



重庆农村商业银行
CHONGQING RURAL COMMERCIAL BANK

2020
ANNUAL REPORT

CHONGQING RURAL COMMERCIAL BANK
Stock Code: 3618

* *The Bank holds a financial licence number B0335H250000001 approved by the China Banking and Insurance Regulatory Authority and was authorised by the Market Supervision Administration of Chongqing Municipality to obtain a corporate legal person business licence with a unified social credit code 91500000676129728J. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/ deposit-taking business in Hong Kong.*

Important Notice

1. The Board, the Board of Supervisors and directors, supervisors and senior management of the Bank warrant that the truthfulness, accuracy and completeness of the contents of the annual report, and that there are no false presentations, misleading statements or material omissions herein, and legally liable for this annual report jointly and severally.
2. The 2020 annual report and its summary of the Bank have been considered and approved at the 53rd meeting of the fourth session of the Board of Directors of the Bank convened on 30 March 2021.

The number of directors who should attend the meeting is 12 with 12 directors actually attended the meeting, 2 directors entrusted other directors to vote on their behalf, and 1 director was restricted to voting. Some supervisors and senior management personnel of the Bank attended the meeting.

3. The 2020 financial report prepared by the Bank in accordance with Chinese Accounting Standards has been audited by PricewaterhouseCoopers Zhong Tian LLP, and the 2020 financial report prepared in accordance with International Financial Reporting Standards has been audited by PricewaterhouseCoopers. Both auditors issued an unqualified audit report.
4. The chairman of the Bank Liu Jianzhong and president Xie Wenhui warrant the authenticity, accuracy and completeness of the financial report in this report.
5. The Board of Directors of the Bank has recommended a final dividend on ordinary shares for 2020 of RMB0.222 per share (inclusive of tax), such dividend distribution plan will be submitted to the 2020 annual general meeting for consideration. No capitalisation of the capital reserve to share capital is proposed in this distribution.
6. This report may contain forward-looking statements such as future plans of the Bank. Such statements are made by the Bank based on the current situation and forecast, are related to future events or the Bank's future financial, business or other performance. Possible future plans do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.
7. There is no misappropriation of the Bank's funds by its controlling shareholders or other related parties for non-operating purposes and no instance of providing external guarantee that is in breach of the established decision-making procedure.

Company Profile

Chongqing Rural Commercial Bank Co., Ltd. (hereinafter referred to as “Chongqing Rural Commercial Bank”), formerly known as Chongqing Rural Credit Cooperative, was established in 1951 and has a history of nearly 70 years. In 2003, Chongqing became one of the first batch of pilot provinces and cities for the nationwide rural credit cooperative reform. In 2008, the rural commercial bank with a unified legal person in the city was established. In 2010, the Bank’s H-share was successfully listed on the Main Board of the Hong Kong Stock Exchange, becoming the first listed rural commercial bank in China and the first listed bank in the Western China. In October 2019, the Bank was successfully listed on the main board of the Shanghai Stock Exchange, becoming the first rural commercial bank with A+H dual listing in China and the first bank with A+H dual listing in the Western China. In February 2020, the Bank officially explored and adopted the Equator Principle, and was successfully approved as the 4th “Equator Bank” in China and the 1st “Equator Bank” in the Central and Western regions.

In the recent years, Chongqing Rural Commercial Bank has made every effort to implement the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, adhering to retail as the basis of the Bank’s development and survival to create distinctive retail brands with outstanding contributions and market leadership; adhering to financial technology (“fintech”) as the Bank’s innovation “engine” and driving force for growth to build a fintech platform that is autonomous, controllable, intelligent, efficient, and leading the development; adhering to talents as the Bank’s core resources and precious treasure to build a high-quality talent team and to promote high-quality development across the Bank.

As of the end of 2020, Chongqing Rural Commercial Bank had 6 branches and 35 sub-branches, with a total of 1,765 operating outlets, and had initiated the establishment of 1 financial leasing company, 1 wealth management company, and 12 village and township banks, and had more than 15,000 employees. The asset scale exceeded RMB1,100 billion, amounting to RMB1,136.4 billion. The balance of deposits was RMB725.0 billion and the balance of loans was RMB507.9 billion. The Bank ranked No. 122 among the world banks and obtained the entity rating of investment grade “Baa2” in Moody’s International Rating, with a rating outlook of “stable”, which is the highest level in the international rating obtained by local banks.

Major Awards

The Bank ranked No. 122 among the “Top 1,000 World Banks 2020” and No. 21 among the Chinese-funded banks in The Banker of the UK.

The Bank ranked 815th in Forbes magazine’s list of “Forbes Top 2,000 Global Enterprises” in 2020, and 100th in listed companies in mainland China and 1st in Chongqing.

The Bank ranked No. 383 among the “2020 Top 500 Enterprises of China” and No. 143 among the “2020 China’s Top 500 Enterprises in Service Industry”.

The Bank was rated as A-level enterprise of “Double-hundred Enterprises” in the 2020 special evaluation on three system reform by the State-owned Enterprise Reform Leading Group of the State Council.

The Bank’s “Intelligent Digital Platform for Perception and Cognition” project was selected as one of the “Excellent Cases” for digital transformation of state-owned enterprises by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) in 2020.

The Bank won the “Best Digital Financial Products Innovation Award” of the “2020 Gold List of E-banking in China” issued by China Financial Certification Authority (CFCA).

The Bank won the “2019-2020 Special Contribution Award for Risk Prevention and Control of UnionPay Card” issued by China UnionPay.

The Bank won the “2020 Outstanding Contribution Award for UnionPay Debit Card Business” and “2020 Outstanding Contribution Award for HCE Advertising” of China UnionPay.

The Bank’s online residential mortgage loan “Jiefang Loan” won the “Excellent Case of Service Innovation” selected by the Fourth Excellent Cases of Scientific and Technological Innovation of Rural Small and Medium-sized Financial Institutions by the Rural Credit Bank Funds Clearing Center in 2020.

The Bank’s “Six Character Law” on Promoting Financial Services to Support Poverty Alleviation has obtained the “Typical Cases of Excellent Organizations” of poverty alleviation in the banking industry nationwide.

The Bank won the “2020 Tianji Award of Rural Commercial Bank” and “2020 Tianji Award of Inclusive Financial Services Bank” issued by the Tianji Awards of Securities Times for China Banking industry in 2020.

The Bank won the “Rural Commercial Bank of the Year” in the 2020 China Business Network Financial Value List of China Business Network.

The Bank won the “Commercial Bank of the Year” in the 2020 Top Financial List of The Paper.

The Bank won the “Most Socially Responsible Listed Company” in 2020 Chinese Listed Company Word of Reputation List of National Business Daily.

Major Awards

The Bank won the “Pioneer Institution of Targeted Poverty Alleviation Times” selected by the Third Session of China.org.cn Poverty Alleviation Financial Institution Rankings in 2020.

The Bank ranks 11th among the 2020 Top 100 Enterprises of Chongqing and 5th among the 2020 Top 100 Service Enterprises of Chongqing.

The Bank’s “Digital Transformation Practice of Regional Banks” won the First Prize for enterprise management modernization innovation achievement in Chongqing granted by Chongqing Enterprise Federation (Entrepreneurs Association) and Chongqing Enterprise Management Modernization Innovation Achievement Approval Committee in 2020.

The Bank won the award of “Most Popular for Optimizing Business Environment” for the Self-regulatory Mechanism of Foreign Exchange and Cross-border RMB Business of Banks in Chongqing.

The Bank won the “2020 Organization and Promotion of Advanced Units” issued by Chongqing Banking Association for Civilized and Standardized Service of Chongqing Banking.

The Bank won award of “Most Caring Unit Against COVID 19” issued by Chongqing Red Cross Society.

