipment	20	3,493,516	3,293,369
Deferred tax assets	21	2,776,187	2,515,311
Other assets	22	1,293,516	1,484,641
<b>Total assets</b>		<b>409,388,800</b>	<b>341,202,879</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowing from the central bank		2,623,420	2,820,175
Deposits from banks and other financial institutions	24	16,107,370	9,983,768
Placements from banks and other financial institutions	25	1,001,137	–
Financial assets sold under repurchase agreements	26	7,966,758	2,175,276
Deposits from customers	27	260,266,471	220,083,735
Income tax payable		121,580	386,285
Debt securities issued	28	84,122,732	78,282,412
Other liabilities	29	3,290,090	2,012,337
<b>Total liabilities</b>		<b>375,499,558</b>	<b>315,743,988</b>

The notes on pages 153 to 284 form part of these financial statements.



## STATEMENT OF FINANCIAL POSITION

as at December 31, 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2019	2018
<b>Liabilities and equity</b>			
<b>Equity</b>			
Share capital	30	14,588,047	12,388,045
Capital reserve	31(a)	8,840,110	6,264,920
Surplus reserve	31(b)	1,491,061	1,134,697
General reserve	31(c)	3,360,000	2,610,000
Fair value reserve	31(d)	165,800	78,163
Impairment reserve	31(e)	18,866	5,431
Deficit on remeasurement of net defined benefit liability	31(f)	(18,010)	(8,460)
Retained earnings	32	5,443,368	2,986,095
<b>Total equity</b>		<b>33,889,242</b>	<b>25,458,891</b>
<b>Total liabilities and equity</b>		<b>409,388,800</b>	<b>341,202,879</b>

Approved and authorised for issue by the board of directors on March 26, 2020.

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**LI Zhiming**

Chairman of the Board of  
Directors

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**XU An**

President  
Executive Director

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**Zhou Guichang**

The Person In Charge  
of Accounting Affairs

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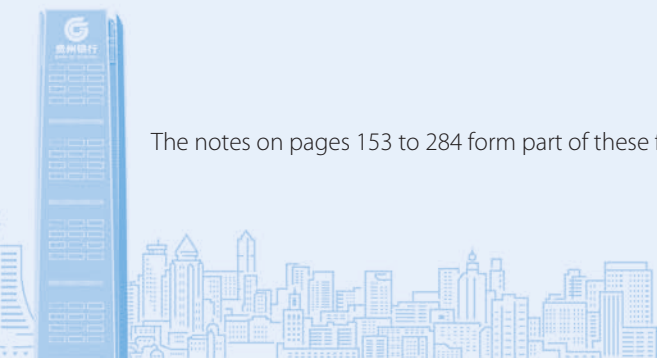
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**LI Wangang**

General Manager of the  
Planning and Finance  
Department (Company stamp)

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The notes on pages 153 to 284 form part of these financial statements.



## STATEMENT OF CHANGES IN EQUITY

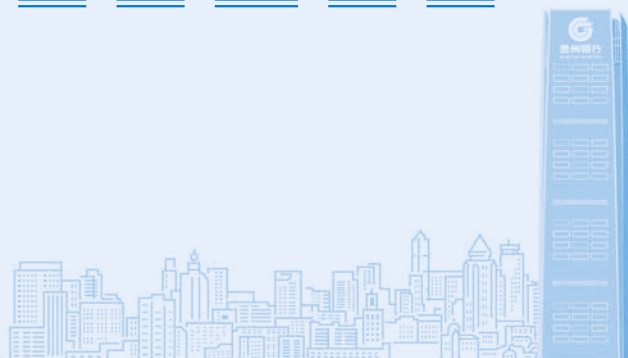
for the year ended December 31, 2019  
(Expressed in thousands of Renminbi, unless otherwise stated)

Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at January 1, 2019	12,388,045	6,264,920	1,134,697	2,610,000	78,163	5,431	(8,460)	2,986,095	25,458,891
Changes in equity for the year:									
Net profit for the year	-	-	-	-	-	-	-	563,637	3,563,637
Other comprehensive income	-	-	-	-	87,637	13,435	(9,550)	-	91,522
Total comprehensive income	-	-	-	-	87,637	13,435	(9,550)	3,563,637	3,655,159
Capital contribution by equity shareholders	30/31(a)	2,200,002	2,575,190	-	-	-	-	-	4,775,192
Appropriation of profit									
Appropriation to surplus reserve	31(b)	-	-	356,364	-	-	-	(356,364)	-
Appropriation to general reserve	31(c)	-	-	-	750,000	-	-	(750,000)	-
Balance at December 31, 2019	14,588,047	8,840,110	1,491,061	3,360,000	165,800	18,866	(18,010)	5,443,368	33,889,242

Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Surplus/(deficit) on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at January 1, 2018	11,263,045	5,027,419	846,422	2,190,000	(142,011)	2,217	7,540	1,496,754	20,691,386
Changes in equity for the year:									
Net profit for the year	-	-	-	-	-	-	-	2,876,571	2,876,571
Other comprehensive income	-	-	-	-	220,174	3,214	(16,000)	-	207,388
Total comprehensive income	-	-	-	-	220,174	3,214	(16,000)	2,876,571	3,083,959
Capital contribution by equity shareholders	30	1,125,000	1,237,501	-	-	-	-	-	2,362,501
Appropriation of profit									
Appropriation to surplus reserve	31(b)	-	-	288,275	-	-	-	(288,275)	-
Appropriation to general reserve	31(c)	-	-	-	420,000	-	-	(420,000)	-
Appropriation to shareholders	32	-	-	-	-	-	-	(678,955)	(678,955)
Balance at December 31, 2018	12,388,045	6,264,920	1,134,697	2,610,000	78,163	5,431	(8,460)	2,986,095	25,458,891

The notes on pages 153 to 284 form part of these financial statements.



## CASH FLOW STATEMENT

for the year ended December 31, 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	2019	2018
<b>Cash flows from operating activities</b>		
Profit before tax	4,091,386	3,303,039
<i>Adjustments for:</i>		
Impairment losses on assets	3,172,769	2,392,283
Depreciation and amortization	459,071	350,363
Depreciation of investment properties	1,370	585
Unrealized foreign exchange gains	(1,324)	(3,420)
Net losses on disposal of property and equipment and repossessed assets	69,299	24,012
Net trading gains	(115,062)	(148,176)
Net gains arising from investment securities	(662,280)	(217,160)
Share of losses of associates	19,258	34,460
Interest expenses on debt securities issued	3,458,521	2,784,163
Interest expense on lease liabilities	29,138	-
Others	(66,212)	(54,263)
	10,455,934	8,465,886
<i>Changes in operating assets</i>		
Net decrease in deposits with the central bank	1,698,571	1,664,841
Net increase in deposits with banks and other financial institutions	(305,331)	(452,631)
Net increase in loans and advances to customers	(39,339,800)	(52,366,636)
Net (increase)/decrease in financial assets held for trading	(263,288)	151,039
Net decrease/(increase) in other operating assets	311,635	(103,527)
	(37,898,213)	(51,106,914)

The notes on pages 153 to 284 form part of these financial statements.



	2019	2018
<i>Changes in operating liabilities</i>		
Net (decrease)/increase in borrowing from the central bank	(197,156)	1,246,478
Net increase in deposits from banks and other financial institutions	6,060,237	1,660,529
Net increase in placements from banks and other financial institutions	1,000,000	–
Net increase in financial assets sold under repurchase agreements	5,786,000	2,175,200
Net increase in deposits from customers	39,652,554	16,516,259
Net increase in other operating liabilities	904,781	71,966
	<u>53,206,416</u>	<u>21,670,432</u>
<b>Net cash flows generated from/(used in) operating activities before income tax paid</b>	25,764,137	(20,970,596)
Income tax paid	(1,082,544)	(1,169,326)
<b>Net cash flows generated from/(used in) operating activities</b>	<u>24,681,593</u>	<u>(22,139,922)</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal and redemption of investments	63,790,278	72,943,357
Proceeds from disposal of property and equipment and other assets	1,596	72,413
Payments on acquisition of investments	(74,409,352)	(78,105,461)
Payments on acquisition of property and equipment, intangible assets and other assets	(651,657)	(1,844,235)
<b>Net cash flows used in investing activities</b>	<u>(11,269,135)</u>	<u>(6,933,926)</u>

The notes on pages 153 to 284 form part of these financial statements.





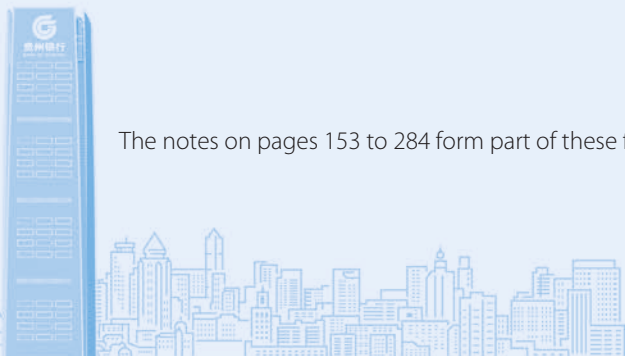
## CASH FLOW STATEMENT

for the year ended December 31, 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2019	2018
<b>Cash flows from financing activities</b>			
Proceeds from capital contribution by equity shareholders		4,887,126	2,362,501
Proceeds from debt securities issued	35(c)	77,617,229	77,289,680
Repayment of debt securities issued	35(c)	(74,890,000)	(49,558,722)
Interest paid on debt securities issued	35(c)	(345,430)	(1,521,278)
Capital element of lease liabilities paid		(138,627)	–
Interest element of lease liabilities paid		(57,442)	–
Payments for initial public offering costs		(21,510)	–
Dividends paid		(28)	(716,467)
<b>Net cash flows generated from financing activities</b>		<b>7,051,318</b>	<b>27,855,714</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		109,649	1,832
<b>Net increase/(decrease) in cash and cash equivalents</b>	35(a)	<b>20,573,425</b>	<b>(1,216,302)</b>
<b>Cash and cash equivalents as at January 1</b>		<b>35,118,336</b>	<b>36,334,638</b>
<b>Cash and cash equivalents as at December 31</b>	35(b)	<b>55,691,761</b>	<b>35,118,336</b>
Interest received		17,821,871	14,611,960
Interest paid (excluding interest expense on debt securities issued)		(4,334,181)	(3,689,989)

The notes on pages 153 to 284 form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of RMB, unless otherwise stated)*

## 1 BACKGROUND INFORMATION

The Bank was established in Guiyang, Guizhou Province, the People's Republic of China (the "PRC") on October 11, 2012 with the approval of the former China Banking Regulatory Commission (the former "CBRC").

The Bank obtained its financial institution license No. B1383H252010001 from the former CBRC and obtained its business license No. 915200000550280000 from the State Administration for Industry and Commerce of the PRC. The Bank is regulated by China Banking and Insurance Regulatory Commission (the "CBIRC") authorized by the State Council.

In December 2019, the Bank's H Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 06199).

As at December 31, 2019, the Bank has one head office and 8 branches across Guizhou Province. The principal activities of the Bank are the provision of corporate and personal deposits, loans and advances, settlement, financial market business and other banking services as approved by the former CBRC.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (1) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the "IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirement of the Hong Kong Companies Ordinance. These 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. Significant accounting policies adopted by the Bank are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Bank. Note 2(3) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Bank for the current and prior accounting periods reflected in these financial statements.

The financial statements for the year ended December 31, 2019 comprise the Bank and the Bank's interest in associates.



## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (2) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical basis, except that the financial instruments classified as financial assets at fair value through other comprehensive income (FVOCI) or financial assets at fair value through profit or loss (FVTPL) (see Note 2(7)) are stated at their fair value as explained in the accounting policies.

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 expense. 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 of making the judgements about 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future years if the revision affects both current and future years.

Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(24).

The financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand, which is the functional currency of the Bank.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (3) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Bank.

Except for IFRS 16, Leases, none of the developments have had a material effect on how the Bank's results and financial position for the current or prior periods have been prepared or presented. The Bank has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### ***IFRS 16 "Leases"***

The Bank applied IFRS 16 with a date of initial application of January 1, 2019. As a result, the Bank has changed its accounting policy for lease contracts as detailed below.

The Bank applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application was recognised in retained earnings at January 1, 2019. The details of the changes in accounting policies are disclosed below.

#### ***Definition of a lease***

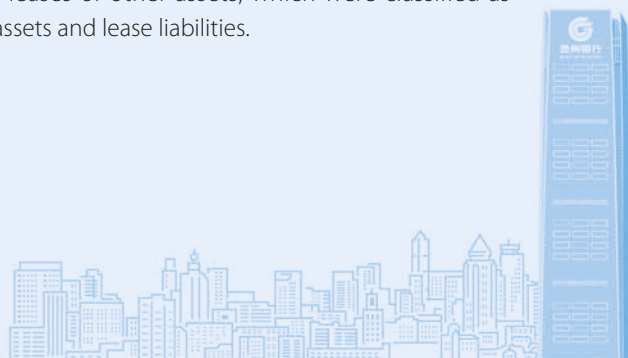
Previously, the Bank determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Bank assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

#### ***As a lessee***

As a lessee, the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Bank decided to apply recognition exemptions to leases with less than 12 months of lease term (the "short-term leases") and leases of low-value assets. For leases of other assets, which were classified as operating under IAS 17, the Bank recognised right-of-use assets and lease liabilities.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (3) Changes in accounting policies (continued)

##### ***Leases classified as operating leases under IAS 17***

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at January 1, 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.24%. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Bank applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Bank applied this approach to all other leases.

The Bank used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

##### ***Leases previously classified as finance leases***

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (3) Changes in accounting policies (continued)

#### *As a lessor*

The Bank is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Bank accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Bank is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Bank reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Bank concluded that the sub-lease is a finance lease under IFRS 16.

The Bank applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

#### *Impacts on financial statements*

The Bank elected to use the modified retrospective approach for the adoption of IFRS 16 and recognised right-of-use assets based on lease liabilities. Therefore, there was no adjustment to the opening balance of equity at January 1, 2019 and did not restate the comparative information.

	Impacts on financial statements
Operating lease commitment at December 31, 2018	641,413
Discounted using the incremental borrowing rate at January 1, 2019	568,360
Recognition exemption for short-term leases	(424)
Lease liabilities recognised at January 1, 2019	567,936
Right-of-use assets recognised at January 1, 2019	567,936



## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (4) Associates and joint ventures

An associate is an entity in which the Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Bank and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Bank's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Bank's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(14)). Any acquisition-date excess over cost, the Bank's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the statements of profit or loss, whereas the Bank's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the statements of profit or loss and other comprehensive income.

When the Bank's share of losses exceeds its interest in the associate or the joint venture, the Bank's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Bank has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Bank's interest is the carrying amount of the investment under the equity method together with the Bank's long-term interests that in substance form part of the Bank's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Bank and its associates and joint venture are eliminated to the extent of the Bank's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (4) Associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Bank ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Bank's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

### (5) Translation of foreign currencies

When the Bank 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 People's Bank of China ("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 each 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 fair value reserve.





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (6) 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, financial assets held under resale agreements 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.

#### (7) Financial instruments

Financial instruments include cash and deposits with the central bank, financial investments, receivables, payables, loans and advances to customers, debt securities issued and share capital.

##### (i) **Recognition and initial measurement of financial assets and financial liabilities**

A financial asset or financial liability is recognised in the balance sheet when the Bank becomes a party to the contractual provisions of a financial instrument.

A financial assets and financial liabilities is 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 classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are classified as:

- Financial assets measured at amortised cost, including loans, advances and financial investments measured at amortised cost;
- Financial assets measured at fair value through other comprehensive income (FVOCI), including loans, advances and financial investments measured at FVOCI; and
- Financial assets measured at fair value through profit or loss (FVTPL).



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (7) Financial instruments (continued)

#### (ii) *Classification and subsequent measurement of financial assets (continued)*

##### *Classification of financial assets (continued)*

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (7) Financial instruments (continued)

##### (ii) *Classification and subsequent measurement of financial assets (continued)*

###### *Classification of financial assets (continued)*

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Bank manages its financial assets in order to generate cash flows. That is, the Bank's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Bank determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Bank's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Bank also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (7) Financial instruments (continued)

#### (ii) *Classification and subsequent measurement of financial assets (continued)*

##### *Subsequent measurement of financial assets*

– Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

– Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

– Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

– Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (7) Financial instruments (continued)

##### (iii) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, financial guarantee liabilities or amortised cost.

- Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial guarantee liabilities

Financial guarantees are contracts that requires the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee liability is measured at the higher of:

The amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Note 2(17)(i)); and

The amount initially recognised less the cumulative amount of income.

- Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (7) Financial instruments (continued)

#### (iv) Impairment

The Bank recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI.

Financial assets measured at fair value, including debt investments or equity securities at FVTPL, and equity securities designated at FVOCI, are not subject to the ECL assessment.

#### *Measurement of ECLs*

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 Bank expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Bank is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs on these financial assets are estimated using a provision matrix based on the Bank's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

See Note 38(a) for the measurement of expected credit loss of the Bank.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (7) Financial instruments (continued)

##### (iv) Impairment (continued)

###### *Presentation of allowance for ECL*

ECLs are remeasured at each balance sheet date 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. The Bank recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

###### *Write-off*

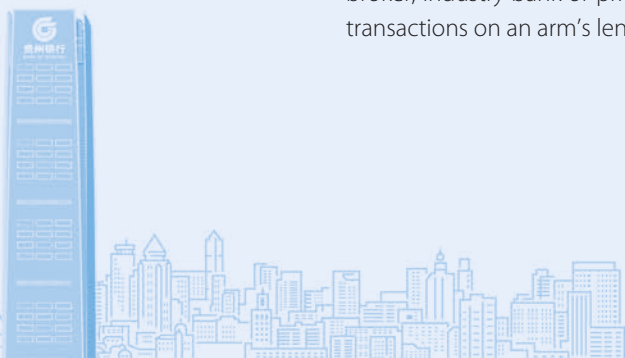
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Bank determines that the debtor does not have assets or sources 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 Bank'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.

##### (v) Fair value measurement principles

Fair value is 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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry bank or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (7) Financial instruments (continued)

#### (v) *Fair value measurement principles (continued)*

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each of the reporting period. Where other pricing models are used, inputs are based on market data at the end of each of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Bank considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Bank obtains market data from the same market where the financial instrument was originated or purchased.

#### (vi) *Derecognition of financial assets and financial liabilities*

Financial asset is derecognised when one of the following conditions is met:

- the Bank's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Bank transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Bank 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.