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Definitions

Definitions of frequently-used terms

“Chongqing Rural Commercial Bank”, “Bank” or “our Bank”	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
“Group”	Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司) and its subsidiaries
“CBIRC Chongqing Office”	China Banking and Insurance Regulatory Commission Chongqing Regulatory Bureau (中國銀行保險監督管理委員會重慶監管局)
“CBIRC”	China Banking and Insurance Regulatory Commission
“China Banking Regulatory Authority”	the China Banking and Insurance Regulatory Commission and its agencies
“CSRC”	China Securities Regulatory Commission
“CPC”	Communist Party of China (中國共產黨)
“Board of Directors” or “Board”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“Articles of Association”	Articles of Association of Chongqing Rural Commercial Bank Co., Ltd.*, as amended from time to time
“RMB or Renminbi”	Renminbi, the lawful currency of the PRC
“yuan”	RMB yuan
“HKD or HK\$ or HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region, the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“County Area”	Regions other than 9 Urban Area of Chongqing City, also including the twelve village and township banks and the Qujing Branch
“Shanghai Stock Exchange”	Shanghai Stock Exchange

“rural commercial bank”	a short-hand reference to rural commercial bank (農村商業銀行)
“Sannong”	a short-hand reference to the Chinese pronunciation of the phrase “agriculture, rural areas and farmers”
“village and township banks”	bank institutions that are approved by China Banking Regulatory Authority to be incorporated in rural areas to provide services to local farmers or enterprises
“New Financial Instruments Standards”	International Financial Reporting Standards 9: Financial Instruments
“PBOC” or “Central bank”	the People’s Bank of China
“PRC” or “China”	the People’s Republic of China
“Reporting Period”	for the twelve months period from 1 January 2020 to 31 December 2020

Chairman's Statement

Dear shareholders,

Facing severe, complex international situations, the ever-changing market environment and the unexpected COVID-19 pandemic in 2020, the Bank adhered to the guidance of Xi Jinping Thought on Socialism with Chinese characteristics for a new era, stuck to its positioning and stayed true to the original aspiration, continued to push the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents” The asset scale exceeded RMB 1,100 billion and the balance of deposits and loans were RMB725 billion and RMB507.9 billion, which successfully completed various targets and tasks assigned by the Board of Directors. The highlights in key areas are as follows:

In the fight against COVID-19 pandemic, we stayed true to our original aspiration, weathered the hard times with enterprises for common development, and helped the largest number of local enterprises with greatest efforts. We resolutely fulfilled our social responsibility as a state-owned enterprise, make solid progress in implementing the requirement of surrendering part of our profits to entities, took the initiative to offer support and exemption as much as possible, and exempted customers from interests and fees of RMB800 million. We made contacts actively and issued loans to the greatest extent, and made loans of over RMB28.0 billion to designated medical institutions and key enterprises. We also weathered the hard times with enterprises, supported a total of 38,000 enterprises with financial difficulties for the moment, and boosted “stability on the six fronts” and “security in the six areas” in an all-round way.

We grew in strength in the course of serving entities and kept in harmony with the local economic and social development, ranking No. 1 in Chongqing in terms of “loans for agriculture, rural areas and rural residents”, small loans and county-level finance. We upheld the market positioning of supporting agriculture and small and micro businesses, took the lead in supporting rural revitalization wholeheartedly and spared no effort to boost local economic development, steadily ranking No. 1 in Chongqing in terms of indicators such as serving entity economy. VIP customers increased by 235,800, among which mobile finance customers increased by 1.66 million and small and micro business customers increased by 5,574, making the Bank rank No. 1 in Chongqing in terms of the growth in loans granted to small and micro businesses and private enterprises.

We moved forward in exploration through reform and development, motivated vigor and enhanced competitiveness through reform, and have become the only one in Chongqing that is rated as Class A “Double-Hundred Enterprise” enterprise. In the special assessment of “Double-Hundred Enterprises” by the State-owned Enterprise Reform Leading Group of the State Council, the Bank was the one and only state-owned enterprise awarded with the highest rating of A in Chongqing. As the brand image continued to improve, the Bank ranked No. 122 among global banks in the Banker of the UK, up 15 positions over last year, and ranked No. 20 in China's banking sector.

We highlighted expertise in diversified operation and continued to enrich our financial service functions, and we have been approved as the first bank to set up a first wealth management subsidiary among nation-wide rural commercial banks and city banks in the central and western parts of China. CQRC Wealth Management Co., Ltd. was approved in February 2020 and formally started business in June 2020. In fact, it became profitable in the year it started business and the scale of products under its management exceeded RMB14.0 billion. In addition, the Bank achieved a full coverage in credit and loan, investment banking, financial management, financial leasing and consumer finance, which further improved its diversified service ability.

We seized the opportunity in technological changes, we have always been striving to lead the market, and we have become the only local financial institution included in China Finance Standardization Technical Committee. We took the lead in establishing a fintech center among similar institutions and applied for nearly 70 patents. Our intelligent digital platform project was successfully selected by SASAC as one of 30 “Excellent Cases” of digital transformation of state-owned enterprises in 2020 and was the only one in the country selected as the case of banking financial institution.

We took the lead in setting an example for green development, focused on green finance and became the 4th “Equator Bank” in China and the 1st “Equator Bank” in the Central and Western regions. We thoroughly implemented the idea of driving green development through innovation, built up the organizational structure of green finance, improved supporting mechanisms such as strategic planning, brand publicity and incentive assessment, gave full play to the advantage of equator bank, issued a cumulative of RMB40 billion green loans, and achieved a year-on-year growth of 44% for loan balance.

In the first year of the “14th Five-year Plan”, the Bank will pay close attention to the construction of the “Belt and Road” and Chengdu-Chongqing Economic Circle, “one district and two clusters” and other major national and local strategic deployments, focused on pushing the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents” with all of its strength and wisdom, seize “four advantages”, enhance “four strengths”, make a solid start for the “14th Five-year Plan” and lead a new road to trillions steadily.

Firstly, we shall grasp the positive momentum in economic development and enhance our competitiveness in the new market environment. As we know, Chongqing is not only an integral part in the construction of Chengdu-Chongqing economic circle, but will play a key role in pushing the Great Western Development Strategy, co-building the “Belt and Road” and promoting the green development of the Yangtze River Economic Belt in the new era. As a regional bank, we will grow together with the development of Chongqing City, convert regional advantage into competitive advantage and strategic opportunity into development motivation, actively blend into the new development pattern, faithfully fulfill the new development mission, provide comprehensive, professional and characteristic quality financial services, and build the characteristic core competitiveness.

Chairman's Statement

Secondly, we will integrate into the general trend of rural revitalization and enhance our service ability in boosting entity economy. When it comes to implementing the strategy of rural revitalization, it is of overall and historic significance for building a modern socialist country in an all-round way and achieving the second centennial goal. Over the years, the Bank has always been insisting on supporting agriculture and small and micro business and serving entity economy, and enjoyed unique advantages in integrating into the strategy of rural revitalization and going deep into county-level market. Next, it will actively give full play to its characteristic advantages, link up policies, mechanisms and products, go deep into the integrated market space of “three cooperatives”, seize the financing needs of rural industry revitalization, keep up with the trend of rural consumption upgrading, and integrate into rural revitalization in an all-round way with its quality financial services, which are “one step faster, one step ahead”.

Thirdly, we will keep up with the fintech trend and enhance our innovation power as a modern financial institution. With the deepening of financial reform, extensive application of new technologies and diversified customer needs, it has been a consensus in the banking sector to promote business transformation by developing fintech, which provides small and medium-sized banks with an opportunity for transformation. In fact, the Bank took the lead in making overall arrangement for fintech among similar financial institutions and has achieved certain results and advantages over years of development. In the future, it will continue to insist on driving development through scientific and technological innovation, regard fintech as innovation engine and growth power, build a number of industry-leading intelligent banks and mobile finance platforms, establish intelligent, digital and platform-based eco-finance, build the core competitiveness of fintech and delivery “best customer experience”, and shape the sustainable power to promote high-quality development.