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (7) Financial instruments (continued)

##### (vi) *Derecognition of financial assets and financial liabilities (continued)*

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 Bank derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

##### (vii) *Offsetting*

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Bank currently has a legally enforceable right to set off the recognised amounts;
- the Bank intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (8) 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 statements of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements 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 reverse repurchase 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.

### (9) Property and equipment and construction in progress

Property and equipment are assets held by the Bank for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (see Note 2(14)). Construction in progress is stated in the statements of financial position at cost less impairment loss (see Note 2(14)).

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 Bank in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as a separate property and equipment.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (9) Property and equipment and construction in progress (continued)

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	20 years	3%	4.85%
Vehicles	6 years	3%	16.17%
Electronic equipment and others	3–5 years	3%	19.40%–32.33%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

#### (10) Investment property

Investment property is a property held either for earning rental income or for capital appreciation or for both. Investment property is accounted for using the cost model and stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(14)). Investment property is depreciated using the straight-line method over its estimated useful life after taking into account its estimated residual value.

	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	20 years	3%	4.85%



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (11) Leases

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 2(3).

#### ***Policy applicable from January 1, 2019***

At inception of a contract, the Bank 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 Bank, as a lessor or a 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; and
- 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 January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Bank 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 Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (11) Leases (continued)

For contracts entered into before January 1, 2019, the Bank determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

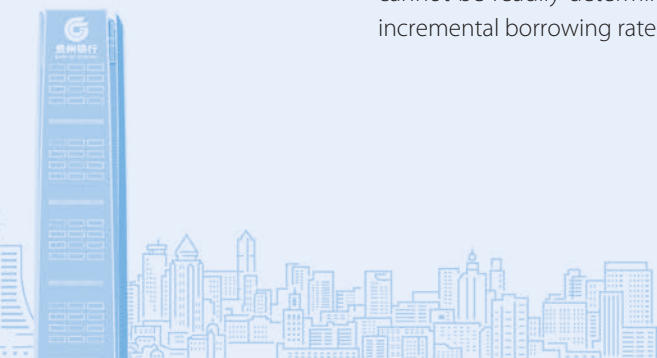
##### (i) *As a lessee*

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

##### *Policy applicable before January 1, 2019*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (11) Leases (continued)

#### (i) *As a lessee (continued)*

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets that do not meet the definition of investment property in 'other assets' and lease liabilities in 'other liabilities' in the statements of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (11) Leases (continued)

##### (i) *As a lessee (continued)*

In the comparative period, as a lessee the Bank classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the right-of-use assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Bank's statements of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

##### (ii) *As a lessor*

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

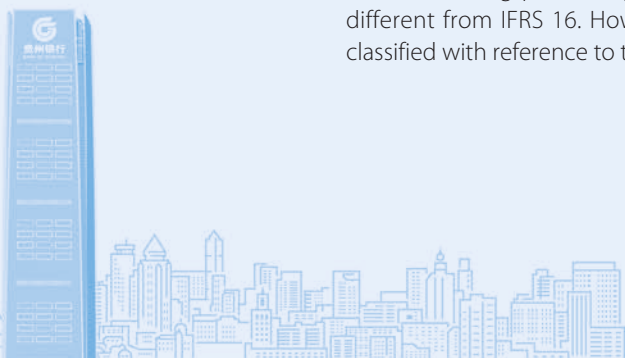
To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Bank as a lessor in the comparative period were not different from IFRS 16. However, when the Bank was an intermediate lessor the sub-leases were classified with reference to the underlying asset.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (12) Intangible assets

The intangible assets of the Bank have finite useful lives. The intangible assets are stated at cost less accumulated amortization and impairment loss (see Note 2(14)). 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 amortization periods for intangible assets are as follows:

Land use rights	30–50 years
Computer software	3–20 years

### (13) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Bank 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.

### (14) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of each 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
- investment property measured using a cost model
- intangible assets
- investment in associates
- right-of-use assets

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (14) Provision for impairment losses on non-financial assets (continued)

A cash-generating unit ("CGU") is the smallest identifiable bank 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 groups are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Bank also considers how management monitors the Bank's operations and how management makes decisions about continuing or disposing of the Bank's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the higher of its fair value less costs to sell and its present value of expected future cash flows. 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 Bank determines the recoverable amount of the asset group to which the assets belongs.

An asset's fair value less costs to sell 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 present value of expected future cash flows 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 expected future cash flows, the useful life and the discount rate specific to the asset.

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.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (15) Employee benefits

#### (i) *Short-term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Bank include the social pension schemes, annuity plan, housing fund and other social insurances.

#### *Social pension schemes*

Pursuant to the relevant laws and regulations in the PRC, the Bank has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Bank 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.

#### *Annuity plan*

The Bank provides an annuity plan to the eligible employees. The Bank makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

#### *Housing fund and other social insurances*

In addition to the retirement benefits above, the Bank has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Bank makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (15) Employee benefits (continued)

##### (ii) *Supplementary retirement benefits*

###### *Early retirement plan*

The Bank provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

###### *Supplementary retirement plan*

The Bank provides a supplementary retirement plan to its eligible employees. The Bank'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 Bank 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 recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits". Except for the above mentioned, the Bank has no significant responsibilities to pay any other retirement benefits to employees.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (16) Income tax

Income tax for the reporting period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiary to the extent that, in the case of taxable differences, the Bank controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (16) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Bank has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Bank intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (17) Financial guarantees, provisions and contingent liabilities

#### (i) *Financial guarantees*

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (“holder”) for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in other liabilities. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

In terms of off-balance sheet credit commitment, the Bank applies expected credit loss model to measure the loss caused by particular debtors incapable of paying due debts, which is present in provisions. See Note 2(7)(iv) for the description of expected credit loss model.

#### (ii) *Other provisions and contingent liabilities*

A provision is recognised for an obligation related to a contingency if the Bank 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 determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (18) Fiduciary activities

The Bank acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Bank 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 Bank enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Bank, and the Bank grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Bank 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.

#### (19) Income recognition

Income is recognised when the Bank satisfies the performance obligation in the contract which by transferring the control over relevant goods or services to the customers.

The following is the description of accounting policies regarding income from the Bank’s principal activities.

##### (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 amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing 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 Bank 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.

Interest on the impaired assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (19) Income recognition (continued)

#### (ii) *Fee and commission income*

The Bank earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Bank reflects the amount of consideration to which the Bank expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

The Bank recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs;
- The customer controls the service provided by the Bank in the course of performance or;
- The Bank does not provide service with an alternative use to the Bank, and the Bank has an enforceable right to payment for performance completed to date;
- In other cases, the Bank recognises revenue at a point in time at which a customer obtains control of the promised services.

#### (iii) *Government grants*

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Bank will comply with the conditions attaching to them. Grants that compensate the Bank for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

#### (iv) *Other income*

Other income is recognised on an accrual basis.





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (20) 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.

#### (21) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of each of the reporting period are not recognised as a liability at the end of each of the reporting period but disclosed separately in the notes to the financial statements.

#### (22) Related parties

- (a) A person, or a close member of that person's family, is related to the Bank if that person:
- (i) has control or joint control over the Bank;
  - (ii) has significant influence over the Bank; or
  - (iii) is a member of the key management personnel of the Bank or the Bank's parent.
- (b) An entity is related to the Bank if any of the following conditions applies:
- (i) The entity and the Bank 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 Bank or an entity related to the Bank;

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (22) Related parties (continued)

- (b) An entity is related to the Bank if any of the following conditions applies: (continued)
- (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 Bank of which it is a part, provides key management personnel services to the Bank or to the Bank'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.

### (23) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Bank's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Bank's various lines of business and geographical locations.

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 products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (24) Significant accounting estimates and judgements

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 recognised in the period in which the estimate is revised and in any future periods affected.

##### (a) *Measurement of expected credit loss*

The measurement of the expected credit loss allowance for the investment in financial assets and debt instruments measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note 38(a).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in Note 38(a) credit risk.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (24) Significant accounting estimates and judgements (continued)

#### (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 Bank make maximum use of market input and rely as little as possible on the Bank'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 Bank reviews the above estimations and assumptions periodically and makes adjustment if necessary.

#### (c) *Income taxes*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Bank 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 all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and 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 utilized, management's judgement 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 bank) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (24) Significant accounting estimates and judgements (continued)

##### (e) *Depreciation and amortization*

Investment properties, property and equipment, intangible assets and right-use-of 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 amortization costs charged in each of the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortization, the amount of depreciation or amortization will be revised.

##### (f) *Determination of control over investees*

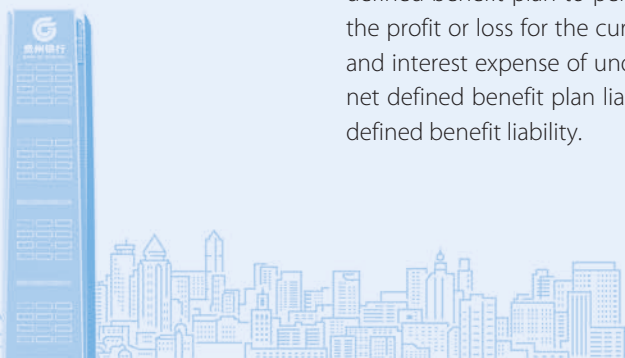
Management applies its judgement to determine whether the control indicators indicate that the Bank controls a non-principal guaranteed wealth management product and an asset management plan.

The Bank acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Bank controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Bank 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 Bank, the Bank'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 Bank 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 Bank has an interest or for which it is a sponsor, see Note 33.

##### (g) *Defined benefit plan*

The Bank, in accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumption to estimate related demographic variables and financial variables, measures the obligations under the defined benefit plan and recognises a defined benefit plan liability by the present value of the defined benefit plan. The Bank attributes obligations under a defined benefit plan to periods of service provided by employees, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset which include the service cost and interest expense of under a defined benefit plan, changes as a result of remeasurements of the net defined benefit plan liability or asset are recognised in deficit/surplus on remeasurement of net defined benefit liability.



### 3 NET INTEREST INCOME

	2019	2018
<b>Interest income arising from</b>		
Deposits with the central bank	431,028	472,850
Deposits with banks and other financial institutions	93,366	37,041
Loans and advances to customers		
– Corporate loans and advances	8,705,058	5,642,410
– Personal loans and advances	1,292,613	695,908
– Discounted bills	193,735	166,154
Financial assets held under resale agreements	405,072	473,201
Financial investments	7,143,355	7,188,609
	<hr/>	<hr/>
Sub-total	18,264,227	14,676,173
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<b>Interest expenses arising from</b>		
Borrowing from the central bank	(72,319)	(41,562)
Deposits from banks and other financial institutions	(362,878)	(520,317)
Placements from banks and other financial institutions	(8,941)	–
Financial assets sold under repurchase agreements	(110,996)	(21,345)
Deposits from customers	(4,379,613)	(2,982,489)
Debt securities issued	(3,458,521)	(2,784,163)
	<hr/>	<hr/>
Sub-total	(8,393,268)	(6,349,876)
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<b>Net interest income</b>	<u>9,870,959</u>	<u>8,326,297</u>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 NET FEE AND COMMISSION INCOME

#### (a) Income and expenses streams:

	2019	2018
<b>Fee and commission income</b>		
Agency services fees	100,678	55,055
Bank card services fees	33,633	30,562
Acceptance and guarantee services fees	31,584	8,636
Settlement and clearing fees	25,212	13,622
Consultancy services fees	619	544
	<hr/>	<hr/>
Sub-total	191,726	108,419
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<b>Fee and commission expenses</b>		
Bank card services fees	(88,990)	(81,527)
Others	(8,100)	(5,592)
	<hr/>	<hr/>
Sub-total	(97,090)	(87,119)
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<b>Net fee and commission income</b>	94,636	21,300
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#### (b) Disaggregation of income:

	2019		2018	
	At a point in time	Over time	At a point in time	Over time
Agency services fees	–	100,678	–	55,055
Bank card services fees	33,633	–	30,562	–
Acceptance and guarantee services fees	–	31,584	–	8,636
Settlement and clearing fees	25,212	–	13,622	–
Consultancy service fees	–	619	–	544
	<hr/>	<hr/>	<hr/>	<hr/>
Total	58,845	132,881	44,184	64,235
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## 5 NET TRADING GAINS

	<i>Note</i>	2019	2018
Net gains from debt securities	(a)	115,062	148,176
Net foreign exchange gains	(b)	1,324	3,420
Total		<u>116,386</u>	<u>151,596</u>

(a) Net gains from debt securities include gains arising from the buying and selling of, and changes in the fair value of financial assets held for trading.

(b) Net foreign exchange gains mainly include gains from translation of foreign currency monetary assets and liabilities into Renminbi.

## 6 NET GAINS ARISING FROM INVESTMENT SECURITIES

	<i>Note</i>	2019	2018
Net gains of financial investments at fair value through other comprehensive income		113,770	119,529
Net gains of financial investments at fair value through profit or loss	(a)	548,510	97,631
Total		<u>662,280</u>	<u>217,160</u>

(a) Net gains of financial investments at fair value through profit or loss include the investment income and fair value changes of financial investments at fair value through profit or loss except for debt securities held for trading.

## 7 OTHER OPERATING (EXPENSES)/INCOME

	<i>Note</i>	2019	2018
Government grants	(a)	19,336	67,261
Rental income		2,625	5,856
Penalty income		1,955	1,650
Net (losses)/gains on disposal of property and equipment		(188)	1,676
Net losses on disposal of repossessed assets		(69,111)	(25,688)
Others		6,649	2,506
Total		<u>(38,734)</u>	<u>53,261</u>

(a) Government grants recognised as other operating income are awarded to the Bank by the local government as incentives primarily to encourage the development of the Bank and the contribution to the local economic development. The government grants are one-off according to its balances of loan and advances to small and medium sized enterprises and agricultural enterprises in Guizhou Province.





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 8 OPERATING EXPENSES

	2019	2018
Staff costs		
– Salaries, bonuses and allowances	1,432,291	1,235,032
– Social insurance and annuity	325,936	301,695
– Staff welfares	136,579	124,330
– Housing allowances	82,040	77,159
– Supplementary retirement benefits	79,396	75,347
– Employee education expenses and labour union expenses	65,819	34,625
	<u>2,122,061</u>	<u>1,848,188</u>
Sub-total		
Office expenses	413,211	391,769
Depreciation and amortization	307,032	350,363
Depreciation charge for the right-of-use assets	152,039	–
Taxes and surcharges	120,827	65,940
Interest expense on lease liabilities	29,138	–
Rental and property management expenses	9,646	166,931
Other general and administrative expenses	268,160	216,641
	<u>2,122,061</u>	<u>1,848,188</u>
Total	<u>3,422,114</u>	<u>3,039,832</u>



## 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The Directors' and supervisors' 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:

	Note	2019				Total emoluments before tax
		Fees	Salaries	Discretionary bonus	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	
<b>Executive directors</b>						
Li Zhiming		–	409	–	92	501
Xu An		–	709	–	79	788
<b>Non-executive directors</b>						
Gong Taotao		–	–	–	–	–
Chen Yongjun		–	–	–	–	–
Yang Mingshang		–	–	–	–	–
Lu Lin		–	–	–	–	–
Yang Jianjun	(g)	–	–	–	–	–
Ren Ren	(g)	–	–	–	–	–
<b>Independent non-executive directors</b>						
Tang Xin		127	–	–	–	127
Li Shoubing		127	–	–	–	127
Song Ke		127	–	–	–	127
Wang Gefan		127	–	–	–	127
Law Cheuk Kin Stephen		122	–	–	–	122
<b>Supervisors</b>						
Xiao Cifa		–	709	–	79	788
Liu Hanmin		127	–	–	–	127
Su Zhi		127	–	–	–	127
Chen Houyi		210	–	–	–	210
Wu Qiangli		–	–	–	–	–
Wang Changyi		–	979	–	79	1,058
Li Keyong		–	621	–	79	700
Yang Jinsheng	(g)	–	–	–	–	–
Total		1,094	3,427	–	408	4,929



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

		2018					
	Note	Fees	Salaries	Discretionary bonus	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax	
<b>Executive directors</b>							
Li Zhiming	(a)	–	377	–	103	480	
Xu An	(b)	–	592	–	93	685	
<b>Non-executive directors</b>							
Yang Jianjun		–	–	–	–	–	
Gong Taotao		–	–	–	–	–	
Ren Ren		–	–	–	–	–	
Chen Yongjun		–	–	–	–	–	
Xiao Ming	(f)	–	–	–	–	–	
Yang Mingshang	(e)	–	–	–	–	–	
Lu Lin	(e)	–	–	–	–	–	
He Chenggang	(f)	–	–	–	–	–	
Liu Chuncheng	(f)	–	–	–	–	–	
Li Zhengqiang	(f)	–	–	–	–	–	
<b>Independent non-executive directors</b>							
Tang Xin	(e)	127	–	–	–	127	
Li Shoubing	(e)	127	–	–	–	127	
Song Ke	(e)	127	–	–	–	127	
Wang Gefan	(e)	127	–	–	–	127	
Law Cheuk Kin Stephen	(e)	122	–	–	–	122	
Wu Beiyong	(f)	–	–	–	–	–	
Zhang Zhixue	(f)	–	–	–	–	–	



## 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Note	2018				Total emoluments before tax
		Fees	Salaries	Discretionary bonus	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	
<b>Supervisors</b>						
Xiao Cifa	(d)	–	563	–	92	655
Liu Hanmin	(d)	127	–	–	–	127
Su Zhi	(d)	127	–	–	–	127
Chen Houyi		210	–	–	–	210
Wu Qiangli	(d)	–	–	–	–	–
Yang Jinsheng		–	–	–	–	–
Hu Liangpin	(c)	–	447	–	93	540
Wang Changyi	(d)	–	894	–	103	997
Li Keyong		–	1,118	–	102	1,220
Guo Jiangtao	(f)	–	–	–	–	–
Lin Yusheng	(f)	–	–	–	–	–
Sun Yucun	(f)	–	–	–	–	–
Yin Xinquan	(f)	–	–	–	–	–
Mao Youzhi	(f)	–	–	–	–	–
Li He	(f)	–	–	–	–	–
Chen Guangqiang	(f)	–	907	–	43	950
Wang Wenqing	(f)	–	659	–	43	702
Xiong Song	(f)	–	723	–	43	766
Total		1,094	6,280	–	715	8,089

There was no amount paid during the year ended December 31, 2019 to the directors in connection with their retirement from employment or compensation for loss of office with the Bank, or inducement to join the Bank (2018: nil). There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year ended December 31, 2019 (2018: nil).