Fourthly, we will highlight the advantage of anchoring the Bank with retail and enhance our brand force of providing specialized, refined and quality services. Retail business is fundamental for the development and survival of the Bank. The unique resources and advantages formed over decades of deep cultivation in the county level, outlets across Chongqing, popular support for the brand and leading customer base also provides the Bank with confidence and basis to implement the strategy of anchoring the Bank with retail. Centering on the goal of anchoring the Bank with retail, the Bank will insist on client-oriented, establish the large retail system, deeply dig customer needs and foster customer habits, and provide customers with differentiated services by category, level and channel, so as to enhance the “speed, precision and depth” of retail services in an all-round way, and shape a retail business brand that leads the market with distinctive features and outstanding contributions.

In 2021, the Bank will adhere to the principle of “responsible to shareholders, enterprises and society”, continue to seek steady, sustainable development in the complex economic environment at home and abroad, tie the service and for the society and people's livelihood, local economy with own development, march forward towards high-quality development unswervingly, and celebrate the 100th anniversary of the founding of the Communist Party of China with practical actions and solid progress!

LIU Jianzhong
Chairman

30 March 2021

President's Statement

Dear Shareholders,

2020 marked the last year of building a moderately well-off society in an all-round way and the 13th Five-Year Plan, which was also an extraordinary year for China. In face of the unexpected COVID-19 pandemic, the Bank closely followed the working ideas of “reinforcing management, controlling risk and stabilizing development”, adhered to the strategic positioning of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, stayed true to its original aspiration and shouldered its mission, advanced pandemic prevention and work resumption in a coordinated way, withstood the extreme test of COVID-19 pandemic, advanced bravely and persistently in the course of overcoming difficulties, maintained sustainable growth with cohesive force, and pursued transformation and development based on a solid foundation.

2020 was a year about forging ahead, during which the Bank insisted on prudent management and steady development. The Group's assets reached RMB1.14 trillion, increased by 10.30% over the beginning of the year. The deposit balance amounted to RMB725 billion, increased by 7.66% over the beginning of the year. The loan balance reached RMB507.886 billion, increased by 16.20% over the beginning of the year. The increase in deposits and loans and the market shares ranked No. 1 in Chongqing's banking sector. The Group achieved an operating revenue of RMB28.186 billion and net profit of RMB8.565 billion. The intermediate business revenue accounted for 10.30% of operating revenue, grew by 1.90 percentage points over the beginning of the year. The provision coverage maintained at 314.95%, effectively mitigating the impact of COVID-19 and maintaining a good ability to resist risks. The subsidiaries developed steadily as a whole, financial leasing company ranked at the forefront among those institutions that were established in the same period in terms of provision coverage and net profit, the wealth management subsidiary became profitable in the year it started business, and 12 village banks became profitable before provisions in an all-round way.

2020 was a year about concerted efforts, during which the Bank shouldered its responsibility in supporting pandemic prevention and work resumption. The Bank successfully issued the first batch of bonds for pandemic prevention and control and the first specialized negotiable certificate of deposit in Chongqing, presented special programs such as “Zhanyi Loan” and “Tongzhou Loan”, and ranked No. 1 among financial institutions in Chongqing in supporting the largest number of key enterprises of pandemic prevention. In addition, the Bank spared no effort to support “stability on the six fronts” and “security in the six areas”, actively came up with over 100 concrete measures to support enterprises to resume work and production, provide precise support for enterprises to resume work and production, provided 38,000 enterprises with bail-out loans about RMB51.2 billion, and issued further loans to 40,000 enterprises, amounting to RMB18.4 billion.

President's Statement

2020 was a year about pioneering, during which the Bank focused on reform and innovation and achieved a result. The Bank improved its fintech innovation mechanism, adopted the management model of “one meeting one center and one department one laboratory”, and achieved whole-process, efficient and lightweight management for its innovation projects within the Bank. Also, the Bank participated in the financial sandbox regulation project and went deep into the construction of financial standardization. It promoted the construction of key innovation projects, put video banking service and mobile banking service 6.0 into production and operation, opened the Bank in an orderly way, and smoothly completed paperless transformation on the counter, credit and office. The Bank adopted equator principle, became 4th “Equator Bank” in China and the 1st “Equator Bank” in the Central and Western regions. In addition, the Bank set up the Green Banking Commission, determined “1+3+22+N” green finance system architecture, and promoted the transformation of green banking in an all-round way.

2020 was a year about change and development, during which the Bank spared no efforts in opening a new chapter of strategy transformation. Anchoring the Bank with retail released momentum for development. The Bank actively promoted the construction of customer operation system, “BBC financial ecosystem”, specialized wealth management and digital retail products. Centering on customers’ living and financial needs, the Bank built the product brand of “Yukuai Life” series, and promoted total individual deposits, annual increments and market shares to rank No. 1 in Chongqing’s banking sector. The retail loans accounted for 42.64% of the total loans, increased by 5.52 percentage points over the beginning of the year. **Propelling the Bank with technology enabled operation and management.** The construction of eight intelligent science and technology platforms stepped into a new stage, which boosted the digital migration for the Bank’s business management. The agile development model was in efficient operation, online products such as “Jiefang Loan” and “Shuikuai Loan” were innovated, and the integrated product system online and offline improved day by day. In addition, the Bank put platforms such as intelligent data decision-making, anti-fraud and intelligent collection into production, gradually constructed the all data drive risk control system, and established the full life cycle credit management. **Empowering the Bank with talents consolidated development foundation.** The Bank implemented “five plans” of talent leading, development, support, improvement and security, and continued to optimize the personnel structure, as a result of which the proportion of scientific and technical personnel and customer managers increased by 0.4 percentage point and 2.2 percentage points over the beginning of the year, respectively, and also boosted the transformation and development of the whole bank.

Although we have a long way to go, we will get there as long as we are willing to move forward. On the standing point of the “14th Five-year Plan”, the Bank will always adhere to the guidance of Xi Jinping Thought on Socialism with Chinese characteristics for a new era, fully implement the spirit of the 19th National Congress of Chinese Communist Party and the Second, Third, Fourth and Fifth Plenary Meetings of the 19th National Congress of Chinese Communist Party, closely follow the decisions and deployments of the Board of Directors, stick to the working ideas of “reinforcing management, controlling risk and stabilizing development”, focus on the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents” as guidance, and make unremitting efforts to continuously push the Bank to seek high-quality development and lead the road to second trillion in a steady and solid way!

XIE Wenhui
President

30 March 2021

Company Information

I. Basic Information

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (abbreviated as “重慶農村商業銀行”)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as “Chongqing Rural Commercial Bank”)
Legal Representative	LIU Jianzhong
Authorised Representatives	LIU Jianzhong XIE Wenhui
Secretary to the Board	ZHANG Peizong
Securities affairs representative	HOU Cheng
Contact details for investors	Correspondence Address: No. 36 Jinshamen Road, Jiangbei District, Chongqing, the PRC Telephone: (8623) 6111 1637 Fax: (8623) 6111 0844 Email address: ir@cqrcb.com
Company Secretary	CHU Wai Ha (Resigned on 26 August 2020) WONG Sau Ping (Appointed on 26 August 2020)
Registered address and postcode	No. 36 Jinshamen Road, Jiangbei District, Chongqing, the PRC 400023
Principal place of business in Hong Kong	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Company’s website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Designated media for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Designated website of CSRC for publication of annual reports	Website of the Shanghai Stock Exchange (www.sse.com.cn)
Website of the Hong Kong Stock Exchange for publication of annual reports	Website of the Hong Kong Stock Exchange (www.hkexnews.hk)

Company Information

Place for maintenance of annual reports	Office of the Board of Directors of the Bank
A-share listing stock exchange	Shanghai Stock Exchange Stock Short Name: Yu Nong Shang Hang Stock Code: 601077
H-share listing stock exchange	The Stock Exchange of Hong Kong Limited Stock Short Name: CQRC BANK Stock Code: 3618
A share registrar	Shanghai branch of China Securities Depository and Clearing No. 188 Yanggaonan Road, Pudong New District, Shanghai, the PRC
H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Date of first incorporation and registration authority	27 June 2008 Market Supervision Administration of Chongqing Municipality, the PRC
Unified social credit code of corporate legal person business license	91500000676129728J
Financial license institution number	The Bank holds a financial license number B0335H250000001 approved by the China Banking and Insurance Regulatory Authority
Auditors	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC Signing accountants: Li Tieying, Feng Ye PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong Signing accountants: Leung Kwok Wai, Jimmy
Legal advisor as to PRC laws	Chongqing Solton & Partners 10-12F, Building 7, Corporate Avenue, No. 7 Huasheng Road, Yuzhong District, Chongqing, the PRC

Legal advisor as to Hong Kong laws	Clifford Chance 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Sponsor performing continuous supervision	China International Capital Corporation Limited Correspondence Address: 27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, the PRC Telephone: (8610) 6505 1166 Fax: (8610) 6505 1156 Sponsor Representatives: Xu Jia, Liu Zihan Continuous supervisory period: 29 October 2019 to 31 December 2021

II. Overview of the Company's Businesses

The Bank was established in 2008, listed on the H-share main board in 2010, and listed on the A-share main board in 2019. Its comprehensive strength ranks top among the China's rural commercial banks. The Bank's main businesses include corporate finance business, small and micro finance business, retail finance business and financial market business. The corporate finance business mainly provides a wide variety of corporate finance products and services for enterprises and public institutions, government agencies, and financial institutions, including corporate loans business, trade financing loans business, bills business and guarantees business. The small and micro finance business mainly provides a full range of financial services for micro-enterprises, small and micro business owners and individual businesses. The retail finance business mainly includes personal loan and deposit business, bank card business and intermediary business, etc. The financial market business mainly includes capital operation business, investment banking business and asset custody business. At the same time, the Bank currently has one wholly-owned subsidiary and one holding subsidiary which engage in wealth management business and financial leasing business respectively.

III. The development strategy and core competitiveness

(1) Development strategy of the Bank

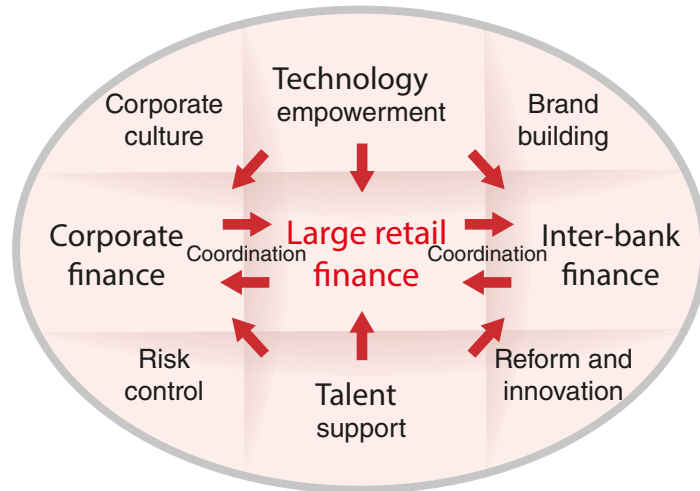
Under the guidance of the strategic goal of “striving to become a leading regional bank in China”, The Bank adheres to the ideas of “characteristic operation, streamlining the management and fostering good corporate culture” and “strengthening management, controlling risks, and stabilizing development”, adheres to the 12-character strategic policy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”. The Bank takes large retail business as the core competitiveness, promotes the “coordination of four clients” plus “four-wheel drive” of retail, small and micro, corporate and interbank business and continuously promotes the high-quality and connotative development of the Bank to continuously enhance the ability of financial support for rural revitalization and provide services for the sustainable development of the real economy.

1. *Anchoring banks with retail*

The Bank strives to become “a bank with best customer experience”, insisting on customer-oriented principle and taking retail as the foundation of development and survival. At the same time, the Bank comprehensively learned from other outstanding banks. By enhancing the “speed, precision and depth” of retail, the Bank’s service capability and contribution to wealth management, consumer finance and microfinance will be improved. Meanwhile, it will “reduce costs, control risks and increase effects” to create a “large retail” business ecology with distinctive features, outstanding advantages and market leadership and establish a solid foundation for high-quality development.

— The development path

The Bank takes Chongqing as the main battlefield, carries forward the hot pot culture of Chongqing, gives play to its four major characteristics of “hemp, spicy, fresh and fragrance”, forming a large retail finance as the core, achieving the coordination and development of the company and interbank finance, empowering financial science and technology as top, providing support to talents as base, with the four sides supplemented by enterprise culture, brand construction, risk management and control and reform and innovation, so as to promote the coordinated and efficient development of the whole bank’s business on a joint basis.



Hemp (stress the characteristics): Base on the market positioning of supporting “agriculture, rural areas and farmers” and supporting small and micro enterprises and serving the real economy, grasp the advantages of the establishment of the Bank and adhere to the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”.

Spicy (core competitiveness): Give play to the experience advantages of deeply penetrating counties and serving “agriculture, rural areas and farmers”, and build a retail business system with the characteristics of the Rural Commercial Bank through the empowerment of new technologies, new channels and new systems with the help of the core advantages of branch channels, service teams and customer base.

Fresh (cooperate with each other): With retail as the establishment foundation of the Bank, strengthen the linkage among retail finance, corporate finance, small and micro finance and interbank finance, so as to realize the deep interaction and collaborative promotion of all lines.

Fragrance (brand image): Create a distinctive and popular brand image of “Yukuai” products, the technological image of “Digital Rural Commercial Bank” and the talents attracting image of “the near one pleases and the far one comes”.

- New retail thinking of “three transformations”

Transform from “product marketing” to “customer’s housekeeper”.

Transform from “product marketing” which only provides financial products and services to “customer’s housekeeper” of all information, all channels, all businesses and all products, ensure that customers of all lines, such as small and micro enterprises, individuals and credit cards, are “managed”, and different customers can be “managed effectively” by categories and levels, so as to truly achieve “customer-oriented”.

Transform from “B2C” to “BBC”. Transform from the traditional “Bank to Customer” to “Bank-Business-Customer”. Build a BBC financial ecosystem, turn the Bank into a platform, take 2W3H evaluation system as the standard, and build an integrated ecosystem of finance and life.

Transform from “traditional hall service” to “OMO integration”. Base on the outlets scene and product digitization, take the intelligent machines and tools at outlets and the working APPs of employees as an important carrier, improve the intelligent level of offline outlets, build the offline service contacts of the ecosystem, and realize the outlets transformation from transactional outlets to service marketing outlets. Open the online and offline channel information exchange channels, and promote the collaborative integration of online and offline multi-channel customer acquisition and service.

- New retail strategy of “five attitudes”

Serve counties attentively and set up the model of rural vitalization. Seize the opportunity of the development policy of rural vitalization strategy, give play to the channel advantages of 1,456 county outlets, and fully tap the financial demand potential of individual and agricultural industry in rural areas.

Serve users wholeheartedly and build a BBC financial ecosystem. Build an integrated ecosystem of finance and life based on the scene of “food, lodging and transportation; sightseeing, shopping and entertainment; medicine, education and nursing”. Bind the products with the merchants deeply with “merchant code + system”, approach the construction of the ecosystem, and focus on outlets and “three sides” to create scene marketing. Establish the new retail brand of “Yukuai Life” and build a series of sub-brands of “home life”, “car life” and “beauty life”.

Serve high net worth clients intently and strengthen wealth management. Build a professional wealth management center, a professional customer manager team, a professional private banking product system, and a professional customer rights and interests system.