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

- (a) In the extraordinary shareholders meeting held on February 1, 2018, Li Zhiming, was elected as Chairman of the Board.
- (b) In the extraordinary shareholders meeting held on February 1, 2018, Xu An, who was vice president in the Bank previously, was elected as executive director.
- (c) On February 1, 2018, Hu Liangpin resigned as supervisor.
- (d) In the general meeting held on May 17, 2018, Xiao Cifa, Liu Hanmin, Su Zhi, Wu Qiangli and Wang Changyi were elected as supervisors.
- (e) In the general meeting held on May 17, 2018, Yang Mingshang and Lu Lin were elected as non-executive directors; Tang Xin, Li Shoubing, Song Ke, Wang Gefan and Law Cheuk Kin Stephen were elected as independent non-executive directors.
- (f) On May 17, 2018, Xiao Ming, He Chenggang, Liu Chuncheng, Li Zhengqiang resigned as non-executive directors, Wu Beiyong and Zhang Zhixue resigned as independent non-executive directors; Guo Jiangtao, Lin Yusheng, Sun Yucun, Yin Xinquan, Mao Youzhi, Li He, Chen Guangqiang, Wang Wenqing and Xiong Song resigned as supervisors.
- (g) On March 4, 2019, Yang Jianjun and Ren Ren resigned as non-executive directors; Yang Jinsheng resigned as supervisor.



## 10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended December 31, 2019, there was no director or supervisor included in the five individuals with highest emoluments (2018: 1 supervisor). The emoluments for the other highest paid individuals are shown as follows:

	2019	2018
Salaries and other emoluments	7,278	6,115
Contributions to pension schemes	233	411
	<hr/>	<hr/>
Total	<u>7,511</u>	<u>6,526</u>

The number of these individuals whose emoluments are within the following bands is set out below:

	2019	2018
HKD500,000 – 1,000,000	–	–
HKD1,000,001 – 1,500,000	–	1
HKD1,500,001 – 2,000,000	5	–
HKD2,000,001 – 2,500,000	–	3
	<hr/>	<hr/>

None of these individuals received any inducement to join or upon joining the Bank or compensation for loss of office, or waived any emoluments during the year ended December 31, 2019 (2018: nil).

## 11 IMPAIRMENT LOSSES ON ASSETS

	2019	2018
Loans and advances to customers	2,012,147	2,071,935
Financial investments	828,056	257,937
Deposits with banks and other financial institutions	152,214	311
Credit commitments	136,175	61,646
Financial assets held under resale agreements	(8,047)	(691)
Others	52,224	1,145
	<hr/>	<hr/>
Total	<u>3,172,769</u>	<u>2,392,283</u>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 12 INCOME TAX

(a) Income tax:

	Note	2019	2018
Current tax		817,837	853,971
Deferred tax	21(b)	(290,088)	(427,503)
Total		<u>527,749</u>	<u>426,468</u>

(b) Reconciliations between income tax and accounting profit are as follows:

	Note	2019	2018
Profit before tax		<u>4,091,386</u>	<u>3,303,039</u>
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		<u>1,022,847</u>	<u>825,760</u>
Non-deductible expenses		26,094	33,639
Non-taxable income	(i)	<u>(521,192)</u>	<u>(432,931)</u>
Income tax		<u>527,749</u>	<u>426,468</u>

(i) The non-taxable income mainly represents the interest income arising from the PRC government bonds.



### 13 BASIC AND DILUTED EARNINGS PER SHARE

	<i>Note</i>	2019	2018
Net profit for the year		3,563,637	2,876,571
Weighted average number of ordinary shares (in thousands)	(i)	12,400,101	12,106,795
Basic and diluted earnings per share (in RMB)		<u>0.29</u>	<u>0.24</u>

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

#### (i) Weighted average number of ordinary shares (in thousands)

	2019	2018
Number of ordinary shares as at January 1	12,388,045	11,263,045
New added weighted average number of ordinary shares	<u>12,056</u>	<u>843,750</u>
Weighted average number of ordinary shares as at December 31	<u>12,400,101</u>	<u>12,106,795</u>





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 14 CASH AND DEPOSITS WITH THE CENTRAL BANK

	Note	2019	2018
Cash on hand		527,850	660,721
Deposits with the central bank			
– Statutory deposit reserves	(a)	23,841,935	25,579,210
– Surplus deposit reserves	(b)	39,711,745	19,534,491
– Fiscal deposits		54,226	15,522
Sub-total		63,607,906	45,129,223
Accrued interest		15,051	13,023
Total		64,150,807	45,802,967

- (a) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at December 31, the statutory deposit reserve ratios applicable to the Bank were as follows:

	2019	2018
Reserve ratio for RMB deposits	9.5%	12.0%
Reserve ratio for foreign currency deposits	5.0%	5.0%

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.



## 15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparties

	2019	2018
Deposits in mainland China		
– Banks	1,502,259	810,351
– Other financial institutions	54,564	23,480
	<hr/>	<hr/>
Sub-total	1,556,823	833,831
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
Deposits outside mainland China		
– Banks	4,887,100	–
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
Total	6,443,923	833,831
Accrued interest	1,009	1,566
Less: Provision for impairment losses	(152,785)	(571)
	<hr/>	<hr/>
Net carrying amount	6,292,147	834,826
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## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

#### (a) Analysed by type and location of counterparty

	2019	2018
In mainland China		
– Banks	9,918,480	14,694,198
Total	9,918,480	14,694,198
Accrued interest	5,096	14,177
Less: Provision for impairment losses	–	(8,047)
Total	9,923,576	14,700,328

#### (b) Analysed by type of collateral held

	2019	2018
Debt securities	9,918,480	14,694,198
Accrued interest	5,096	14,177
Less: Provision for impairment losses	–	(8,047)
Net carrying amount	9,923,576	14,700,328



## 17 LOANS AND ADVANCES TO CUSTOMERS

### (a) Analysed by nature

	2019	2018
<b>Loans and advances to customers measured at amortised cost</b>		
Corporate loans and advances	146,645,349	121,888,789
Personal loans and advances		
– Residential mortgage	14,048,634	9,765,545
– Personal business loans	10,115,646	5,808,339
– Personal consumption loans	1,261,060	1,253,326
– Credit cards	342,223	33,146
Sub-total	25,767,563	16,860,356
Accrued interest	398,707	333,357
Less: provision for loans and advances to customers measured at amortised cost	(6,916,728)	(4,642,033)
Sub-total	165,894,891	134,440,469
<b>Loans and advances to customers measured at fair value through other comprehensive income</b>		
Corporate loans and advances	1,538,422	–
Discounted bills	5,916,386	1,391,384
Sub-total	7,454,808	1,391,384
Net loans and advances to customers	173,349,699	135,831,853



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (b) Analysed by industry sector

	2019		Loans and advances secured by collaterals
	Amount	Percentage	
Leasing and commercial services	75,142,675	41.78%	29,459,229
Water resources, environment and public facilities management	13,032,016	7.25%	3,498,085
Construction	10,708,470	5.95%	5,735,601
Education	9,018,121	5.01%	547,990
Real estate	7,970,217	4.43%	5,730,922
Wholesale and retail trade	6,623,282	3.68%	974,640
Transportation, storage and postal services	5,844,251	3.25%	3,260,713
Mining	4,735,748	2.63%	1,809,107
Manufacturing	3,338,550	1.86%	564,600
Health and social work	3,258,891	1.81%	734,070
Production and supply of electric power, gas and water	2,684,131	1.49%	305,000
Agriculture, forestry, animal husbandry and fishery	1,708,863	0.95%	189,690
Accommodation and catering	1,531,296	0.85%	152,047
Resident services, repair and other services	645,439	0.36%	226,450
Culture, sports and entertainment	563,810	0.31%	51,920
Others	1,378,011	0.77%	36,770
Sub-total of corporate loans and advances	<u>148,183,771</u>	<u>82.38%</u>	<u>53,276,834</u>
Personal loans and advances	25,767,563	14.33%	17,747,906
Discounted bills	<u>5,916,386</u>	<u>3.29%</u>	<u>—</u>
Gross loans and advances to customers (excluding accrued interest)	<u>179,867,720</u>	<u>100.00%</u>	<u>71,024,740</u>



## 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (b) Analysed by industry sector (continued)

	2018		Loans and advances secured by collaterals
	Amount	Percentage	
Leasing and commercial services	58,709,061	41.89%	23,613,332
Water resources, environment and public facilities management	12,272,027	8.76%	5,879,964
Construction	9,409,421	6.71%	4,551,008
Education	9,070,794	6.47%	607,590
Real estate	7,055,666	5.03%	5,411,706
Transportation, storage and postal services	6,711,309	4.79%	3,847,375
Mining	4,313,641	3.08%	2,166,487
Health and social work	3,312,739	2.36%	889,900
Manufacturing	3,164,071	2.26%	802,003
Wholesale and retail trade	3,102,957	2.21%	957,136
Production and supply of electric power, gas and water	2,327,352	1.66%	672,854
Agriculture, forestry, animal husbandry and fishery	777,030	0.55%	118,670
Resident services, repair and other services	533,904	0.38%	91,567
Culture, sports and entertainment	512,910	0.37%	11,910
Accommodation and catering	201,698	0.14%	134,302
Others	414,209	0.30%	99,208
Sub-total of corporate loans and advances	<u>121,888,789</u>	<u>86.98%</u>	<u>49,855,012</u>
Personal loans and advances	16,860,356	12.03%	12,733,844
Discounted bills	<u>1,391,384</u>	<u>0.99%</u>	<u>–</u>
Gross loans and advances to customers (excluding accrued interest)	<u>140,140,529</u>	<u>100.00%</u>	<u>62,588,856</u>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (c) Analysed by type of collateral

	2019	2018
Unsecured loans	19,624,801	8,038,885
Guaranteed loans	89,218,179	69,512,788
Collateralised loans	33,151,268	28,413,338
Pledged loans	37,873,472	34,175,518
	<hr/>	<hr/>
Gross loans and advances to customers	179,867,720	140,140,529
Accrued interest	398,707	333,357
Less: provision for loans and advances to customers measured at amortised cost	(6,916,728)	(4,642,033)
	<hr/>	<hr/>
Net loans and advances to customers	<u>173,349,699</u>	<u>135,831,853</u>



## 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

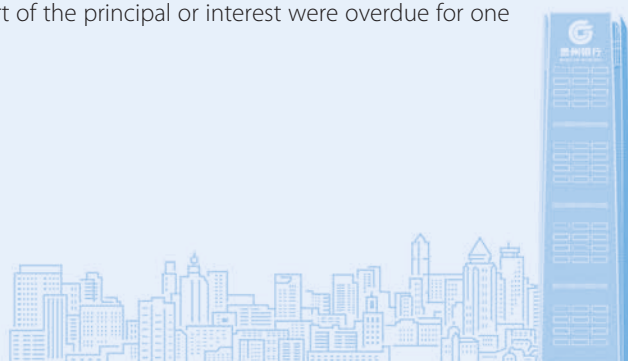
### (d) Overdue loans analysed by overdue period

	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	2019 Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	7,871	1,919	3,189	1,094	14,073
Guaranteed loans	25,741	41,513	57,835	19,993	145,082
Collateralised loans	393,979	101,950	262,687	21,491	780,107
Pledged loans	–	397,712	78,429	4,381	480,522
<b>Total</b>	<b>427,591</b>	<b>543,094</b>	<b>402,140</b>	<b>46,959</b>	<b>1,419,784</b>
As a percentage of gross loans and advances to customers	0.24%	0.30%	0.22%	0.03%	0.79%

	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	2018 Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	1,888	1,753	3,429	420	7,490
Guaranteed loans	24,888	37,821	66,522	13,648	142,879
Collateralised loans	44,285	293,284	484,903	46,707	869,179
Pledged loans	–	–	19,462	11,610	31,072
<b>Total</b>	<b>71,061</b>	<b>332,858</b>	<b>574,316</b>	<b>72,385</b>	<b>1,050,620</b>
As a percentage of gross loans and advances to customers	0.05%	0.24%	0.41%	0.05%	0.75%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (e) Loans and advances and provision for impairment losses

	2019			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss (Note (i))	
Total loans and advances to customers measured at amortised cost	168,935,340	1,299,227	2,178,345	172,412,912
Accrued interest	398,707	–	–	398,707
Less: provision for impairment losses	(4,993,932)	(458,988)	(1,463,808)	(6,916,728)
Carrying amount of loans and advances to customers measured at amortised cost	164,340,115	840,239	714,537	165,894,891
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	7,454,808	–	–	7,454,808
Total carrying amount of loans and advances to customers	171,794,923	840,239	714,537	173,349,699



## 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (e) Loans and advances and provision for impairment losses (continued)

	2018			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss (Note (i))	
Total loans and advances to customers measured at amortised cost	135,744,710	1,099,809	1,904,626	138,749,145
Accrued interest	333,357	–	–	333,357
Less: provision for impairment losses	(3,371,865)	(318,046)	(952,122)	(4,642,033)
Carrying amount of loans and advances to customers measured at amortised cost	132,706,202	781,763	952,504	134,440,469
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	1,391,384	–	–	1,391,384
Total carrying amount of loans and advances to customers	134,097,586	781,763	952,504	135,831,853

Note:

- (i) The loans and advances are “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the loans and advances have occurred. Evidence that loans and advances are credit-impaired includes the following observable data: significant financial difficulty of the borrower or issuer; a breach of contract, such as a default or delinquency in interest or principal payments; for economic or contractual reasons relating to the borrower’s financial difficulty, the Bank having granted to the borrower a concession that otherwise would not consider; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or debts overdue more than 90 days.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (f) Movements of provision for impairment losses

(i) Movements of provision for impairment losses measured at amortised cost:

	2019			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	3,371,865	318,046	952,122	4,642,033
Transferred:				
– to expected credit losses over the next 12 months	1,168	(386)	(782)	–
– to lifetime expected credit losses: not credit-impaired loans	(9,975)	9,975	–	–
– to lifetime expected credit losses: credit-impaired loans	(11,919)	(86,746)	98,665	–
Charge for the year	1,642,793	218,099	148,159	2,009,051
Write-offs	–	–	(92,254)	(92,254)
Transfer out	–	–	(324,366)	(324,366)
Recoveries	–	–	748,476	748,476
Others	–	–	(66,212)	(66,212)
As at December 31	<u>4,993,932</u>	<u>458,988</u>	<u>1,463,808</u>	<u>6,916,728</u>



## 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (f) Movements of provision for impairment losses (continued)

(i) Movement of provision for impairment losses measured at amortised cost: (continued)

	2018			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	1,826,600	361,899	789,710	2,978,209
Transferred:				
– to expected credit losses over the next 12 months	9,775	(545)	(9,230)	–
– to lifetime expected credit losses: not credit-impaired loans	(14,566)	15,161	(595)	–
– to lifetime expected credit losses: credit-impaired loans	(4,879)	(137,542)	142,421	–
Charge for the year	1,554,935	79,073	437,766	2,071,774
Write-offs	–	–	(517,033)	(517,033)
Recoveries	–	–	163,346	163,346
Others	–	–	(54,263)	(54,263)
As at December 31	<u>3,371,865</u>	<u>318,046</u>	<u>952,122</u>	<u>4,642,033</u>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (f) Movements of provision for impairment losses (continued)

- (ii) Movements of provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:

	2019			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	405	–	–	405
Charge for the year	3,096	–	–	3,096
As at December 31	3,501	–	–	3,501

	2018			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	244	–	–	244
Charge for the year	161	–	–	161
As at December 31	405	–	–	405

#### (g) Disposal of loans and advances

In May 2019, the Bank disposed certain loans and advances with gross amount of RMB1,917.09 million to China Cinda Asset Management Co., Ltd. Guizhou Branch (the "Cinda Asset Management") at a consideration of RMB673.81 million, the above loans and advances included the continuing involvement assets amounting to RMB470.00 million as described in Note 22(e), with provision amounting to RMB 324.37 million. As at December 31, 2019, the Bank has received the consideration in full.