Serve all customers closely and reconstruct the customer operation system.

Reconstruct the customer management system with the customer as the center to realize the effective management of customers by specific organization and staff. Track the performance of customer managers in real time and activate the sleeping retail customers with “four completeness and three contributions” as the assessment objective and personal financial service platform as the support.

Concentrate on technology empowerment, digital products, processes and management.

Optimize the basic financial services of “deposit, loan, remittance, payment and inquiry”. Enrich mobile banking APP and micro banking functions to create the “yukuai” series of online products. Establish the intelligent brain of the branches, and create a digital workflow for customer managers. Enable management, and build automated and intelligent credit granting and risk management.

2. *Propelling the Bank with technology*

Take building a “Digital Rural Commercial Bank” as the goal, and adhere to taking technology as the innovation engine and growth momentum. Continue to increase investment in financial technology, accelerate the application of new technologies such as big data, AI and cloud computing, and let financial technology innovation drive the business and operations and management of the whole bank to improve simultaneously. Adhere to independent research and development, and form a “patent pool” and “standard library” with the characteristics of the rural commercial bank and local features.

— Promote the “four enhancements”

Enhance financial technology empowerment. Through the establishment of the late-developing advantage of financial technology, strengthen basic research and application research, promote the transformation of scientific and technological achievements, enable all lines and businesses, enable pre-loan, in-loan and post-loan risk management, and promote the driving of financial technology innovation for simultaneous enhancement of the quality and efficiency of operation and management.

Enhance smart financial service. Continuously iterate “smart bank”, implant the gene of the platform, explore open bank, and create a modern financial service ecosystem by integrating “platform + scenario” and “scenario + finance”.

Enhance online and offline integration. Solve offline bottlenecks by technological means, accelerate the transformation of the new generation of branches, and rebuild the journey of customer branches. Make customer service precise, put application scenarios on the platform, and integrate linkage marketing. Move the offline superior products to the online, and gradually develop online users into comprehensive customers of payment and settlement, investment and financing, and credit consumption.

Enhance data mining value. Carry out professional processing and in-depth mining through advanced technology such as big data, turn the data stock of the whole bank into business flow, launch personalized, differentiated and customized exclusive services, and achieve the goal of “value-added”.

3. *Empowering the Bank with talents*

Adhere to taking talents as the core resources and future hope. Based on the employment philosophy of “talent is the primary resource”, build a high-quality talent team with firm political stand, excellent specialty and reasonable structure at full stretch, accelerate the introduction and cultivation of professional and inter-disciplinary talents in new business, risk control, financial innovation and other aspects, and provide a strong talent guarantee for sustainable and high-quality development.

— Implement the “Five Programs”

Management talent leading program. Adhere to “simultaneously promoting” internal training and external introduction, and properly select and make good use of a number of excellent talents who understand both operation and management, and have both professional knowledge and practical experience, incorporate them into the middle-level leader and basic-level manager team. Promote the reform of the management tenure system and contractual management, and form a management system featuring market-oriented recruitment, contractual management, differentiated compensation, and market-oriented exit.

Professional talent development program. Adhere to introducing a talent and motivating a team, introduce and develop core talents in high-level key positions urgently needed in operation and management in accordance with the principle of “one matter, one approach; one person, one strategy”. Adhere to the compensation marketization, constantly improve the compensation distribution system, and strive to build a high-skilled talent team with reasonable structure, matching echelons and outstanding performance.

Practical talents support program. The Bank focused on both “high-end intelligence” and “basic skills” talents, and carry out internship programs. The Bank created an employer brand, enriched the talent attraction pipeline, and carried out recruitment by region, level and job type to inject “fresh blood” for the sustainable development of talents. The Bank also strictly implemented the job rotation and mandatory leave system, and established a market-oriented employment system with contract management as the core and job management as the basis. Moreover, the Bank widened the career development channel of talents and improved the efficiency in the use of human resources.

Talent quality improvement program. Increase the talent pool, continue to promote the mechanism of tracking and training of management trainee as well as exchange and cultivation of up-appointment and down-transfer, intensify the training management and control of outstanding young employees, and promote the sustainable development of human resources. Improve employment training, and build a three-dimensional training system of “bringing in + going out, online + offline, on-site + video, head office + line + branch”.

Talent service guarantee program. Optimize and improve the organizational structure system with clear objectives, clear boundaries, equal rights and responsibilities, simplicity and efficiency, improve the basic compensation system, promote the digital construction of human resources, create a high-quality talent development platform, create conditions for talent gathering and development, and form a talent selection and employment mechanism that is conducive to all kinds of outstanding talents to stand out and fully show their abilities.

(II) Investment value and core competitiveness of the Bank

Development strategy of sticking to our own business and clear orientation. Adhere to the main responsibility and business of supporting “agriculture, rural areas and farmers” and supporting small and micro businesses and serving the real economy, comply with the development trend of the new pattern of double circulations, deeply serve the rural vitalization and development, establish the strategic direction of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, adhere to high-quality and intensive growth, and strive to build the Bank into a “national leading regional bank”.

A corporate culture of “realistic, enterprising, innovative and developing”. Since its establishment, the Bank has always maintained the gene of “benchmark bank culture”, rooted in Chongqing and faced the whole country, been the pioneer, become the first “A + H” share bank in Western China by overcoming many difficulties, and become the leading rural commercial bank in China. The Bank inherit the excellent quality of loyalty and responsibility, tenacity and enterprising, diligence and dedication, and simplicity and obligation, and create an enterprise atmosphere of “want to do things, able to do things, and do things well”.

Scientific, efficient, sustainable and complete management system. As a local corporation, the Bank has few management levels and short decision-making chain, which plays a key role in the development of adapting to market changes and seeking innovation. Keep adhering to refined management, integrate it into the corporate culture, establish the risk management, operation management, technology management, human resource management and financial management system and their abilities, and constantly promote the management of important management areas with advanced enterprises as the benchmark, so as to achieve the benefit from management and promote the development with management.

Digital and intelligent technology empowerment. Adhere to “propelling the Bank with technology”, set up a special financial technology center, covering four major fields such as business, data, technology and channels, and build a digital rural commercial bank in an all-round way. Adhere to independent innovation, occupy the commanding height of technology, create the “three heights” cloud services, promote the “three stages” of data governance, and build the “three modules” of intelligent operation, which jointly support seven integrated major digital business capabilities, including intelligent risk control, precise marketing, efficient operation, online and offline integration, refined management, high-quality experience and cooperative ecology.

Retail finance with significant advantages and potential. The strategic retail transformation takes building “a bank with best customer experience” as the goal, promotes three transformations of new thinking, new concept and new mechanism, makes use of traditional advantages such as outlets across Chongqing, well-known brands and leading client base as well as three modern advantages of new technology, new channel and new system, takes customer as the center, implements the “five attitudes” strategy of retail finance, build an ecological platform, a financial life circle and a core brand, deeply taps the potential of customers, and promote retail finance to constantly release potentials.

Corporate finance with green development and intensive cultivation. The Bank has established a “1+3+22+N” green financial system to develop green credit and green financial products, and comprehensively promote the construction of green financial benchmark bank. Implement the “1 + 2 + 3” strategy to deepen and penetrate corporate finance. Seize a major strategic opportunity, namely, the national strategic opportunity of the two-city economic circle in Chengdu-Chongqing area; establish two service modes to drive online and intelligent improvement of financial services through technological innovation, so as to create professional, accurate and appropriate “expert” services and comprehensive, efficient and high-quality “housekeeping” services; by focusing on the three main directions, try hard to adjust the debt structure, strictly control the cost of interest payment, and expand the net fee and commission income.

Integrated and collaborative financial market business. Take “integrated financial market operator” as the goal, act collaboratively in the manner of “united as one team” of the Group, take “settlement and clearing + trust” as the support, take “investment + wealth management” as the approach, promote the three-level linkage of interbank, business line and head office-branch, constantly tap the cooperation potentials of interbank customers, and form a whole chain customer group service system of “investment + capital + trust + investment bank”.

Financial Summary

(The financial information of the Group set forth in this annual report is prepared on a consolidated basis in accordance with the International Financial Reporting Standards and expressed in RMB unless otherwise stated)

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2020	2019 (Restated) ⁽⁶⁾	Comparison between 2020 and 2019	2018	2017	2016
Operating results			Rate of change (%)			
Net interest income	24,248.9	23,373.7	3.74	20,013.9	21,500.7	19,404.7
Net non-interest income	3,933.0	3,268.7	20.32	6,119.1	2,469.3	2,257.0
Among which: net fee and commission income	2,902.9	2,239.0	29.65	2,065.8	2,295.6	2,118.4
other net non-interest income	1,030.1	1,029.7	0.04	4,053.3	173.7	138.6
Operating income	28,181.9	26,642.4	5.78	26,133.0	23,970.0	21,661.7
Operating expenses	(7,909.4)	(7,835.9)	0.94	(8,165.1)	(8,329.5)	(8,451.0)
Credit impairment losses	(10,208.6)	(6,572.6)	55.32	(6,189.5)	N/A	N/A
Impairment losses on other assets	(1.1)	(0.8)	37.50	(6.4)	N/A	N/A
Impairment losses on assets	N/A	N/A	N/A	N/A	(3,710.6)	(2,676.5)
Profit before tax	10,062.8	12,233.0	(17.74)	11,772.0	11,959.8	10,644.8
Net profit	8,564.8	9,988.1	(14.25)	9,164.0	9,008.4	8,001.3
Net profit attributable to shareholders of the Bank	8,401.2	9,759.9	(13.92)	9,058.2	8,936.0	7,944.7
Based on per share (RMB)			Changes			
Net assets per share attributable to shareholders of the Bank	8.25	7.77	0.48	7.07	6.37	5.66
Basic earnings per share	0.74	0.95	(0.21)	0.91	0.94	0.85
Diluted earnings per share	0.74	0.95	(0.21)	0.91	0.94	0.85
Profitability indicators (%)			Changes			
Average return on total assets ⁽¹⁾	0.79	1.01	(0.22)	0.99	1.05	1.05
Weighted average return on net assets ⁽²⁾	9.24	12.75	(3.51)	13.47	15.61	15.99
Net interest spread ⁽³⁾	2.08	2.17	(0.09)	2.40	2.44	2.57
Net interest margin ⁽⁴⁾	2.25	2.33	(0.08)	2.45	2.62	2.74
Net fee and commission income to operating income	10.30	8.40	1.90	7.90	9.58	9.78
Cost-to-income ratio ⁽⁵⁾	27.09	28.52	(1.43)	30.31	33.96	35.95

Financial Summary

(Expressed in RMB million, unless otherwise stated)	As at 31 December					
	2020	2019	Comparison between 2020 and 2019	2018	2017	2016
Scale indicators			Rate of change (%)			
Total assets	1,136,366.6	1,030,230.2	10.30	950,618.0	905,778.1	803,157.7
Among which: loans and advances to customers, net	486,963.4	416,340.8	16.96	364,026.1	324,109.6	288,116.4
Total liabilities	1,041,294.4	940,427.9	10.73	878,469.2	840,532.4	748,967.9
Among which: deposits from customers	724,999.8	673,401.8	7.66	616,166.2	572,184.3	518,185.9
Share capital	11,357.0	11,357.0	–	10,000.0	10,000.0	9,300.0
Equity attributable to shareholders of the Bank	93,668.7	88,213.5	6.18	70,748.2	63,688.7	52,593.2
Non-controlling interests	1,403.5	1,588.8	(11.66)	1,400.6	1,557.0	1,596.6
Total equity	95,072.2	89,802.3	5.87	72,148.8	65,245.7	54,189.8
Assets quality indicators (%) (6)			Changes			
Non-performing loan ratio	1.31	1.25	0.06	1.29	0.98	0.96
Provision coverage ratio	314.95	380.31	(65.36)	347.79	431.24	428.37
Provision-to-loan ratio	4.12	4.75	(0.63)	4.50	4.21	4.10
Capital adequacy ratio indicators (%)			Changes			
Core Tier 1 capital adequacy ratio ⁽⁷⁾	11.96	12.42	(0.46)	10.95	10.39	9.85
Tier 1 capital adequacy ratio ⁽⁷⁾	11.97	12.44	(0.47)	10.96	10.40	9.86
Capital adequacy ratio ⁽⁷⁾	14.28	14.88	(0.60)	13.52	13.03	12.70
Total equity to total assets ratio	8.37	8.72	(0.35)	7.59	7.20	6.75
Other indicators (%)			Changes			
Loan-to-deposit ratio	70.05	64.91	5.14	61.86	59.13	57.98

Notes:

- (1) Average return on total assets represents the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the year.
- (2) Calculated in accordance with the requirements of the “Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share” (Revision 2010) issued by CSRC.
- (3) Calculated as the difference between the average yield on total interest-bearing assets and the average cost rate on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-bearing assets.
- (5) Calculated by dividing total operating expenses (excluding taxes and surcharges) by operating income.
- (6) In accordance with the “Notice on Adjusting the Supervision Requirements for the Loss Provisions for Commercial Bank Loans” (Yin Jian Fa [2018] No.7) promulgated by the CBRC and the Notice on the Supervision Requirements for the Loss Provisions for Middle and Small-Sized Rural Banks Loans of CBIRC Chongqing Office in 2020 (Yu Yin Bao Jian Ban Fa [2020] No. 40) promulgated by the CBIRC Chongqing office, the regulatory standards for the provision coverage ratio and provision-to-loan ratio of the Bank are 140% and 2.1% respectively.
- (7) Calculated in accordance with the “Regulation Governing Capital of Commercial Banks (Provisional)” promulgated by the CBRC.
- (8) In accordance with the “Notice of Strict Implementation of Accounting Standards for Business Enterprises for Effective Improvement of the Work of 2020 Annual Report for Enterprises” promulgated by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, the CBIRC and the CSRC, since 2020, the Group reclassified its credit cardholder installment income from fee and commission income to interest income, and the 2019 financial indicators related to net interest income and net non-interest income have been restated.

Basis of Preparation of Certain Financial Indicators

Under the IFRSs, the restructuring of the Bank was accounted for as an acquisition of the business from the 39 Rural Credit Unions and Chongqing Rural Credit Cooperative Union (the “CRCU”) by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and the Bank before and after the restructuring.

Management Discussion and Analysis

I. Overview

In 2020, the Group thoroughly implemented various decision-making arrangements and regulatory requirements introduced by the country, always adhered to the market positioning of “serving agriculture, rural areas and farmers, serving small and medium-sized enterprises and serving county economy”, always insisted on the “characteristic operation, streamlining the management and fostering good corporate culture”, with the working ideas of “strong management, risk control and stable development”, vigorously promoted the strategies of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, and maintained a good momentum of sustainable and steady development. The operating conditions showed the following characteristics:

Operating results remained stable. The Group’s total assets was RMB1,136.367 billion, an increase of RMB106.136 billion or 10.30% as compared to the end of the previous year. The deposit balance reached RMB725 billion, an increase of RMB51.598 billion or 7.66% as compared to the end of the previous year, and both the balance and increment remained the first in Chongqing. The balance of loans was RMB507.886 billion, an increase of RMB70.801 billion or 16.20% as compared to the end of the previous year, the increment ranked first among Chongqing. Operating income was RMB28.182 billion and net profit was RMB8.565 billion. Due to the impact of pandemic, average return on total assets was 0.79% and weighted average return on net assets was 9.24% in 2020.