## 18 FINANCIAL INVESTMENTS

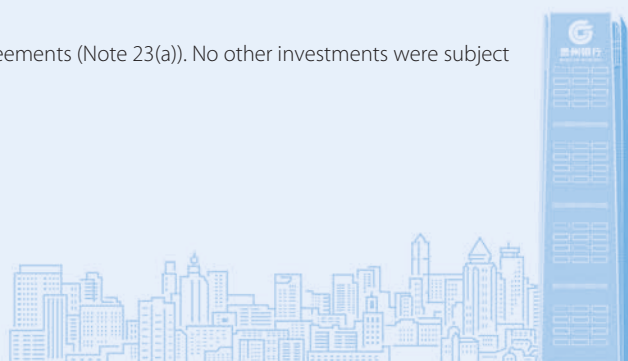
	<i>Note</i>	2019	2018
Financial investments at fair value through profit or loss	(a)	12,217,953	8,670,658
Financial investments at fair value through other comprehensive income	(b)	30,011,934	14,117,103
Financial investments at amortised cost	(c)	105,804,159	113,857,259
Total		<u>148,034,046</u>	<u>136,645,020</u>

### (a) Financial investments at fair value through profit or loss

	<i>Note</i>	2019	2018
Debt securities issued by the following institutions in mainland China	(i)		
– Government		104,580	103,920
– Policy banks		1,711,141	354,238
– Banks and other financial institutions		1,136,965	1,753,743
– Corporate		101,640	464,076
Sub-total		<u>3,054,326</u>	<u>2,675,977</u>
Listed		101,640	101,215
Unlisted		2,952,686	2,574,762
Wealth management products issued by financial institutions			
– Unlisted		<u>1,250,215</u>	<u>2,671,166</u>
Investment funds managed by public fund manager			
– Unlisted		<u>7,913,412</u>	<u>3,323,515</u>
Total		<u>12,217,953</u>	<u>8,670,658</u>

*Note:*

- (i) Certain debt securities were pledged for repurchase agreements (Note 23(a)). No other investments were subject to material restrictions in the realization.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 FINANCIAL INVESTMENTS (CONTINUED)

#### (b) Financial investments at fair value through other comprehensive income

	<i>Note</i>	2019	2018
Debt securities issued by the following institutions in mainland China	(i)		
– Government		3,574,330	6,344,076
– Policy banks		12,416,743	3,473,243
– Banks and other financial institutions		1,476,882	–
– Corporate		11,776,530	4,000,456
		<hr/>	<hr/>
Sub-total		29,244,485	13,817,775
		<hr style="border-top: 1px dashed #000;"/>	<hr style="border-top: 1px dashed #000;"/>
Listed		7,134,034	8,336,151
Unlisted		22,110,451	5,481,624
		<hr/>	<hr/>
Accrued interest		729,699	261,578
		<hr style="border-top: 1px dashed #000;"/>	<hr style="border-top: 1px dashed #000;"/>
Equity investments	(ii)		
– Unlisted		37,750	37,750
		<hr/>	<hr/>
Total		30,011,934	14,117,103
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## 18 FINANCIAL INVESTMENTS (CONTINUED)

### (b) Financial investments at fair value through other comprehensive income (continued)

Notes:

- (i) Certain debt securities were pledged for repurchase agreements (Note 23(a)). No other investment were subject to material restrictions in the realization.
- (ii) The Bank designates non-trading equity investments as financial investments at fair value through other comprehensive income. The Bank did not dispose of any such equity investment, nor transfer any cumulative gain or loss from other comprehensive income to retained earnings during the reporting period.
- (iii) Movements of provision for impairment of financial investments at fair value through other comprehensive income are as follows:

	2019			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at January 1	5,026	–	–	5,026
Transferred:				
– to lifetime expected credit losses not credit-impaired:	(121)	121	–	–
Charge for the year	3,265	7,074	–	10,339
Balance at December 31	8,170	7,195	–	15,365

	2018			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at January 1	1,973	–	–	1,973
Charge for the year	3,053	–	–	3,053
Balance at December 31	5,026	–	–	5,026





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 FINANCIAL INVESTMENTS (CONTINUED)

#### (c) Financial investments at amortised cost

	Note	2019	2018
Debt securities issued by the following institutions in mainland China	(i)		
– Government		39,231,278	41,499,573
– Policy banks		5,628,442	4,390,447
– Corporate		919,854	919,612
		<u>45,779,574</u>	<u>46,809,632</u>
Sub-total		45,779,574	46,809,632
Listed		500,000	500,000
Unlisted		45,279,574	46,309,632
Investment management products managed by trust plans		10,157,024	10,652,335
Investment management products managed by asset management companies		50,046,590	56,734,667
Private debt financing plans		815,913	400,000
		<u>61,019,527</u>	<u>67,787,002</u>
Sub-total		61,019,527	67,787,002
Accrued interest		1,007,121	1,045,053
Less: Provision for impairment losses	(i)	(2,002,063)	(1,784,428)
Total		<u>105,804,159</u>	<u>113,857,259</u>



## 18 FINANCIAL INVESTMENTS (CONTINUED)

### (c) Financial investments at amortised cost (continued)

Notes:

- (i) Certain debt securities were pledged for repurchase agreements (Note 23(a)). No other investments were subject to material restrictions in the realization.
- (ii) Movements of provision for impairment of financial investments at amortised cost are as follows:

	2019			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at January 1	799,882	–	984,546	1,784,428
Transferred:				
– to lifetime expected credit losses not credit-impaired:	(1,298)	1,298	–	–
Charge for the year	447,114	4,450	366,153	817,717
Transfer out	–	–	(600,082)	(600,082)
Balance at December 31	<u>1,245,698</u>	<u>5,748</u>	<u>750,617</u>	<u>2,002,063</u>

	2018			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at January 1	530,298	–	999,246	1,529,544
Charge/(release) for the year	<u>269,584</u>	<u>–</u>	<u>(14,700)</u>	<u>254,884</u>
Balance at December 31	<u>799,882</u>	<u>–</u>	<u>984,546</u>	<u>1,784,428</u>

- (iii) Disposal of financial investments at amortised cost

In May 2019, the Bank disposed certain financial investments with gross amount of RMB879.28 million to the Cinda Asset Management at a consideration of RMB279.19 million, the provision of the financial investments amounted to RMB600.08 million. As at December 31, 2019, the Bank has received the consideration in full.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 19 INTEREST IN ASSOCIATES

	Note	2019	2018
Interest in associates	(a)	75,306	94,564

Note:

- (a) The following list contains the Bank's associates, all of which are individually immaterial to the Bank and are unlisted corporate entities whose quoted market price is not available.

Name	Note	2019	2018	Place of incorporation/ registration	Business sector
Guiyang Baiyun Dixin Rural Bank Co., Ltd. (貴陽白雲德信村鎮銀行股份有限公司)		20%	20%	Guiyang Guizhou Province	Commercial bank
Qingzhen Xingbang Rural Bank Co., Ltd. (清鎮興邦村鎮銀行有限責任公司)	(i)	15%	15%	Guiyang Guizhou Province	Commercial bank
Zunyi Bozhou Huilong Town Bank Co., Ltd. (遵義播州匯隆村鎮銀行有限責任公司)		20%	20%	Zunyi Guizhou Province	Commercial bank
Suiyang Qianbei Town Bank Co., Ltd. (綏陽黔北村鎮銀行有限責任公司)		20%	20%	Zunyi Guizhou Province	Commercial bank
Zunyi Huichuan Qianxing Town Bank Co., Ltd. (遵義匯川黔興村鎮銀行有限責任公司)		20%	20%	Zunyi Guizhou Province	Commercial bank
Liupanshui Zhongshan Liangdu Town Bank Co., Ltd. (六盤水鐘山涼都村鎮銀行股份有限公司)		20%	20%	Liupanshui Guizhou Province	Commercial bank
Panzhou Wanhe Rural Bank Co., Ltd. (盤州萬和村鎮銀行有限責任公司)		20%	20%	Liupanshui Guizhou Province	Commercial bank
Pingba Dingli Rural Bank Co., Ltd. (平壩鼎立村鎮銀行有限責任公司)		20%	20%	Anshun Guizhou Province	Commercial bank
Anshun Xihang Nanma Rural Bank Co., Ltd. (安順西航南馬村鎮銀行有限責任公司)	(i)	15%	15%	Anshun Guizhou Province	Commercial bank
Longli County Guofeng Rural Bank Co., Ltd. (龍里國豐村鎮銀行有限責任公司)		20%	20%	Qiannan Bouyei and Miao Autonomous Prefecture, Guizhou Province	Commercial bank
Duyun Rongtong Town Bank Co., Ltd. (都勻融通村鎮銀行有限責任公司)		20%	20%	Qiannan Bouyei and Miao Autonomous Prefecture, Guizhou Province	Commercial bank
Tongren Fengyuan Town Bank Co., Ltd. (銅仁豐源村鎮銀行有限責任公司)		20%	20%	Tongren Guizhou Province	Commercial bank
Kaili Dongnan Town Bank Co., Ltd. (凱里東南村鎮銀行有限責任公司)		20%	20%	Qiandongnan Miao and Dong Autonomous Prefecture, Guizhou Province	Commercial bank

## 19 INTEREST IN ASSOCIATES (CONTINUED)

Note:

- (i) At December 31, 2019, the Bank held 15% interest each in Qingzhen Xingbang Rural Bank Co., Ltd., and Anshun Xihang Nanma Rural Bank Co., Ltd., and was the largest shareholder of these rural banks. Meanwhile, the Bank appointed directors to these rural banks, which exerted significant influence on these rural banks.

The following tables illustrate the aggregate information of the Bank's associates that are not individually material:

	2019	2018
Aggregate carrying amount of individually immaterial associates in the statements of financial position of the Bank	75,306	94,564
Declaration of cash dividends	-	-
Aggregate amounts of the Bank's share of results of those associates		
– Losses from continuing operations	(19,258)	(34,460)
– Other comprehensive income	-	-
– Total comprehensive income	(19,258)	(34,460)

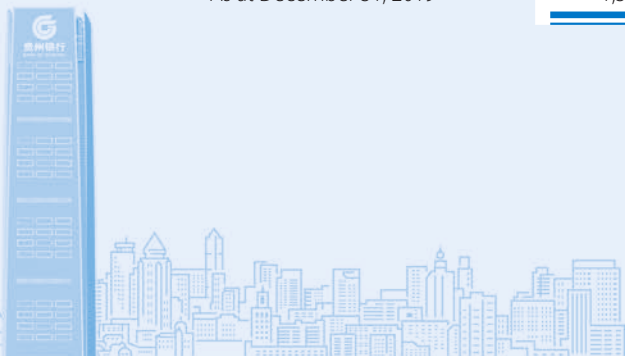


## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20 PROPERTY AND EQUIPMENT

	Premises	Vehicles	Electronic equipment and others	Construction in process	Total
<b>Cost</b>					
As at January 1, 2018	1,903,843	89,364	522,874	80,015	2,596,096
Additions	67,316	1,369	47,615	1,629,685	1,745,985
Disposals	(33,737)	(4,430)	(17,244)	(7,744)	(63,155)
Transfer in/(out)	33,520	–	3,162	(36,682)	–
As at December 31, 2018	<u>1,970,942</u>	<u>86,303</u>	<u>556,407</u>	<u>1,665,274</u>	<u>4,278,926</u>
Additions	9,632	585	28,956	420,993	460,166
Disposals	–	(2,089)	(52,464)	(14,368)	(68,921)
Transfer out	(21,669)	–	–	(25,559)	(47,228)
As at December 31, 2019	<u>1,958,905</u>	<u>84,799</u>	<u>532,899</u>	<u>2,046,340</u>	<u>4,622,943</u>
<b>Accumulated depreciation</b>					
As at January 1, 2018	(440,109)	(60,253)	(298,996)	–	(799,358)
Charge for the year	(93,392)	(9,651)	(98,972)	–	(202,015)
Disposals	771	3,115	11,930	–	15,816
As at December 31, 2018	<u>(532,730)</u>	<u>(66,789)</u>	<u>(386,038)</u>	<u>–</u>	<u>(985,557)</u>
Charge for the year	(94,657)	(6,712)	(89,211)	–	(190,580)
Disposals	–	2,026	38,523	–	40,549
Transfer out	6,161	–	–	–	6,161
As at December 31, 2019	<u>(621,226)</u>	<u>(71,475)</u>	<u>(436,726)</u>	<u>–</u>	<u>(1,129,427)</u>
<b>Net book value</b>					
As at December 31, 2018	<u>1,438,212</u>	<u>19,514</u>	<u>170,369</u>	<u>1,665,274</u>	<u>3,293,369</u>
As at December 31, 2019	<u>1,337,679</u>	<u>13,324</u>	<u>96,173</u>	<u>2,046,340</u>	<u>3,493,516</u>



## 20 PROPERTY AND EQUIPMENT (CONTINUED)

At December 31, 2019, the net book value of premises of which title deeds were not yet finalized was RMB294.34 million (December 31, 2018: RMB1,088.12 million). The Bank is still in the progress of applying the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant costs in obtaining the title deeds. The carrying value of the Bank's premises is analysed based on the remaining terms of the land leases as follows:

	2019	2018
Held in mainland China		
– Medium-term leases (10–50 years)	507,335	562,134
– Long-term leases (over 50 years)	<u>830,344</u>	<u>876,078</u>
Total	<u><u>1,337,679</u></u>	<u><u>1,438,212</u></u>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 21 DEFERRED TAX ASSETS

#### (a) Analysed by nature

	2019		2018	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets/(liabilities)				
– Allowance for impairment losses	10,842,456	2,710,614	9,481,308	2,370,327
– Accrued staff costs	586,052	146,513	636,236	159,059
– Supplemental retirement benefits	46,280	11,570	120,664	30,166
– Fair value changes of financial assets	(396,088)	(99,022)	(203,004)	(50,751)
– Others	26,048	6,512	26,040	6,510
Net deferred income tax	<u>11,104,748</u>	<u>2,776,187</u>	<u>10,061,244</u>	<u>2,515,311</u>

#### (b) Movements of deferred tax

	Allowance for impairment losses	Accrued staff costs	Supplemental retirement benefits	Change in fair value	Others	Net balance of deferred tax assets
January 1, 2018	2,031,605	49,409	24,073	56,341	(228)	2,161,200
Recognised in profit or loss	338,722	109,650	6,093	(33,700)	6,738	427,503
Recognised in other comprehensive income	–	–	–	(73,392)	–	(73,392)
December 31, 2018	2,370,327	159,059	30,166	(50,751)	6,510	2,515,311
Recognised in profit or loss	340,287	(12,546)	(18,596)	(19,059)	2	290,088
Recognised in other comprehensive income	–	–	–	(29,212)	–	(29,212)
December 31, 2019	<u>2,710,614</u>	<u>146,513</u>	<u>11,570</u>	<u>(99,022)</u>	<u>6,512</u>	<u>2,776,187</u>



## 22 OTHER ASSETS

	<i>Note</i>	2019	2018
Right-of-use assets	(a)	581,824	–
Deferred expenses		200,971	263,720
Reposessed assets		165,522	421,802
Intangible assets	(b)	187,505	206,921
Investment properties	(c)	18,637	4,499
Interests receivable	(d)	7,840	42,735
Continuing involvement assets	(e)	–	470,000
Other receivables		131,217	74,964
		<hr/>	<hr/>
Total		1,293,516	1,484,641
		<hr/> <hr/>	<hr/> <hr/>

### (a) Right-of-use assets

	Property
<b>Cost</b>	
As at January 1, 2019	567,936
Additions	165,927
	<hr/>
As at December 31, 2019	733,863
	<hr/> <hr/>
<b>Accumulated depreciation</b>	
As at January 1, 2019	–
Additions	(152,039)
	<hr/>
As at December 31, 2019	(152,039)
	<hr/> <hr/>
<b>Net book value</b>	
As at January 1, 2019	567,936
	<hr/> <hr/>
As at December 31, 2019	581,824
	<hr/> <hr/>





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 OTHER ASSETS (CONTINUED)

#### (b) Intangible assets

	Computer software	Land use rights	Total
<b>Cost:</b>			
As at January 1, 2018	241,510	112,117	353,627
Additions	8,713	–	8,713
Disposals	(2,215)	–	(2,215)
As at December 31, 2018	248,008	112,117	360,125
Additions	10,480	–	10,480
Disposals	(50,518)	–	(50,518)
As at December 31, 2019	207,970	112,117	320,087
<b>Accumulated amortization:</b>			
As at January 1, 2018	(93,310)	(15,780)	(109,090)
Additions	(42,730)	(2,866)	(45,596)
Disposals	1,482	–	1,482
As at December 31, 2018	(134,558)	(18,646)	(153,204)
Additions	(25,789)	(2,866)	(28,655)
Disposals	49,277	–	49,277
As at December 31, 2019	(111,070)	(21,512)	(132,582)
<b>Book value:</b>			
As at December 31, 2018	113,450	93,471	206,921
As at December 31, 2019	96,900	90,605	187,505



## 22 OTHER ASSETS (CONTINUED)

### (c) Investment properties

	Investment properties
<b>Cost:</b>	
As at January 1, 2018	16,280
Additions	–
Disposals	(9,710)
	<hr/>
As at December 31, 2018	6,570
Transfer in	21,669
	<hr/>
As at December 31, 2019	28,239
	<hr style="border-top: 1px dashed black;"/>
<b>Accumulated depreciation:</b>	
As at January 1, 2018	(1,563)
Additions	(585)
Disposals	77
	<hr/>
As at December 31, 2018	(2,071)
Additions	(1,370)
Transfer in	(6,161)
	<hr/>
As at December 31, 2019	(9,602)
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<b>Book value:</b>	
As at December 31, 2018	4,499
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As at December 31, 2019	18,637
	<hr style="border-top: 3px double black;"/>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 OTHER ASSETS (CONTINUED)

#### (d) Interests receivable

	2019	2018
Interests receivable arising from:		
Financial investments	–	40,050
Loans and advances to customers	7,840	2,685
	<hr/>	<hr/>
Total	7,840	42,735
	<hr/> <hr/>	<hr/> <hr/>

As at December 31, 2019, interests receivable only includes interest that has been due for the relevant financial instruments but not yet received at the balance sheet date. Interest on financial instruments based on the effective interest method has been reflected in the balance of corresponding financial instruments.

#### (e) Continuing involvement assets

In 2017, the Bank entered into securitization transaction by which it transferred its impaired loans to the structured entity which issues asset-backed securities to investors at China Credit Assets Registration & Exchange Co., Ltd. The impaired loans with total amount of RMB3,126.52 million was securitised by the Bank. The provision of the impaired loans amounted to RMB2,186.52 million. The total consideration amounted to RMB940.00 million and the Bank held the RMB470.00 million subordinated tranche. The Bank retains interests in the form of subordinated tranche which gives rise to the Bank's continuing involvement in the transferred assets. The financial asset is recognised on the statements of financial position to the extent of the Bank's continuing involvement. The extent of the Bank's continuing involvement is the extent to which the Bank is exposed to the changes in the value of the transferred assets. As at December 31, 2018, the carrying amount of assets that the Bank continues to recognise amounted to RMB470.00 million and the assets were recognised in loans and advances to customers. Arising from this continuing involvement, the Bank recognised continuing involvement assets and liabilities of RMB470.00 million each. In May 2019, the Bank disposed the assets recognised in loans and advances to customers amounted to RMB470.00 million to the Cinda Asset Management as part of the disposing of loans and advances as described in Note 17(g). Therefore, the continuing involvement assets and liabilities were derecognised accordingly.



## 23 PLEDGED ASSETS

### (a) Assets pledged as collateral

	2019	2018
Borrowing from the central bank:		
– Bills discounted	172,000	320,583
For repurchase agreements:		
– Financial investments measured at fair value through profit or loss	515,000	–
– Financial investments measured at fair value through other comprehensive income	5,981,200	222,000
– Financial investments measured at amortised cost	1,465,000	2,091,000
	<hr/>	<hr/>
Total	8,133,200	2,633,583
	<hr/> <hr/>	<hr/> <hr/>

Financial assets pledged by the Bank as collateral for liabilities are mainly debt securities for repurchase agreements.

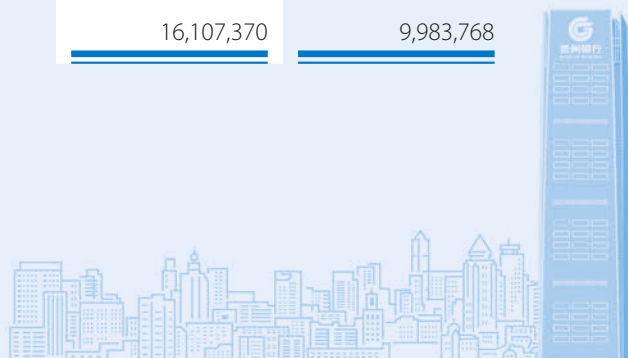
### (b) Pledged assets received

The Bank conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at December 31, 2019, the carrying amount of the received pledged assets was RMB10,297.00 million (December 31, 2018: RMB16,518.00 million).