Asset quality was generally steady. The Group’s non-performing loan ratio was 1.31%. The ratio of loans overdue was 1.10%, a decrease of 0.06 percentage point as compared to the end of the previous year. The asset quality remained at a sound level. The provision coverage ratio reached 314.95%; the Group’s capital adequacy ratio was 14.28%; tier 1 capital adequacy ratio was 11.97% and core tier 1 capital adequacy ratio was 11.96%, indicating that the Group had good risk resistance capabilities. During the Reporting Period, the Group increased provisions and prudently recognized potential loans with large risk as non-performing loans in time to ensure that the asset quality remained stable.

Structural adjustment improved significantly. The asset structure optimized continuously. The Group’s loan balance accounted for 44.69% of total assets, representing an increase of 2.27 percentage points as compared to the end of the previous year; retail loans balances accounted for 42.64% of total loans, representing an increase of 5.52 percentage points as compared to the end of the previous year. The cost of debt was managed and controlled effectively. The increment of the deposit interest rate recorded a year-year decrease of 24 BP. The proportion of the increase in term deposits with three years or above represented a year-on-year decrease of 74 percentage points. The income structure continued to be optimized. Net fee and commission income accounted for 10.30% in the operating income, representing an increase of 1.90 percentage points as compared to the end of the previous year. The staff structure continued to be improved, among which, financial technology talents accounted for 2.40%, representing an increase of 0.40 percentage point as compared to the end of the previous year.

II. Financial Review

(I) Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			
	2020	2019 (Restated)	Change in amount	Change (%)
Net interest income	24,248.9	23,373.7	875.2	3.74
Net non-interest income	3,933.0	3,268.7	664.3	20.32
Including: Net fee and Commission income	2,902.9	2,239.0	663.9	29.65
Net other non- interest income	1,030.1	1,029.7	0.4	0.04
Operating income	28,181.9	26,642.4	1,539.5	5.78
Operating expenses	(7,909.4)	(7,835.9)	(73.5)	0.94
Impairment losses on credit Impairment losses on other assets	(10,208.6)	(6,572.6)	(3,636.0)	55.32
	(1.1)	(0.8)	(0.3)	37.50
Profit before tax	10,062.8	12,233.0	(2,170.2)	(17.74)
Income tax expense	(1,498.0)	(2,244.9)	746.9	(33.27)
Net profit	8,564.8	9,988.1	(1,423.3)	(14.25)

In 2020, the Group actively responded to the impact of the COVID-19 pandemic and maintained overall stable operations by adhering to its positioning of supporting agriculture and small businesses and serving the real economy. In 2020, the Group recorded a net profit of RMB8,565 million, representing a year-on-year decrease of RMB1,423 million or 14.25%. The main affecting factors were as follows:

First, the scale grew steadily, the structure continued to be optimized and the quality and efficiency of operation made achievement. Operating income increased by RMB1.54 billion, or 5.78% on a year-on-year basis, among which net fee and commission income increased by RMB664 million, or 29.65% on a year-on-year basis.

Secondly, we strengthened expense management, increased provisions and built a solid foundation for high-quality development. We rationally controlled expenses and maintained steady operating expenses. Based on the forward-looking and prudent principle, we enhanced our risk resistance and increased the impairment loss by RMB3.636 billion.

Management Discussion and Analysis

1. Net interest income

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			
	2020	2019 (Restated)	Change in amount	Change (%)
Interest income	45,859.0	45,137.7	721.3	1.60
Interest expense	(21,610.1)	(21,764.0)	153.9	(0.71)
Net interest income	24,248.9	23,373.7	875.2	3.74

In 2020, the net interest income of the Group amounted to RMB24,249 million, representing an increase of RMB875 million or 3.74% over the same period of the previous year. The net interest income accounted for 86.04% of the total operating income, mainly due to steady growth in the scale of interest-bearing assets and the continuous optimization of the structure of interest-bearing liabilities.

(1) Net interest spread and net interest margin

The table below sets forth, for the years indicated, the average balances of interest-bearing assets and interest-bearing liabilities of the Group, related interest income or interest expense and average yields (for assets) or average costs rate (for liabilities). The analysis below excludes the impact of capital-preserve type of customer-driven wealth management products and lease liabilities on the interest income and expense and average balances.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2020			For the year ended 31 December 2019 (Restated)		
	Average balance	Interest income/ expense	Average yield/cost rate (%)	Average balance	Interest income/ expense	Average yield/cost rate (%)
Assets						
Loans and advances to customers	470,306.7	24,605.9	5.23	409,885.2	22,402.8	5.47
Financial investment	367,946.1	15,013.8	4.08	319,995.8	13,903.8	4.34
Balances with Central Bank	61,648.2	932.0	1.51	70,965.9	1,113.3	1.57
Due from banks and other financial institutions	178,902.1	5,265.0	2.94	200,762.6	7,404.6	3.69
Total interest-bearing assets	1,078,803.1	45,816.7	4.25	1,001,609.5	44,824.5	4.48
Liabilities						
Deposits from customers	709,324.9	13,982.4	1.97	661,721.1	12,752.5	1.93
Borrowings from Central Bank	41,157.5	1,197.0	2.91	26,568.6	869.4	3.27
Due to banks and other financial institutions	92,380.4	1,991.6	2.16	77,286.1	2,202.2	2.85
Debt securities issued	149,273.3	4,390.4	2.94	161,658.7	5,620.2	3.48
Total interest-bearing liabilities	992,136.1	21,561.4	2.17	927,234.5	21,444.3	2.31
Net interest income		24,255.3			23,380.2	
Net interest spread⁽¹⁾			2.08			2.17
Net interest margin⁽¹⁾			2.25			2.33

Notes:

- (1) Net interest spread refers to the difference between the average yield of interest-bearing assets and the average cost rate of interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

Management Discussion and Analysis

In 2020, the Group's net interest spread was 2.08%, representing a decrease of 9 BP as compared to the previous year and net interest margin was 2.25%, representing a decrease of 8 BP as compared to the previous year. The net interest margin and net interest spread continued to be under pressure. On one hand, affected by the COVID-19 pandemic, the Group actively supported the development of the real economy and practically reduced the financing costs of the real economy, resulting in a year-on-year decrease in loan yield. On the other hand, coupled with the intensified horizontal competition, the awareness of diversified investment and financial management of customers continued to increase, thus the deposit interest rate increased year-on-year.

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

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Changes in interest income/ expense
Assets			
Loans and advances to customers	3,160.0	(956.9)	2,203.1
Financial Investments	1,956.4	(846.4)	1,110.0
Balances with Central Bank	(140.7)	(40.6)	(181.3)
Due from banks and other financial institutions	(642.7)	(1,496.9)	(2,139.6)
Changes in interest income	4,333.0	(3,340.8)	992.2
Liabilities			
Deposits from customers	937.8	292.1	1,229.9
Due to Central bank, banks and other financial institutions	709.4	(592.4)	117.0
Debt securities issued	(364.1)	(865.7)	(1,229.8)
Changes in interest expense	1,283.1	(1,166.0)	117.1
Changes in net interest income	3,049.9	(2,174.8)	875.1

Net interest income increased by RMB875 million over the previous year, mainly due to the increase of RMB3,050 million of net interest income arising from changes in the average balance of various assets and liabilities and the decrease of RMB2,175 million of net interest income which is attributable to the changes in the average yield and the average cost rate.