## 24 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

### Analysed by type of and location of counterparty

	2019	2018
Deposits in mainland China		
– Banks	8,169,450	5,096,769
– Other financial institutions	7,830,890	4,843,334
	<hr/>	<hr/>
Sub-total	16,000,340	9,940,103
Accrued interest	107,030	43,665
	<hr/>	<hr/>
Total	16,107,370	9,983,768
	<hr/> <hr/>	<hr/> <hr/>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 25 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2019	2018
In mainland China		
– Banks	1,000,000	–
Accrued interest	1,137	–
	<hr/>	<hr/>
Total	1,001,137	–
	<hr/> <hr/>	<hr/> <hr/>

### 26 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

#### (a) Analysed by type and location of counterparty

	2019	2018
In mainland China		
– Banks	7,961,200	2,175,200
	<hr/>	<hr/>
Sub-total	7,961,200	2,175,200
Accrued interest	5,558	76
	<hr/>	<hr/>
Total	7,966,758	2,175,276
	<hr/> <hr/>	<hr/> <hr/>

#### (b) Analysed by type of collateral held

	2019	2018
Debt securities	7,961,200	2,175,200
	<hr/>	<hr/>
Sub-total	7,961,200	2,175,200
Accrued interest	5,558	76
	<hr/>	<hr/>
Total	7,966,758	2,175,276
	<hr/> <hr/>	<hr/> <hr/>



## 27 DEPOSITS FROM CUSTOMERS

	2019	2018
Demand deposits		
– Corporate customers	104,078,285	116,480,206
– Individual customers	<u>27,395,695</u>	<u>26,552,727</u>
Sub-total	<u>131,473,980</u>	<u>143,032,933</u>
Time deposits		
– Corporate customers	50,867,873	31,948,515
– Individual customers	<u>54,222,582</u>	<u>36,284,029</u>
Sub-total	<u>105,090,455</u>	<u>68,232,544</u>
Pledged deposits	21,737,166	7,383,606
Fiscal deposits	5,343	5,438
Inward and outward remittances	<u>132,379</u>	<u>132,248</u>
Sub-total	258,439,323	218,786,769
Accrued interest	<u>1,827,148</u>	<u>1,296,966</u>
Total	<u>260,266,471</u>	<u>220,083,735</u>



## NOTES TO THE FINANCIAL STATEMENTS

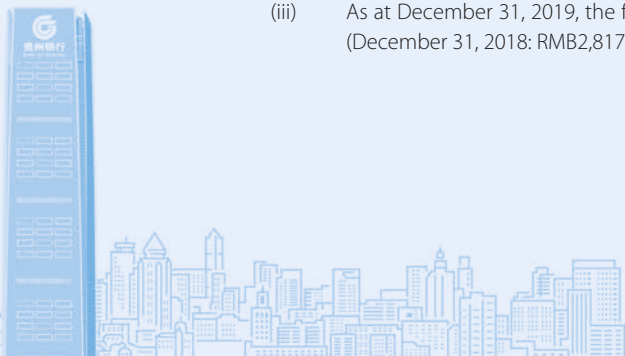
(Expressed in thousands of Renminbi, unless otherwise stated)

### 28 DEBT SECURITIES ISSUED

	Note	2019	2018
Interbank deposits issued	(a)	76,260,934	70,422,572
Financial bonds issued	(b)	4,997,577	4,996,636
Tier-two capital bonds issued	(c)	2,792,446	2,791,375
Accrued interest		71,775	71,829
Total		84,122,732	78,282,412

Notes:

- (a) Interbank deposits issued
- (i) In 2018, the Bank issued a number of certificates of interbank deposits with total nominal amount of RMB72,010.00 million and duration between 9 to 12 months. The effective interest rates ranged from 3.79% to 5.50% per annum.
- (ii) In 2019, the Bank issued a number of certificates of interbank deposits with total nominal amount of RMB80,180.00 million and duration between 1 to 12 months. The effective interest rates ranged from 2.73% to 3.86% per annum.
- (iii) As at December 31, 2019, the fair value of outstanding interbank deposits amounted to RMB79,137.95 million (December 31, 2018: RMB70,546.94 million).
- (b) Financial bonds issued
- (i) In November 2018, the Bank issued three-year fixed-rate green financial bonds with total nominal amount of RMB3,000.00 million. The coupon interest rate per annum is 4.03%.
- (ii) In December 2018, the Bank issued three-year fixed-rate green financial bonds with total nominal amount of RMB2,000.00 million. The coupon interest rate per annum is 4.00%.
- (iii) As at December 31, 2019, the fair value of outstanding financial bonds amounted to RMB5,046.48 million (December 31, 2018: RMB5,001.10 million).
- (c) Tier-two capital bonds issued
- (i) In June 2018, the Bank issued fixed-rate tier-two capital bonds with total nominal amount of RMB1,800.00 million and a maturity of 10 years. The coupon interest rate per annum is 5.00%.
- (ii) In December 2018, the Bank issued fixed-rate tier-two capital bonds with total nominal amount of RMB1,000.00 million and a maturity of 10 years. The coupon interest rate per annum is 5.50%.
- (iii) As at December 31, 2019, the fair value of outstanding tier-two capital bonds amounted to RMB2,886.70 million (December 31, 2018: RMB2,817.12 million).



## 29 OTHER LIABILITIES

	Note	2019	2018
Accrued staff cost	(a)	1,219,842	926,715
Lease liabilities		566,933	–
Provisions	(b)	311,323	175,148
Other tax payable		201,126	58,127
Payment and collection clearance accounts		619,942	115,389
Dividend payable		48,276	48,304
Continuing involvement liabilities	22(e)	–	470,000
Other payables		322,648	218,654
		<u>3,290,090</u>	<u>2,012,337</u>
Total		<u>3,290,090</u>	<u>2,012,337</u>

### (a) Accrued staff cost

	2019	2018
Salary, bonuses and allowances payable	1,033,782	714,887
Social insurance payable	60,830	47,155
Labor union fee, staff and workers' education fee	27,000	1,633
Supplementary retirement benefits payable	98,230	163,040
	<u>1,219,842</u>	<u>926,715</u>
Total	<u>1,219,842</u>	<u>926,715</u>

### **Supplementary retirement benefits**

The supplementary retirement benefits of the Bank include early retirement plan and supplementary retirement plan. The early retirement benefits is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Bank's eligible employees.





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 29 OTHER LIABILITIES (CONTINUED)

#### (a) Accrued staff cost (continued)

##### *Supplementary retirement benefits (continued)*

(i) The balances of supplementary retirement benefits of the Bank are as follows:

	2019	2018
Present value of early retirement plan	13,740	17,450
Present value of supplementary retirement benefits	84,490	145,590
Total	<u>98,230</u>	<u>163,040</u>

(ii) The movements of supplementary retirement benefits of the Bank are as follows:

	2019	2018
As at January 1	163,040	122,690
Benefits paid during the year	(153,756)	(50,997)
Defined benefit cost recognised in profit or loss	79,396	75,347
Defined benefit cost recognised in other comprehensive income	9,550	16,000
As at December 31	<u>98,230</u>	<u>163,040</u>

(iii) Principal actuarial assumptions of the Bank are as follows:

Early retirement plan

	2019	2018
Discount rate	3.00%	3.00%
Retired age		
Male	60	60
Female	55	55
Annual withdrawal rate	3.00%	3.00%



## 29 OTHER LIABILITIES (CONTINUED)

### (a) Accrued staff cost (continued)

(iii) Principal actuarial assumptions of the Bank are as follows: (continued)

Supplementary retirement plan

	2019	2018
Discount rate	3.50%	3.50%
Retired age		
Male	60	60
Female	55	55
Annual withdrawal rate	3.00%	3.00%

### (b) Provisions

	Note	2019	2018
Provision for credit commitments	(i)	311,323	175,148

(i) Movements of provisions for credit commitments are as follows:

	2019			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
As at January 1	160,246	9,453	5,449	175,148
Charge/(release) for the year	89,627	51,885	(5,337)	136,175
As at December 31	249,873	61,338	112	311,323

	2018			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
As at January 1	108,948	51	4,503	113,502
Transferred				
– to lifetime expected credit losses credit-impaired	(80)	–	80	–
Charge for the year	51,378	9,402	866	61,646
As at December 31	160,246	9,453	5,449	175,148



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30 SHARE CAPITAL

#### Authorised and issued share capital

	2019	2018
Ordinary shares in Mainland China	12,388,047	12,388,045
Ordinary shares listed in Hong Kong (H-share)	2,200,000	–
Total	<u>14,588,047</u>	<u>12,388,045</u>

In accordance with the Approval from Guizhou Bureau of the former CBRC on the Capital Contribution Plan of Bank of Guizhou Co., Ltd. (《貴州銀監局關於貴州銀行股份有限公司第三次增資擴股方案的批覆》) (黔銀監覆[2017] 300號), the Bank has received cash injection from the investors amounting to RMB2,362.50 million to subscribe 1,125,000,000 shares in 2018.

In accordance with the Approval from Guizhou Bureau of the former CBRC on the Capital Contribution Plan of Bank of Guizhou Co., Ltd. (《貴州銀監局關於貴州銀行股份有限公司第三次增資擴股方案的批覆》) (黔銀監覆[2017] 300號), the Bank has received cash injection from the investors amounting to RMB3,173.60 to subscribe 1,511.23 shares in 2019.

On December 30, 2019, the Bank issued 2,200.00 million H Shares with a par value of RMB1.00 at an offering price of HKD2.48 per share (the "H-share offering").

All the H shares have been listed on the Stock Exchange of Hong Kong Limited. The H Shares rank pari passu in all respects with the existing ordinary shares in Mainland China including the right to receive all dividends and distributions declared or made.



## 31 RESERVES

### (a) Capital reserve

	2019	2018
Share premium	8,840,110	6,264,920

As stated in Note 30, the Bank issued H shares with a par value of RMB1.00 at an offering price of HKD2.48 per share in 2019. The premium arising from the issuance of new shares amounting to RMB2,575.19 million was recorded in capital reserve.

### (b) Surplus reserve

The surplus reserve at the end of each of the reporting period represented statutory surplus reserve and discretionary surplus reserve.

Pursuant to the Company Law of the PRC and the Articles of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC GAAP after making good prior year's accumulated loss, to statutory surplus reserve until the balance reaches 50% of its registered capital.

The Bank appropriated an amount of RMB356.36 million to the statutory surplus reserve for the year ended December 31, 2019 (2018: RMB288.28 million).

The Bank may also appropriate discretionary surplus reserve in accordance with the resolution of the shareholders.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 31 RESERVES (CONTINUED)

#### (c) General reserve

Pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)” issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis.

#### (d) Fair value reserve

	2019	2018
As at January 1	78,163	(142,011)
Changes in fair value recognised in other comprehensive income	164,165	413,095
Transfer to profit or loss upon disposal	(47,316)	(119,529)
Less: deferred tax	(29,212)	(73,392)
	<u>165,800</u>	<u>78,163</u>

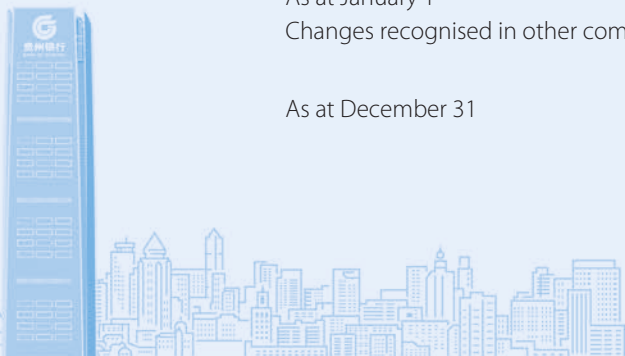
#### (e) Impairment reserve

	2019	2018
As at January 1	5,431	2,217
Impairment losses recognised in other comprehensive income	13,435	3,214
	<u>18,866</u>	<u>5,431</u>

#### (f) Deficit on remeasurement of net defined benefit liability

Deficit on remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	2019	2018
As at January 1	(8,460)	7,540
Changes recognised in other comprehensive income	(9,550)	(16,000)
	<u>(18,010)</u>	<u>(8,460)</u>



## 32 RETAINED EARNINGS

### (a) Appropriation of profits

In accordance with the resolution of the Bank's Board of Directors Meeting held on March 26, 2020, the proposed profit appropriations for the year ended December 31, 2019 is listed as follows:

- Appropriation of statutory surplus reserve amounted to RMB356.36 million;
- Appropriation of general reserve amounted to RMB710.00 million; and
- Declaration of cash dividend of RMB0.7 per 10 shares before tax and in an aggregation amount of RMB1,021.16 million to all existing shareholders.

In accordance with the resolution of the Bank's Annual General Meeting on March 26, 2019, the shareholders approved the following profit appropriations for the year ended December 31, 2018:

- Appropriation of statutory surplus reserve amounted to RMB288.28 million; and
- Appropriation of general reserve amounted to RMB750.00 million.

## 33 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

### (a) Structured entities sponsored by third party institutions in which the Bank holds an interest:

The Bank holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include the investment management products under trust schemes, investment management products managed by securities companies and wealth management products issued by financial institutions. 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.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 33 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

#### (a) Structured entities sponsored by third party institutions in which the Bank holds an interest: (continued)

The following table sets out an analysis of the carrying amounts of interests held by the Bank in unconsolidated structured entities, as well as an analysis of the line items in the statements of financial position in which relevant assets are recognised at December 31:

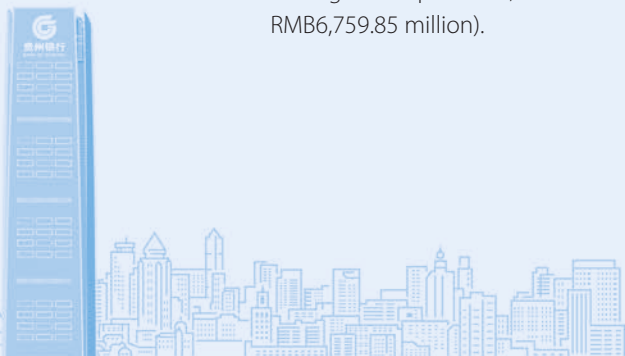
	2019		2018	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	9,163,627	9,163,627	5,994,681	5,994,681
Financial investments at fair value through other comprehensive income	790,000	790,000	–	–
Financial investments at amortised cost	<u>58,274,551</u>	<u>58,274,551</u>	<u>65,627,794</u>	<u>65,627,794</u>
Total	<u><u>68,228,178</u></u>	<u><u>68,228,178</u></u>	<u><u>71,622,475</u></u>	<u><u>71,622,475</u></u>

At December 31, 2019, the carrying amounts of the unconsolidated structured entities are equal to the maximum exposures.

#### (b) Structured entities sponsored by the Bank which the Bank does not consolidate but holds an interest in:

The types of unconsolidated structured entities sponsored by the Bank include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to 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 Bank includes investments in units issued by these structured entities and fees charged by providing management services. At December 31, 2018 and 2019, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the statements of financial positions.

At December 31, 2019, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Bank was RMB14,976.19 million (December 31, 2018: RMB6,759.85 million).



### 33 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

#### (c) Unconsolidated structures entities sponsored by the Bank during the years which the Bank does not have an interest in as at December 31:

For the year ended December 31, 2019, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Bank after January 1, but matured before December 31 amounted to RMB9,213.26 million (2018: RMB6,597.19 million).

### 34 CAPITAL MANAGEMENT

The Bank's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Bank calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Bank is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Bank's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

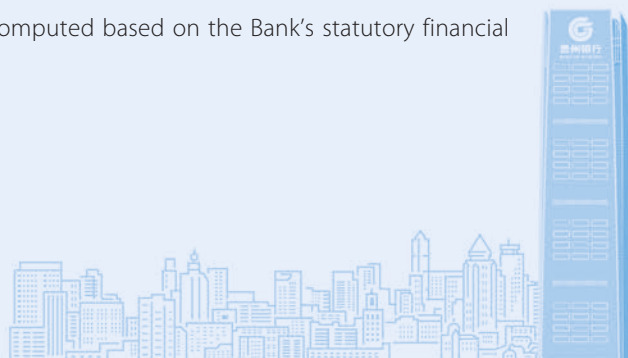
The Bank considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Bank calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the former CBRC.

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardized approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios of the Bank illustrated below are computed based on the Bank's statutory financial statements prepared in accordance with PRC GAAP.





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 34 CAPITAL MANAGEMENT (CONTINUED)

The Bank's capital adequacy ratios calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	2019	2018
Total core tier-one capital		
– Share capital	14,588,047	12,388,045
– Qualifying portion of capital reserve	9,006,766	6,362,605
– Surplus reserve	1,491,061	1,134,697
– General reserve	3,360,000	2,610,000
– Retained earnings	5,443,368	3,398,183
	<hr/>	<hr/>
Core tier-one capital	33,889,242	25,893,530
Core tier-one capital deductions	(172,206)	(208,014)
	<hr/>	<hr/>
Net core tier-one capital	33,717,036	25,685,516
	<hr/>	<hr/>
Net tier-one capital	33,717,036	25,685,516
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Tier-two capital		
– Instruments issued and share premium	2,792,446	2,843,375
– Surplus provision for loan impairment	3,095,651	2,504,891
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Net tier-two capital	5,888,097	5,348,266
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Net capital base	39,605,133	31,033,782
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Total risk weighted assets	274,014,084	241,843,544
Core tier-one capital adequacy ratio	12.30%	10.62%
Tier-one capital adequacy ratio	12.30%	10.62%
Capital adequacy ratio	14.45%	12.83%
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## 35 NOTES TO THE CASH FLOW STATEMENTS

### (a) Net increase/(decrease) in cash and cash equivalents

	2019	2018
Cash and cash equivalents as at December 31	55,691,761	35,118,336
Less: Cash and cash equivalents as at January 1	<u>35,118,336</u>	<u>36,334,638</u>
Net increase/(decrease) in cash and cash equivalents	<u>20,573,425</u>	<u>(1,216,302)</u>

### (b) Cash and cash equivalents

	2019	2018
Cash on hand	527,850	660,721
Deposits with central bank other than restricted deposits	39,711,745	19,534,491
Deposits with banks and other financial institutions	5,533,686	228,926
Financial assets held under resale agreements	<u>9,918,480</u>	<u>14,694,198</u>
Total	<u>55,691,761</u>	<u>35,118,336</u>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 NOTES TO THE CASH FLOW STATEMENTS (CONTINUED)

#### (c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Bank's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Bank's cash flow statement as cash flows from financing activities.

	Debt securities issued (Note 28)	
	2019	2018
As at January 1	78,282,412	49,288,569
Changes from financing cash flows:		
Proceeds from debt securities issued	77,617,229	77,289,680
Repayment of debt securities issued	(74,890,000)	(49,558,722)
Interest paid on debt securities issued	(345,430)	(1,521,278)
Total changes from financing cash flows	2,381,799	26,209,680
Other change		
Interest expenses (Note 3)	3,458,521	2,784,163
Total other change	3,458,521	2,784,163
As at December 31	84,122,732	78,282,412



## 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (a) Related parties of the Bank

#### (i) Major shareholders

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	Note	2019	2018
Guizhou Provincial Financial Bureau (貴州省財政廳)		13.15%	14.30%
China Kweichow Moutai Distillery (Group) Co., Ltd. (中國貴州茅台酒廠(集團)有限責任公司)		12.00%	14.13%
Gui An New District Development and Investment Co., Ltd. (貴安新區開發投資有限公司)		7.20%	8.48%
Zunyi City State-owned Assets Investment and Financing Management Co., Ltd. (遵義市國有資產投融資經營管理有限 責任公司)	(i)	4.93%	3.31%
Shenzhen Expressway Company Limited (深圳高速公路股份有限公司)		2.92%	3.44%
Guizhou Expressway Group Company Limited (貴州高速公路集團有限公司)	(ii)	2.06%	2.42%
Zunyi Municipal Finance Bureau (遵義市財政局)	(i)	0.00%	2.49%

Notes:

- (i) On March 26, 2019, Zunyi Municipal Finance Bureau transferred its entire share in the Bank to Zunyi City State-owned Assets Investment and Financing Management Co., Ltd., which was subsequently approved by Guizhou Bureau of the CBIRC on April 24, 2019. Upon the completion of the share transfer, the shareholding in the Bank of Zunyi City State-owned Assets Investment and Financing Management Co., Ltd. is 5.80%. The shareholding ratio was diluted to 4.93% after the Bank issued H shares on December 30, 2019 (see Note 30).
- (ii) The director appointed by Guizhou Expressway Group Company Limited resigned on March 4, 2019.

The official names of these related parties are in Chinese. The English translation is for reference only



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### (a) Related parties of the Bank (continued)

##### (ii) Associates of the Bank

The detailed information of the Bank's associates is set out in Note 19.

##### (iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiary) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 36(a) or their controlling shareholders.

#### (b) Transactions with related parties other than key management personnel

##### (i) Transactions between the Bank and major shareholders:

	2019	2018
Transactions during the year		
Interest income	41,058	72,225
Interest expense	49,619	301,559
	2019	2018
Balances at end of the year		
Loans and advances to customers	501,130	1,099,212
Financial investments	99,049	99,226
Deposits from customers	1,177,922	13,436,286



## 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (b) Transactions with related parties other than key management personnel (continued)

#### (ii) Transactions between the Bank and other related parties:

	2019	2018
Transactions during the year		
Interest income	164,629	92,026
Interest expense	195,931	149,101
	2019	2018
Balances at end of the year		
Loans and advances to customers	90,688	2,654,195
Financial investments	297,080	704,375
Deposits from customers	681,420	1,073,731
Deposits from banks and other financial institutions	7,119,756	5,932,974
Bank acceptances	23,000	107,790

#### (iii) Other transaction

In 2017, the Bank invested a total of RMB8,990.00 million in a fund managed by a subsidiary of the Bank's major shareholder, Gui An New District Development and Investment Co., Ltd.. As at December 31, 2019, the outstanding balance of this financial investment was RMB8,990.00 million (December 31, 2018: RMB8,990.00 million). This fund's repayment will be arranged through Gui An New District Development and Investment Co., Ltd.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### (c) 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 Bank, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

##### (i) Transactions between the Bank and key management personnel

	2019	2018
Transactions during the year		
Interest income	143	156
Interest expense	70	637

	2019	2018
Balances at end of the year		
Loans and advances to customers	451	3,380
Deposits from customers	5,161	5,429

##### (ii) Key management personnel compensation

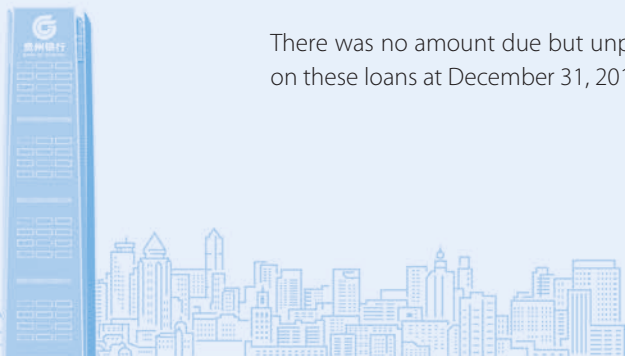
The aggregate compensation of key management personnel is listed as follows:

	2019	2018
Key management personnel compensation during the year	9,848	16,744

#### (d) Loans and advances to directors, supervisors and officers

	2019	2018
Aggregate amount of relevant loans outstanding at the end of the year	451	3,380
Maximum aggregate amount of relevant loans outstanding during the year	1,618	3,380

There was no amount due but unpaid, nor any impairment provision made against the principal or interest on these loans at December 31, 2019 (December 31, 2018: nil).



## 37 SEGMENT REPORTING

The Bank manages its business by business lines. Consistent with the way in which information is reported internally to the Bank's most senior executive management for the purposes of resource allocation and performance assessment, the Bank defines reporting segments based on the following operating segments:

### Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consultancy services, settlement and clearing services and acceptance and guarantee services.

### Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, personal wealth management services and remittance services.

### Financial markets

This segment covers the Bank's financial markets business operations. The financial markets business enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The financial markets business segment also covers management of the Bank's overall liquidity position, including the issuance of debts.

### Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Bank's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets and liabilities are determined before intra-bank balances and intra-bank transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting periods to acquire property and equipment, intangible assets and other long-term assets.





## NOTES TO THE FINANCIAL STATEMENTS

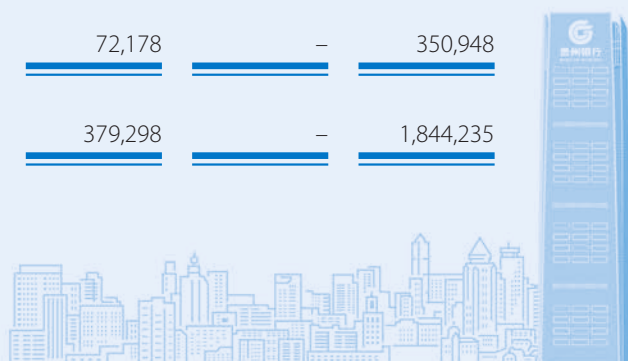
(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 SEGMENT REPORTING (CONTINUED)

	2019				
	Corporate banking	Retail banking	Financial markets	Others	Total
Operating income					
External net interest income/ (expense)	10,696,057	(525,133)	(299,965)	–	9,870,959
Internal net interest (expense)/income	(2,663,087)	1,650,756	1,012,331	–	–
Net interest income	8,032,970	1,125,623	712,366	–	9,870,959
Net fee and commission income/(expense)	41,731	(18,820)	71,725	–	94,636
Net trading gains	–	–	116,386	–	116,386
Net gains arising from investment securities	–	–	662,280	–	662,280
Other operating (expense)/ income	(69,047)	–	–	30,313	(38,734)
Operating income	8,005,654	1,106,803	1,562,757	30,313	10,705,527
Operating expenses	(2,109,147)	(612,222)	(685,698)	(15,047)	(3,422,114)
Impairment losses on assets	(2,846,257)	(12,561)	(313,951)	–	(3,172,769)
Share of losses of associates	–	–	–	(19,258)	(19,258)
Profit/(loss) before tax	<u>3,050,250</u>	<u>482,020</u>	<u>563,108</u>	<u>(3,992)</u>	<u>4,091,386</u>
Segment assets	246,522,236	45,749,543	113,480,456	860,378	406,612,613
Deferred tax assets	–	–	–	2,776,187	2,776,187
Total assets	<u>246,522,236</u>	<u>45,749,543</u>	<u>113,480,456</u>	<u>3,636,565</u>	<u>409,388,800</u>
Segment liabilities	183,694,406	83,462,190	107,231,780	1,111,182	375,499,558
Total liabilities	<u>183,694,406</u>	<u>83,462,190</u>	<u>107,231,780</u>	<u>1,111,182</u>	<u>375,499,558</u>
Other segment information					
– Depreciation and amortization	<u>276,265</u>	<u>87,484</u>	<u>96,692</u>	–	<u>460,441</u>
– Capital expenditure	<u>390,994</u>	<u>123,815</u>	<u>136,848</u>	–	<u>651,657</u>

### 37 SEGMENT REPORTING (CONTINUED)

	2018				
	Corporate banking	Retail banking	Financial markets	Others	Total
Operating income					
External net interest income/ (expense)	9,232,767	(498,676)	(407,794)	–	8,326,297
Internal net interest (expense)/income	(2,200,180)	1,363,323	836,857	–	–
Net interest income	7,032,587	864,647	429,063	–	8,326,297
Net fee and commission income/(expense)	17,734	(21,311)	24,877	–	21,300
Net trading gains	–	–	151,596	–	151,596
Net gains arising from investment securities	–	–	217,160	–	217,160
Other operating income	44,018	–	–	9,243	53,261
Operating income	7,094,339	843,336	822,696	9,243	8,769,614
Operating expenses	(1,962,766)	(451,571)	(577,585)	(47,910)	(3,039,832)
Impairment losses on assets	(2,341,337)	(45,201)	(5,584)	(161)	(2,392,283)
Share of losses of associates	–	–	–	(34,460)	(34,460)
Profit/(loss) before tax	2,790,236	346,564	239,527	(73,288)	3,303,039
Segment assets	219,957,909	30,039,979	88,482,653	207,027	338,687,568
Deferred tax assets	–	–	–	2,515,311	2,515,311
Total assets	219,957,909	30,039,979	88,482,653	2,722,338	341,202,879
Segment liabilities	163,026,066	63,859,858	88,577,661	280,403	315,743,988
Total liabilities	163,026,066	63,859,858	88,577,661	280,403	315,743,988
Other segment information					
– Depreciation and amortization	223,706	55,064	72,178	–	350,948
– Capital expenditure	1,175,574	289,363	379,298	–	1,844,235



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT

The Bank 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 Bank's exposure to each of the above risks and their sources, and the Bank's objectives, policies and procedures for measuring and managing these risks.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and internal controls, and to monitor risks and adherence to limits. Risk management policies and relevant internal control systems are reviewed regularly in order to adapt to the changes in market conditions and the Bank's operating activities. The internal audit department of the Bank undertakes both regular and ad-hoc reviews of risk management controls and procedures.

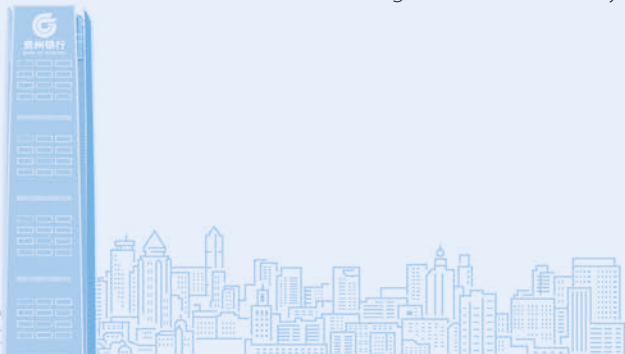
#### (a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Bank. It arises primarily from credit and bond investment portfolios and guarantees granted.

##### ***Credit business***

The Board of Directors formulates the Bank's risk management strategy and acceptable overall risk level, supervises the Bank's risk control, conducts regular assessments of risk status and risk management strategies, and advises on improving the Bank's internal controls related to risk management. The Bank's functional departments engaging in credit risk management mainly include Credit Review Department and Risk Management Department, as well as Corporate Business Department, Small and Micro Business Department and Personal Business Department. Risk Management Department is responsible for the overall promotion of the comprehensive risk management system and risk monitoring and management, immediately alerting any negative events that may affect the borrower's ability to repay, and taking countermeasures to prevent and control risks, and is also responsible for the establishment of relevant risk management policies. Credit Review Department is independent of Customer Relationship and Product Management Department so as to ensure the independence of credit extension review. The front line departments such as Corporate Business Department, Small and Micro business department and Personal Business department, perform continuous monitoring and post-loan management regarding credit extension programs. The front-line departments such as branches and business divisions, carry out credit business in accordance with the Bank's risk management policies and procedures.

The Bank continuously improves the internal control mechanism and strengthens the management of the credit business. The Bank has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.



## 38 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Credit business (Continued)*

For corporate and institutional businesses, the Bank has established industry-specific limits for credit approval. With respect to pre-lending evaluations, the Bank assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Bank continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Bank monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Bank starts the recovery process according to standardized loan recovery procedures.

#### *Stages of risks in financial instrument*

The financial assets are categorized by the Bank into the following stages to manage its financial assets' credit risk:

##### *Stage 1*

Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.

##### *Stage 2*

Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

##### *Stage 3*

Financial assets that are in default and considered credit-impaired.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk (Continued)

##### ***Significant increase in credit risk***

When one or more quantitative, qualitative standards or upper limits are triggered, the Bank assumes that credit risk on financial assets has increased significantly.

If the borrower is listed in the watch list and one or more of the following criteria are met:

- The credit spread increases significantly;
- Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;
- Application of a grace period or debt-restructuring;
- Significant changes with an adverse effect in the borrower's business conditions;
- Less value of the collaterals (for the collateral loans and pledged loans only);
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans; or
- The borrower is more than 30 days past due.

The Bank uses watch lists to monitor credit risk of financial assets related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by the management for the appropriateness.

As at December 31, 2019, the Bank has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.



## 38 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Definition of “default” and “credit-impaired assets”*

At each reporting date, the Bank assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for a security because of financial difficulties of the issuer; or
- overdue more than 90 days.

The above criteria apply to all financial assets of the Bank and they are consistent with the definition of “default” adopted by the internal management of credit risk.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk (Continued)

##### ***Measurement of expected credit losses ("ECL")***

The Bank adopts ECL model to measures provision for loss of financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Bank should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Bank. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Bank determines the ECL by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future months. The Bank multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Bank can calculate the ECL for the future months. The results of calculation for each month are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.



## 38 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Measurement of expected credit losses (“ECL”) (Continued)*

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

- In respect of the financial assets with instalment repayments and bullet repayment, the Bank determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of overlimit repayment and prepayments/refinancing made by the borrower.
- 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 on the balance sheet date by the credit conversion factor (CCF).
- The Bank determines the 12-month LGD and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to financial assets classified as guarantees, the Bank determines LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Bank usually determines LGD in the product level due to the limited differences in recoverable amounts from different borrowers.

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

The Bank quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

As at December 31, 2019, there has been no significant changes in the estimate techniques and key assumptions of the Bank.





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk (Continued)

##### ***Measurement of expected credit losses ("ECL") (Continued)***

Forward-looking information included in the expected credit loss model is as follows:

- Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Bank identified critical economic indicators that affect the credit risk and ECL of all asset portfolios, including gross domestic product (GDP), consumer price index (CPI), and producer price index (PPI), etc. The Bank identified the relations between these economic indicators and the probability of default historically by conducting regression analysis, and identified the expected probability of default by predicting the future economic indicators.
- When judging whether there is significant increase in credit risk, the Bank multiplies the lifetime PD at the benchmark and under other scenarios by the weight of the scenarios, and considers the qualitative and maximum indicators. The Bank measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECL under the different scenarios by the weight of the corresponding scenarios.
- Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Bank believes that these forecasts reflect the Bank's best estimate of possible outcomes.
- Other forward-looking factors not incorporated in above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impact, and the expected credit losses were not adjusted accordingly. The Bank reviews and monitors the appropriateness of the above assumptions on a quarterly basis.

##### (i) ***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 each of the reporting period.



## 38 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Measurement of expected credit losses ("ECL") (Continued)*

(ii) *Financial assets analysed by credit quality are summarized as follows:*

	2019			
	Loans and advances	Deposits with banks and other financial institutions	Financial assets held under resale agreements	Financial investments (*)
Balance of financial assets that are assessed for expected credit losses over the next 12 months				
– Overdue but not credit-impaired	13,748	–	–	–
– Neither overdue nor credit-impaired	176,376,400	6,292,598	9,918,480	147,204,096
Sub-total	176,390,148	6,292,598	9,918,480	147,204,096
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses				
– Overdue but not credit-impaired	27,827	–	–	–
– Neither overdue nor credit-impaired	1,271,400	–	–	185,480
Sub-total	1,299,227	–	–	185,480
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses				
– Overdue and credit-impaired	1,378,209	–	–	867,800
– Credit-impaired but not overdue	800,136	151,325	–	41,913
Sub-total	2,178,345	151,325	–	909,713
Accrued interests	398,707	1,009	5,096	1,736,820
Less: Provision for impairment losses	(6,916,728)	(152,785)	–	(2,002,063)
Net value	173,349,699	6,292,147	9,923,576	148,034,046



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk (Continued)

##### Measurement of expected credit losses ("ECL") (Continued)

(ii) Financial assets analysed by credit quality are summarized as follows: (Continued)

	2018			
	Loans and advances	Deposits with banks and other financial institutions	Financial assets held under resale agreements	Financial investments (*)
Balance of financial assets that are assessed for expected credit losses over the next 12 months				
– Overdue but not credit-impaired	3,540	–	–	–
– Neither overdue nor credit-impaired	137,132,554	833,831	14,694,198	135,411,740
Sub-total	137,136,094	833,831	14,694,198	135,411,740
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses				
– Overdue but not credit-impaired	39,368	–	–	–
– Neither overdue nor credit-impaired	1,060,441	–	–	–
Sub-total	1,099,809	–	–	–
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses				
– Overdue and credit-impaired	1,007,712	–	–	643,277
– Credit-impaired but not overdue	896,914	–	–	1,067,800
Sub-total	1,904,626	–	–	1,711,077
Accrued interests	333,357	1,566	14,177	1,306,631
Less: Provision for impairment losses	(4,642,033)	(571)	(8,047)	(1,784,428)
Net value	135,831,853	834,826	14,700,328	136,645,020

\* Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost.

## 38 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Measurement of expected credit losses (“ECL”) (Continued)*

##### *(ii) Financial assets analysed by credit quality are summarized as follows: (Continued)*

As at December 31, 2019, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB246.98 million (December 31, 2018: RMB627.50 million), and the fair value of collaterals held against loans and advances that are assessed for lifetime expected credit losses amounted to RMB580.64 million (December 31, 2018: RMB923.63 million). The collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

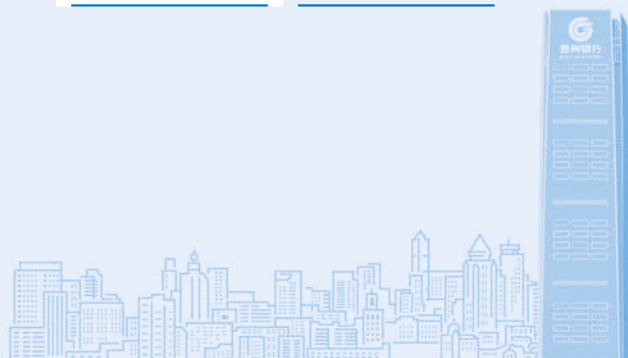
##### *(iii) Rescheduled loans and advances to customers*

As at December 31, 2019, the Bank has rescheduled loans and advances to customers amounted to RMB1,809.90 million (December 31, 2018: RMB1,056.29 million).

##### *(iv) Credit rating*

The Bank 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 December 31 are as follows:

	2019	2018
Neither overdue nor impaired		
<i>Ratings</i>		
– AAA	31,698,133	35,497,291
– AA- to AA+	7,727,471	5,018,970
Sub-total	39,425,604	40,516,261
Unrated	38,652,781	22,787,123
Total	78,078,385	63,303,384



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (CONTINUED)

#### (b) Market risk

Market risk is the risk of loss, in respect of the Bank's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The Board of Directors is ultimately responsible for monitoring the Bank's market risk management to ensure that the Bank effectively identifies, measures, monitors and controls various market risks faced by each business. The Risk Management Committee is responsible for monitoring market risk management within the authorised scope of the Board of Directors, reviewing the strategies, policies and procedures regarding market risk management, and recommendations for acceptable level of market risk proposed by senior management. The market risk faced by the Bank's business operations and development are mostly concentrated in the treasury operations. The Financial Markets Department is responsible for fund investment and proprietary trading. The Planning and Financial Department is responsible for the daily monitoring and management of interest rate risk under the bank accounts; and the Trade Finance Department is responsible for the daily monitoring and management of exchange rate risk. The Risk Management Department is responsible for drafting basic policies and procedures for market risk management, as well as identifying, measuring and monitoring the Bank's market risk.

The major source of market risk of the Bank is the asset and liability businesses involved in market operation and the risks in interest rate and exchange rate of products.

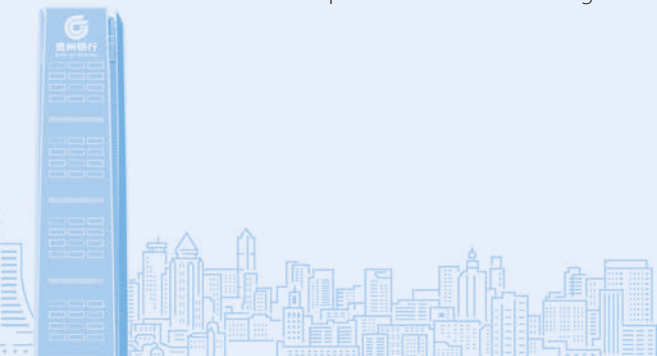
#### ***Interest rate risk***

The Bank is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of financial markets business position.

#### ***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 bank assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Bank's income or its inherent economic value to vary with the movement in interest rates.

The Planning and Financial Department is responsible for the measurement, monitoring and management of interest rate risk. In respect of measuring and managing risks, the Bank regularly assesses the impact of interest rate sensitivity repricing gaps and interest rate changes on the Bank's net interest income and economic value. The main purpose of interest rate risk management is to reduce the potential negative impact of interest rate changes on net interest income and economic value.



## 38 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### Interest rate risk (Continued)

##### Trading interest rate risk

Trading interest rate risk mainly arises from the investment portfolios of financial markets. Interest rate risk is monitored using the effective duration analysis method. The Bank employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the fair value of investment portfolios given a 100 basis points (1%) movement in the interest rates.

- (i) The following tables indicate the assets and liabilities as at December 31 by the expected next repricing dates or by maturity dates, depending on which is earlier:

	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
<b>Assets</b>						
Cash and deposits with the central bank	64,150,807	542,901	63,607,906	-	-	-
Deposits with banks and other financial institutions	6,292,147	1,009	6,233,527	57,611	-	-
Financial assets held under resale agreements	9,923,576	5,096	9,918,480	-	-	-
Loans and advances to customers (Note (i))	173,349,699	398,707	55,891,707	85,396,617	7,372,445	24,290,223
Financial investments (Note (iii))	148,034,046	1,774,570	8,118,188	17,718,505	67,627,583	52,795,200
Others	7,638,525	7,638,525	-	-	-	-
<b>Total assets</b>	<b>409,388,800</b>	<b>10,360,808</b>	<b>143,769,808</b>	<b>103,172,733</b>	<b>75,000,028</b>	<b>77,085,423</b>
<b>Liabilities</b>						
Borrowing from the central bank	2,623,420	2,059	171,261	2,450,100	-	-
Deposits from banks and other financial institutions	16,107,370	107,030	1,285,340	14,715,000	-	-
Placements from banks and other financial institutions	1,001,137	1,137	-	-	1,000,000	-
Financial assets sold under repurchase agreements	7,966,758	5,558	7,961,200	-	-	-
Deposits from customers	260,266,471	2,337,249	145,858,309	48,775,610	60,195,303	3,100,000
Debt securities issued	84,122,732	71,775	36,985,610	39,275,324	4,997,577	2,792,446
Others	3,411,670	3,411,670	-	-	-	-
<b>Total liabilities</b>	<b>375,499,558</b>	<b>5,936,478</b>	<b>192,261,720</b>	<b>105,216,034</b>	<b>66,192,880</b>	<b>5,892,446</b>
<b>Asset-liability gap</b>	<b>33,889,242</b>	<b>4,424,330</b>	<b>(48,491,912)</b>	<b>(2,043,301)</b>	<b>8,807,148</b>	<b>71,192,977</b>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (CONTINUED)

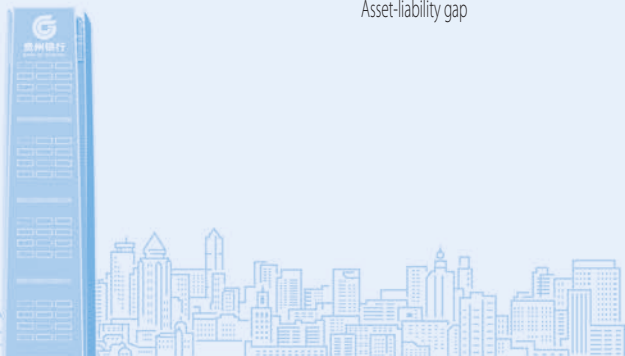
#### (b) Market risk (Continued)

##### Interest rate risk (Continued)

##### Trading interest rate risk (Continued)

- (i) The following tables indicate the assets and liabilities as at December 31 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

	2018					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	45,802,967	673,744	45,129,223	-	-	-
Deposits with banks and other financial institutions	834,826	1,566	228,825	604,435	-	-
Financial assets held under resale agreements	14,700,328	14,177	14,686,151	-	-	-
Loans and advances to customers (Note (ii))	135,831,853	333,357	41,584,155	64,837,765	6,114,948	22,961,628
Financial investments (Note (iii))	136,645,020	1,344,381	2,725,529	12,681,808	62,579,256	57,314,046
Others	7,387,885	7,387,885	-	-	-	-
<b>Total assets</b>	<u>341,202,879</u>	<u>9,755,110</u>	<u>104,353,883</u>	<u>78,124,008</u>	<u>68,694,204</u>	<u>80,275,674</u>
<b>Liabilities</b>						
Borrowing from the central bank	2,820,175	1,658	51,773	2,766,744	-	-
Deposits from banks and other financial institutions	9,983,768	43,665	5,515,103	4,425,000	-	-
Placements from banks and other financial institutions	-	-	-	-	-	-
Financial assets sold under repurchase agreements	2,175,276	76	2,175,200	-	-	-
Deposits from customers	220,083,735	1,354,655	161,733,552	18,180,511	38,134,966	680,051
Debt securities issued	78,282,412	71,829	17,670,422	52,752,150	4,996,636	2,791,375
Others	2,398,622	2,398,622	-	-	-	-
<b>Total liabilities</b>	<u>315,743,988</u>	<u>3,870,505</u>	<u>187,146,050</u>	<u>78,124,405</u>	<u>43,131,602</u>	<u>3,471,426</u>
<b>Asset-liability gap</b>	<u>25,458,891</u>	<u>5,884,605</u>	<u>(82,792,167)</u>	<u>(397)</u>	<u>25,562,602</u>	<u>76,804,248</u>



## 38 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### *Interest rate risk (Continued)*

##### *Trading interest rate risk (Continued)*

- (i) The following tables indicate the assets and liabilities as at December 31, 2018 and 2019 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

Notes:

- (i) As at December 31, 2019, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB243.10 million (December 31, 2018: RMB379.34 million).
- (ii) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. As at December 31, 2019, for financial investments, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB159.10 million (December 31, 2018: RMB257.31 million).
- (ii) Interest rate sensitivity analysis

The Bank uses sensitivity analysis to measure the impact of changes in interest rate on the Bank's net profit or loss and equity.

	2019 (Decrease)/increase	2018 (Decrease)/increase
Changes in net profit		
Up 100 bps parallel shift in yield curves	(337,181)	(545,565)
Down 100 bps parallel shift in yield curves	337,181	545,565
	(Decrease)/increase	(Decrease)/increase
Changes in equity		
Up 100 bps parallel shift in yield curves	(323,975)	(543,325)
Down 100 bps parallel shift in yield curves	323,975	543,325





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (CONTINUED)

#### (b) Market risk (Continued)

##### **Interest rate risk (Continued)**

##### *Trading interest rate risk (Continued)*

##### (ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest rate risk profile of the Bank's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Bank'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 Bank;
- At the end of each 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 Bank'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.

##### **Foreign currency risk**

The Bank's currency risk mainly arises from foreign currency deposits with banks and other financial institutions and deposits from customers. The Bank manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.



## 38 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### Foreign currency risk (Continued)

(i) The Bank's currency exposures as at 31 December were as follows:

	2019			Total (RMB equivalent)
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	
<b>Assets</b>				
Cash and deposits with the central bank	64,150,626	181	–	64,150,807
Deposits with banks and other financial institutions	1,328,419	77,736	4,885,992	6,292,147
Financial assets held under resale agreements	9,923,576	–	–	9,923,576
Loans and advances to customers	173,349,699	–	–	173,349,699
Financial investments	148,034,046	–	–	148,034,046
Others	7,638,525	–	–	7,638,525
<b>Total assets</b>	<b>404,424,891</b>	<b>77,917</b>	<b>4,885,992</b>	<b>409,388,800</b>
<b>Liabilities</b>				
Borrowing from the central bank	(2,623,420)	–	–	(2,623,420)
Deposits from banks and other financial institutions	(16,107,370)	–	–	(16,107,370)
Placements from banks and other financial institutions	(1,001,137)	–	–	(1,001,137)
Financial assets sold under repurchase agreements	(7,966,758)	–	–	(7,966,758)
Deposits from customers	(260,262,772)	(3,699)	–	(260,266,471)
Debt securities issued	(84,122,732)	–	–	(84,122,732)
Others	(3,411,670)	–	–	(3,411,670)
<b>Total liabilities</b>	<b>(375,495,859)</b>	<b>(3,699)</b>	<b>–</b>	<b>(375,499,558)</b>
<b>Net position</b>	<b>28,929,032</b>	<b>74,218</b>	<b>4,885,992</b>	<b>33,889,242</b>
<b>Off-balance sheet credit commitments</b>	<b>26,767,285</b>	<b>514,595</b>	<b>–</b>	<b>27,281,880</b>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (CONTINUED)

#### (b) Market risk (Continued)

##### Foreign currency risk (Continued)

(i) The Bank's currency exposures as at 31 December were as follows: (Continued)

	2018		
	RMB	USD	Total
		(RMB equivalent)	(RMB equivalent)
<b>Assets</b>			
Cash and deposits with the central bank	45,802,768	199	45,802,967
Deposits with banks and other financial institutions	742,575	92,251	834,826
Financial assets held under resale agreements	14,700,328	–	14,700,328
Loans and advances to customers	135,831,853	–	135,831,853
Financial investments	136,645,020	–	136,645,020
Others	7,387,885	–	7,387,885
<b>Total assets</b>	<b>341,110,429</b>	<b>92,450</b>	<b>341,202,879</b>
<b>Liabilities</b>			
Borrowing from the central bank	(2,820,175)	–	(2,820,175)
Deposits from banks and other financial institutions	(9,983,768)	–	(9,983,768)
Placements from banks and other financial institutions	–	–	–
Financial assets sold under repurchase agreements	(2,175,276)	–	(2,175,276)
Deposits from customers	(220,062,613)	(21,122)	(220,083,735)
Debt securities issued	(78,282,412)	–	(78,282,412)
Others	(2,398,622)	–	(2,398,622)
<b>Total liabilities</b>	<b>(315,722,866)</b>	<b>(21,122)</b>	<b>(315,743,988)</b>
<b>Net position</b>	<b>25,387,563</b>	<b>71,328</b>	<b>25,458,891</b>
<b>Off-balance sheet credit commitments</b>	<b>11,128,553</b>	<b>–</b>	<b>11,128,553</b>



## 38 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### *Foreign currency risk (Continued)*

(ii) Exchange rate sensitivity analysis

	2019 (decrease)/ increase	2018 (decrease)/ increase
<b>Changes in net profit</b>		
Foreign exchange rate decrease by 100 bps	(37,210)	(535)
Foreign exchange rate increase by 100 bps	37,210	535

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognized as a result of 100 basis points fluctuation in the foreign currency exchange rates against RMB based on the closing rate of reporting date;
- The fluctuation of exchange rates by 100 basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously; and
- Other variables (including interest rates) remain unchanged.

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 or loss resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38 RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk

Liquidity risk refers to the risk of the failure to obtain sufficient funds in a timely manner at reasonable prices for meeting assets growth or repaying mature debts, although the commercial banks are capable of paying off debts. The Bank monitors its future cash flows based on liquidity risk management policies and ensures that appropriate levels of highly liquid assets are maintained.

The Liquidity Risk Management Committee is responsible for the overall liquidity of the Bank. The committee is responsible for formulating liquidity policies in accordance with regulatory requirements and prudential principles. Policy objectives include:

- Maintain a sound and adequate liquidity level and establish a scientific and sound liquidity risk management system to ensure timely payment obligations and the satisfaction of liquidity requirements arising from assets, liabilities and off-balance sheet businesses in a normal operating environment or under a status of pressure, thereby balancing the effectiveness and safety of funds; and
- Make timely and reasonable adjustments to the scale and structure of assets and liabilities based on market changes and business development, and under the premise of ensuring liquidity, moderately pursue profit maximisation and cost minimisation, and realise the centralisation of safety, liquidity and efficiency for the Bank's funds.

The Planning and Financial Department takes the lead in implementing the liquidity risk management policy, and is responsible for formulating and timely revising the liquidity risk management strategy, and the identification, measurement, monitoring and mitigation management of the Bank's liquidity risk. In the meantime, the Planning and Financial Department and the Financial Markets Department are responsible for daily position management and forecasting, and maintaining an appropriate level of highly liquid portfolio based on liquidity management strategies. The Financial Markets Department operates in accordance with the instructions from the Planning and Financial Department. In case of significant payment crisis or structural changes, the Financial Markets Department should report to the Liquidity Risk Management Committee and make recommendations in a timely manner.

Most of the sources of funds for the assets held by the Bank are deposits from customers. In recent years, the Bank's deposits from customers continue to grow, with diversified categories and types of maturities, it has become a stable source of funds.

The Bank mainly adopts liquidity gap analysis to measure liquidity risk and uses different scenario analysis and stress tests to assess the impact of liquidity risk.



## 38 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

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 December 31:

	2019							Total
	Indefinite <i>Note (i)</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	
<b>Assets</b>								
Cash and deposits with the central bank	23,905,566	40,245,241	-	-	-	-	-	64,150,807
Deposit with banks and other financial institutions	-	5,533,810	700,564	-	57,773	-	-	6,292,147
Financial assets held under resale agreements	-	-	9,923,576	-	-	-	-	9,923,576
Loans and advances to customers	655,938	16,953	4,324,510	5,995,881	23,972,773	42,499,276	95,884,368	173,349,699
Financial investments	197,257	-	4,805,658	3,215,286	17,866,783	68,797,561	53,151,501	148,034,046
Others	6,516,968	3,856	17,292	30,171	284,816	516,364	269,058	7,638,525
<b>Total assets</b>	<b>31,275,729</b>	<b>45,799,860</b>	<b>19,771,600</b>	<b>9,241,338</b>	<b>42,182,145</b>	<b>111,813,201</b>	<b>149,304,927</b>	<b>409,388,800</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	-	41,960	131,360	2,450,100	-	-	2,623,420
Deposits from banks and other financial institutions	-	280,340	-	1,112,030	14,715,000	-	-	16,107,370
Placements from banks and other financial institutions	-	-	-	1,137	-	1,000,000	-	1,001,137
Financial assets sold under repurchase agreements	-	-	7,966,758	-	-	-	-	7,966,758
Deposit from customers	-	136,680,038	2,726,595	8,788,925	48,775,610	60,195,303	3,100,000	260,266,471
Debt securities issued	-	-	3,042,039	33,943,571	39,347,099	4,997,577	2,792,446	84,122,732
Others	1,902,433	521,367	14,417	349,685	119,544	391,471	112,753	3,411,670
<b>Total liabilities</b>	<b>1,902,433</b>	<b>137,481,745</b>	<b>13,791,769</b>	<b>44,326,708</b>	<b>105,407,353</b>	<b>66,584,351</b>	<b>6,005,199</b>	<b>375,499,558</b>
<b>Net position</b>	<b>29,373,296</b>	<b>(91,681,885)</b>	<b>5,979,831</b>	<b>(35,085,370)</b>	<b>(63,225,208)</b>	<b>45,228,850</b>	<b>143,299,728</b>	<b>33,889,242</b>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

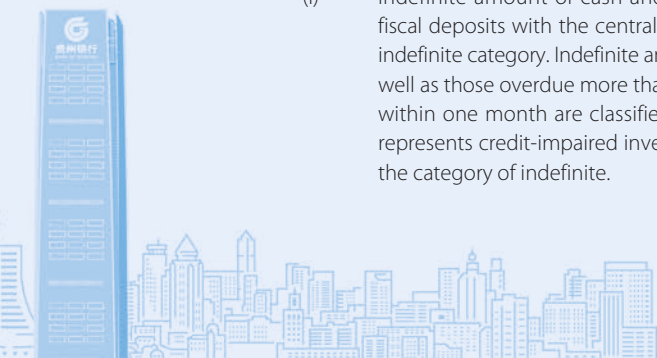
### 38 RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk (Continued)

	2018							Total
	Indefinite <i>Note (i)</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	
<b>Assets</b>								
Cash and deposits with the central bank	25,602,118	20,200,849	-	-	-	-	-	45,802,967
Deposit with banks and other financial institutions	-	179,202	-	50,052	605,572	-	-	834,826
Financial assets held under resale agreements	-	-	14,700,328	-	-	-	-	14,700,328
Loans and advances to customers	1,001,707	22,950	2,043,485	4,734,171	19,009,170	26,570,846	82,449,524	135,831,853
Financial investments	798,867	-	200,098	1,780,060	12,761,251	63,450,239	57,654,505	136,645,020
Others	6,859,781	38,979	5,121	13,610	129,261	268,555	72,578	7,387,885
Total assets	34,262,473	20,441,980	16,949,032	6,577,893	32,505,254	90,289,640	140,176,607	341,202,879
<b>Liabilities</b>								
Borrowing from the central bank	-	-	44,459	7,304	2,768,412	-	-	2,820,175
Deposits from banks and other financial institutions	-	1,521,759	-	4,017,571	4,444,438	-	-	9,983,768
Financial assets sold under repurchase agreements	-	-	2,175,276	-	-	-	-	2,175,276
Deposit from customers	-	143,197,063	4,344,333	10,658,775	18,496,687	42,703,146	683,731	220,083,735
Debt securities issued	-	-	-	17,670,421	52,752,150	5,016,466	2,843,375	78,282,412
Others	1,849,297	-	808	387,901	7,272	35,779	117,565	2,398,622
Total liabilities	1,849,297	144,718,822	6,564,876	32,741,972	78,468,959	47,755,391	3,644,671	315,743,988
Net position	32,413,176	(124,276,842)	10,384,156	(26,164,079)	(45,963,705)	42,534,249	136,531,936	25,458,891

Note:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Impaired deposits with banks and other financial institutions represents in indefinite category. Indefinite amount of loans and advances to customers includes all the credit-impaired loans, 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. Indefinite amount of investments represents credit-impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.



## 38 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities of the Bank at December 31:

	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	More than five years
<b>Non-derivative financial liabilities</b>								
Borrowings from central bank	2,623,420	2,685,174	-	42,000	132,059	2,511,115	-	-
Deposits from banks and other financial institutions	16,107,370	16,498,502	280,400	-	1,117,707	15,100,395	-	-
Placements from banks and other financial institutions	1,001,137	1,084,359	-	-	-	-	1,084,359	-
Financial assets sold under repurchase agreements	7,966,758	7,968,157	-	7,968,157	-	-	-	-
Deposits from customers	260,266,471	267,497,604	136,694,575	2,728,298	8,808,825	49,379,027	66,054,390	3,832,489
Debt securities issued	84,122,732	86,737,660	-	3,050,000	34,120,000	40,130,000	5,383,071	4,054,589
Total non-derivative financial liabilities	<u>372,087,888</u>	<u>382,471,456</u>	<u>136,974,975</u>	<u>13,788,455</u>	<u>44,178,591</u>	<u>107,120,537</u>	<u>72,521,820</u>	<u>7,887,078</u>

	2018							
	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	More than five years
<b>Non-derivative financial liabilities</b>								
Borrowings from central bank	2,820,175	2,883,014	-	44,637	7,336	2,831,041	-	-
Deposits from banks and other financial institutions	9,983,768	10,153,480	1,522,087	-	4,051,387	4,580,006	-	-
Financial assets sold under repurchase agreements	2,175,276	2,178,721	-	2,178,721	-	-	-	-
Deposits from customers	220,083,735	222,663,113	144,198,767	4,424,355	11,149,650	18,593,676	43,347,369	949,296
Debt securities issued	78,282,412	81,651,057	-	-	17,860,000	54,150,000	5,756,027	3,885,030
Total non-derivative financial liabilities	<u>313,345,366</u>	<u>319,529,385</u>	<u>145,720,854</u>	<u>6,647,713</u>	<u>33,068,373</u>	<u>80,154,723</u>	<u>49,103,396</u>	<u>4,834,326</u>

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.





## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 38 RISK MANAGEMENT (CONTINUED)

#### (d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Bank has established an operational risk management system consisting of the Board of Directors, the Board of Supervisors, Senior Management, Operational Risk Management Committee, Risk Management Department, Legal Compliance Department, Information Technology Department, Audit Department and other functional departments of the head office, branches and sub-branches.

The Bank has established operational risk management policies, systems and procedures to effectively identify, assess, monitor, control and mitigate the operational risks of the Bank and to minimise any losses associated with operational risk.

The Bank has established the Three Lines of Defence to comprehensively manage operational risk: business establishments of branches and sub-branches and business functions at all levels are the First Line of Defence against operational risk and are directly responsible for operational risk management. The Risk Management and Legal Compliance Department are the Second Line of Defence against operational risk and responsible for formulating operational risk management policies, coordinating, supporting and supervising operational risk management. The Audit Department is the Third Line of Defence and is responsible for auditing whether the Bank's operational risk management policies are effective and assessing internal control systems and status of compliance.

The Bank has developed an emergency plan system and a business continuity plan system for various emergencies such as natural disasters, IT system failures, bank run, theft and robbery.

The Bank has established a system of accountability for all types of violations and disciplinary actions and a risk assessment system based on internal audit and compliance review.



## 39 FAIR VALUE

### (a) Methods and assumptions for measurement of fair value

The Bank adopts the following methods and assumptions when evaluating fair values:

#### (i) *Debt securities and equity investments*

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

#### (ii) *Investments and other non-derivative financial assets*

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

#### (iii) *Debt securities issued and other non-derivative financial liabilities*

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

The Bank has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 FAIR VALUE (CONTINUED)

#### (b) Fair value measurement

##### (i) *Financial assets*

The Bank's financial assets mainly consist of cash and deposits with the central bank, deposits with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank, deposits with banks and other financial institutions and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values. The fair values of loans and advances to customers measured at fair value through other comprehensive income, are based on valuation techniques.

Financial investments at fair value through other comprehensive income and financial assets at fair value through profit or loss are stated at fair value. Financial investments at amortised cost are the reasonable approximations of their fair values because, for example, they are repriced at current market rates frequently.

##### (ii) *Financial liabilities*

The Bank's financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

The book value and fair value of debt securities issued is presented in Note 28. The carrying amounts of other financial liabilities approximate their fair value.



## 39 FAIR VALUE (CONTINUED)

### (c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates and credit spreads. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 FAIR VALUE (CONTINUED)

	2019			Total
	Level 1	Level 2	Level 3	
<b>Recurring fair value measurements</b>				
Assets				
<i>Loans and advances to customers measured at fair value through other comprehensive income</i>				
– corporate loans and advances	–	1,538,422	–	1,538,422
– discounted bills	–	5,916,386	–	5,916,386
<i>Financial investments at fair value through profit or loss</i>				
– debt securities	–	3,054,326	–	3,054,326
– investment funds	–	7,913,412	–	7,913,412
– wealth management products	–	–	1,250,215	1,250,215
<i>Financial investments at fair value through other comprehensive income</i>				
– debt securities	–	29,974,184	–	29,974,184
– equity investments	–	–	–37,750	37,750
Total	–	48,396,730	1,287,965	49,684,695



### 39 FAIR VALUE (CONTINUED)

		2018		
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
Assets				
<i>Loans and advances to customers measured at fair value through other comprehensive income</i>				
– discounted bills	–	1,391,384	–	1,391,384
<i>Financial investments at fair value through profit or loss</i>				
– debt securities	–	2,675,977	–	2,675,977
– investment funds	–	3,323,515	–	3,323,515
– wealth management products	–	–	2,671,166	2,671,166
<i>Financial investments at fair value through other comprehensive income</i>				
– debt securities	–	14,079,353	–	14,079,353
– equity investments	–	–	37,750	37,750
		<hr/>	<hr/>	<hr/>
Total	–	21,470,229	2,708,916	24,179,145
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

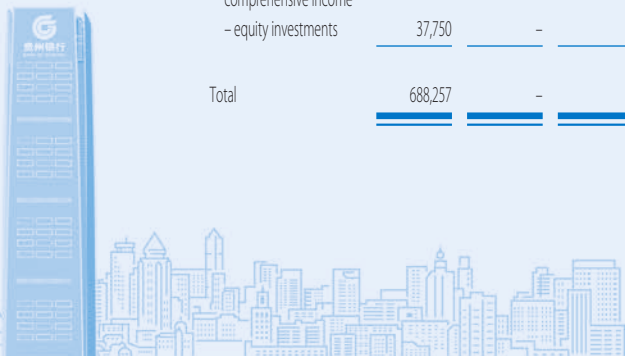
### 39 FAIR VALUE (CONTINUED)

The movement during the year ended December 31, 2019 in the balance of Level 3 fair value measurements is as follows:

	January 1, 2019	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				December 31, 2019	Total gains or losses for the year included in profit or loss for assets held at the end of the year	
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements			
Assets												
Financial assets at fair value through profit or loss – wealth management products	2,671,166	-	-	127,049	-	1,100,000	-	-	(2,648,000)	1,250,215	58,126	
Financial investments at fair value through other comprehensive income – equity investments	37,750	-	-	-	-	-	-	-	-	37,750	-	
<b>Total</b>	<b>2,708,916</b>	<b>-</b>	<b>-</b>	<b>127,049</b>	<b>-</b>	<b>1,100,000</b>	<b>-</b>	<b>-</b>	<b>(2,648,000)</b>	<b>1,287,965</b>	<b>58,126</b>	

The movement during the year ended December 31, 2018 in the balance of Level 3 fair value measurements is as follows:

	January 1, 2018	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				December 31, 2018	Total gains or losses for the year included in profit or loss for assets held at the end of the year	
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements			
Assets												
Financial assets at fair value through profit or loss – wealth management products	650,507	-	-	60,507	-	2,550,000	-	-	(589,848)	2,671,166	43,206	
Financial investments at fair value through other comprehensive income – equity investments	37,750	-	-	-	-	-	-	-	-	37,750	-	
<b>Total</b>	<b>688,257</b>	<b>-</b>	<b>-</b>	<b>60,507</b>	<b>-</b>	<b>2,550,000</b>	<b>-</b>	<b>-</b>	<b>(589,848)</b>	<b>2,708,916</b>	<b>43,206</b>	



### 39 FAIR VALUE (CONTINUED)

During the years ended December 31, 2018 and 2019, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3.

Quantitative information of Level 3 fair value measurement is as below:

	Fair value as at December 31, 2019	Valuation techniques	Unobservable inputs
<b>Financial assets at fair value through profit or loss</b>			
– wealth management products	1,250,215	Discounted cash flow	Risk-adjusted discount rate, cash flow
<b>Financial investments at fair value through other comprehensive income</b>			
– equity investments	37,750	Discounted cash flow	Risk-adjusted discount rate, cash flow
	Fair value as at December 31, 2018	Valuation techniques	Unobservable inputs
<b>Financial assets at fair value through profit or loss</b>			
– wealth management products	2,671,166	Discounted cash flow	Risk-adjusted discount rate, cash flow
<b>Financial investments at fair value through other comprehensive income</b>			
– equity investments	37,750	Discounted cash flow	Risk-adjusted discount rate, cash flow





## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 FAIR VALUE (CONTINUED)

During the years ended December 31, 2019, there were no significant changes in the valuation techniques (2018: nil).

As at December 31, 2018 and 2019, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly equity investments and wealth management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value on changes in unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

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

	2019			
	<i>Effect on net profit</i>		<i>Effect on other comprehensive income</i>	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial assets at fair value through profit or loss</b>				
– wealth management products	502	(502)	–	–
<b>Financial investments at fair value through other comprehensive income</b>				
– equity investments	–	–	–	–
	2018			
	<i>Effect on net profit</i>		<i>Effect on other comprehensive income</i>	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial assets at fair value through profit or loss</b>				
– wealth management products	212	(212)	–	–
<b>Financial investments at fair value through other comprehensive income</b>				
– equity investments	–	–	–	–



## 40 ENTRUSTED LENDING BUSINESS

The Bank provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Bank does not take any credit risk in relation to these transactions. The Bank acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Bank and are not recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	2019	2018
Entrusted loans	<u>62,566,574</u>	<u>67,042,110</u>
Entrusted funds	<u>62,566,574</u>	<u>67,042,110</u>

## 41 COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Credit commitments

The Bank's credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans commitments represent the amounts should the contracts be fully drawn upon. The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	2019	2018
Credit card commitments	<u>1,147,958</u>	<u>305,791</u>
Sub-total	<u>1,147,958</u>	<u>305,791</u>
Acceptances	25,082,477	10,107,741
Letters of credit	2,000	183,317
Letters of guarantees	<u>1,049,445</u>	<u>531,704</u>
Total	<u>27,281,880</u>	<u>11,128,553</u>

The Bank may be exposed to credit risk in all the above credit businesses. Management 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.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 41 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

#### (b) Credit risk-weighted amount

	2019	2018
Credit risk-weighted amounts	6,410,676	6,182,856

The credit risk-weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC.

#### (c) Operating lease commitments

As at December 31, 2018, the Bank's future minimum lease payments under non-cancellable operating leases for properties are as follows:

	2018
Within one year (inclusive)	201,816
After one year but within two years (inclusive)	134,623
After two years but within three years (inclusive)	112,923
After three years but within five years (inclusive)	137,825
After five years	54,226
Total	641,413

The Bank is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. The Bank has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Bank adjusted the opening balances at January 1, 2019 to recognise lease liabilities relating to these leases (see Note 2(3)). From January 1, 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2(11).



## 41 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

### (d) Capital commitments

As at December 31, the Bank's authorised capital commitments are as follows:

	2019	2018
Contracted but not paid for	460,027	362,831
Authorised but not contracted for	28,360	10,131
	<hr/>	<hr/>
Total	488,387	372,962
	<hr/>	<hr/>

### (e) Outstanding litigations and disputes

As at December 31, 2019, the Bank was the defendant in certain pending litigations and disputes with an estimated gross amount of RMB44.43 million (December 31, 2018: RMB19.76 million). According to the opinion of the Bank's in-house lawyers and external lawyers, the Bank has assessed the above outstanding litigation cases that may lead to the loss of economic benefits. The management believes that the Bank is extremely unlikely to be liable for compensation. Therefore, the Bank didn't recognise any litigation provision.

## 42 SUBSEQUENT EVENTS

The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Bank's operating environment and may impact the Bank's operations and financial position. The Bank has been closely monitoring the impact of the developments on the Bank's businesses and has put in place contingency measures. The Bank will keep our contingency measures under review as the situation evolves.

As far as the Bank's businesses are concerned, the outbreak may impact the repayment abilities of some debtors, this may affect the quality or the yields of the loans and financial investments of the Bank in a degree, and the degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and implementation of regulatory policies.

The Bank will keep continuous attention on the situation of the coronavirus outbreak, assess and react actively to its impacts on the financial position and operating results of the Bank. Up to the date of the report, the assessment is still in progress.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 COMPARATIVE FIGURES

The Bank has initially applied IFRS 16 since January 1, 2019. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(3).

### 44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2019

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the year ended December 31, 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Bank.

	Effective for accounting period beginning on or after
Amendments to References to Conceptual Framework in IFRS Standards	January 1, 2020
Amendments to IFRS 3, Definition of a business	January 1, 2020
Amendments to IAS 1 and IAS 8, Definition of material	January 1, 2020
IFRS 17, Insurance contracts	January 1, 2021
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an Investor and its associate or joint venture	To be determined

The Bank is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.



# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise stated)

The information set out below does not form part of the financial statements, and is included herein for information purpose only.

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Bank discloses the unaudited supplementary financial information as follows:

## 1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

### Liquidity coverage ratio

	2019	Average for 2019
Liquidity coverage ratio (RMB and foreign currency)	320.18%	270.32%
	2018	Average for 2018
Liquidity coverage ratio (RMB and foreign currency)	180.08%	129.20%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

### Leverage Ratio

	2019	2018
Leverage Ratio	6.61%	7.35%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the former CBRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required for commercial banks.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.



## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise stated)

### 2 CURRENCY CONCENTRATIONS

	2019			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	77,348	4,887,099	–	4,964,447
Spot liabilities	(18)	(1,107)	–	(1,125)
Net position	<u>77,330</u>	<u>4,885,992</u>	<u>–</u>	<u>4,963,322</u>
	2018			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	91,875	–	–	91,875
Spot liabilities	(21)	–	–	(21)
Net position	<u>91,854</u>	<u>–</u>	<u>–</u>	<u>91,854</u>

The Bank has no structural position at December 31.



### 3 INTERNATIONAL CLAIMS

The Bank 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, and 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 all 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.

	2019			
	Banks and other financial institutions	Public sector entities	Others	Total
All regions outside Mainland China	4,887,126	–	–	4,887,126

	2018			
	Banks and other financial institutions	Public sector entities	Others	Total
All regions outside Mainland China	–	–	–	–





## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise stated)

### 4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

	2019	2018
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– Within three months (inclusive)	427,591	71,061
– Overdue more than three months to one year (inclusive)	543,094	332,858
– Overdue more than one year	449,099	646,701
	<hr/>	<hr/>
Total	1,419,784	1,050,620
	<hr/> <hr/>	<hr/> <hr/>
As a percentage of gross loans and advances		
– Within three months (inclusive)	0.24%	0.05%
– Overdue more than three months to one year (inclusive)	0.30%	0.24%
– Overdue more than one year	0.25%	0.46%
	<hr/>	<hr/>
Total	0.79%	0.75%
	<hr/> <hr/>	<hr/> <hr/>





**贵州银行股份有限公司**  
BANK OF GUIZHOU COMPANY LIMITED



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