(2) Interest income

In 2020, the interest income of the Group amounted to RMB45,859 million, representing an increase of RMB721 million or 1.60% over the previous year, which is mainly due to the steady growth in loans and advances and the scale of financial investments and assets. The details are as follows:

① Interest Income from Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2020			For the year ended 31 December 2019 (Restated)		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	265,547.9	13,186.7	4.97	248,186.8	12,438.0	5.01
General short-term loans	96,152.3	4,184.6	4.35	88,776.2	3,903.1	4.40
Medium and long-term loans	169,395.6	9,002.1	5.31	159,410.6	8,534.9	5.35
Retail loans	182,190.7	10,863.7	5.96	143,180.7	9,316.2	6.51
General short-term loans	67,113.0	4,370.5	6.51	49,742.6	3,521.0	7.08
Medium and long-term loans	115,077.7	6,493.2	5.64	93,438.1	5,795.2	6.20
Discounted bills	22,568.1	555.5	2.46	18,517.7	648.6	3.50
Total loans and advances to customers	470,306.7	24,605.9	5.23	409,885.2	22,402.8	5.47

The interest income from loans and advances to customers amounted to RMB24,606 million, representing an increase of RMB2,203 million or 9.83% over the previous year. This was mainly attributable to the Group's continuous efforts to strengthen financial support for pandemic prevention and control, help enterprises resume work and production and ensure the stable development of the real economy. The average balance of various loans recorded faster growth. Meanwhile, the increase in interest income was partially offset by the decrease in yield.

Management Discussion and Analysis

② Interest income from Financial Investments

The average balance, interest income and average yield for each component of financial investments of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Average balance	Interest income	Average yield (%)	Interest income	Average balance	Average yield (%)
Financial assets measured at amortised cost	355,888.2	14,617.8	4.11	319,107.1	13,863.3	4.34
Financial assets measured at fair value through other comprehensive income	12,057.9	396.0	3.28	888.7	40.5	4.56
Total financial investments	367,946.1	15,013.8	4.08	319,995.8	13,903.8	4.34

In 2020, interest income from financial investments amounted to RMB15,014 million, representing an increase of RMB1,110 million or 7.98% over the previous year, which is mainly due to that the Group optimized asset allocation, and seized the opportunities to improve the investment scale to continuously improve the fund yield on the basis of strengthening of market research and judgment, and preventing and controlling the risk in a strict manner.

③ Interest income from Balances with Central Bank

The Group's interest income from balances with Central Bank amounted to RMB932 million, representing a decrease of RMB181 million or 16.28% over the previous year, mainly due to the fact that the PBOC lowered the reserve requirement ratio and the average balance of the Group with Central Bank decreased by 13.13% over the same period of the previous year.

④ Interest Income from Due from Banks and Other Financial Institutions

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Deposits and placements with banks and other financial institutions	147,108.7	4,743.1	3.22	171,241.4	6,733.8	3.93
Financial assets held under resale agreements	31,793.4	521.9	1.64	29,521.2	670.8	2.27
Total due from banks and other financial institutions	178,902.1	5,265.0	2.94	200,762.6	7,404.6	3.69

In 2020, the interest income from due from banks and other financial institutions amounted to RMB5,265 million, representing a decrease of RMB2,140 million or 28.90% over the previous year, which was mainly due to that the assets yields of the banks decreased, and the Group reduced the proportion of the assets allocation to banks.

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(3) Interest expense

In 2020, the Group's interest expense amounted to RMB21,610 million, representing a decrease of RMB154 million or 0.71% over the previous year, which was primarily due to the decrease in the average balance of issued debt securities and cost rate of interest-bearing liabilities. The details are as follows:

① Interest Expense on Deposits from Customers

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Demand deposit	126,145.3	857.8	0.68	121,869.4	854.7	0.70
Time deposit	37,904.8	1,049.6	2.77	42,543.1	1,160.6	2.73
Subtotal corporate deposits	164,050.1	1,907.4	1.16	164,412.5	2,015.3	1.23
Demand deposit	125,516.9	668.1	0.53	116,788.7	575.2	0.49
Time deposit	419,757.9	11,406.9	2.72	380,519.9	10,162.0	2.67
Subtotal personal deposits	545,274.8	12,075.0	2.21	497,308.6	10,737.2	2.16
Total deposits from customers	709,324.9	13,982.4	1.97	661,721.1	12,752.5	1.93

In 2020, the interest expense on deposits from customers amounted to RMB13,982 million, representing an increase of RMB1,230 million or 9.64% over the previous year, which was primarily due to the continuous growth in the scale of deposits and the continuous structure optimization. The interest payment rate on deposits from customers was 1.97%, representing an increase of 4 BP over the previous year, but the increase rate significantly reduced over the previous year. In order to consolidate the source of core liability, on the one hand, the Group continued to leverage its regional advantages, stabilize client funding through the integration of online and offline channels, and on the other hand, strengthened the deposits pricing management, limit control over relatively high-cost deposit such as structured products, large certificates of deposit and time deposit, optimized the deposit structure to ensure a relatively stable costs.

② Interest Expense on Borrowings from Central Bank

In 2020, interest expense on borrowings from Central Bank amounted to RMB1,197 million, representing an increase of RMB328 million or 37.68% over the previous year, mainly due to the actively access to the special refinancing for pandemic prevention and control, re-loans in support of small enterprises, re-loans in support of agriculture and funds for rediscounting from Central Bank, with the increase of RMB14,589 million on average balance of borrowings from Central Bank over the same period of the previous year.

③ Interest Expense on Due to Banks and Other Financial Institutions

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Amounts from banks and other financial institutions	50,533.1	1,299.1	2.57	46,732.4	1,498.8	3.21
Financial assets sold under repurchase agreements	41,847.3	692.5	1.65	30,553.7	703.4	2.30
Total due to banks and other financial institutions	92,380.4	1,991.6	2.16	77,286.1	2,202.2	2.85

In 2020, the Group's interest expense on due to banks and other financial institutions amounted to RMB1,992 million, representing a decrease of RMB211 million or 9.56% over the previous year, mainly due to the year-on-year decrease in interbank cost of liabilities resulted by the decreased interbank market interest rates.

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④ Interest Expense on Issued Debt Securities

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Debt Securities Payable	25,515.3	966.0	3.79	16,367.4	736.6	4.50
Interbank deposit certificate	123,758.0	3,424.4	2.77	145,291.3	4,883.6	3.36
Total Issued Debt Securities	149,273.3	4,390.4	2.94	161,658.7	5,620.2	3.48

In 2020, the interest expenses on issued debt securities of the Group amounted to RMB4,390 million, representing a decrease of RMB1,230 million or 21.88% over the previous year, primarily due to the aggressive adjusting and optimizing of debt financing structure based on market conditions, which resulted in a decrease in the average balance and the average cost rate of interbank deposit certificate.

2. Net non-interest income

In 2020, the Group's net non-interest income amounted to RMB3,933 million, representing an increase of RMB664 million or 20.32% over the previous year, accounting for 13.69% of the operating income, representing an increase of 1.69 percentage points over the previous year.

(1) Net Fee and Commission Income

The following table sets forth, for the years indicated, net fee and commission income of the Group:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			
	2020	2019 (Restated)	Change in amount	Change (%)
Subtotal fee and commission income	3,010.6	2,359.5	651.1	27.59
Wealth management fees	1,937.0	1,314.1	622.9	47.40
Agency and fiduciary service fees	370.2	402.6	(32.4)	(8.05)
Bank card fees	165.0	180.1	(15.1)	(8.38)
Settlement and clearing fees	134.3	134.5	(0.2)	(0.15)
Others	404.1	328.2	75.9	23.13
Fee and commission expense	(107.7)	(120.5)	12.8	(10.62)
Total net fee and commission income	2,902.9	2,239.0	663.9	29.65

In 2020, the net fee and commission income of the Group achieved great growth and amounted to RMB2,903 million, representing an increase of RMB664 million or 29.65% over the previous year. The net and commission income accounted for 10.30% of the operating income, representing an increase of 1.90 percentage points over the previous year.

Wealth management fees amounted to RMB1,937 million, representing an increase of RMB623 million or 47.40% over the previous year, mainly due to that leveraging on high-quality client base, the Group continued improving operating capacity and competitive capabilities of high net worth wealth management products, driving the continuous rapid growth of the customer-driven management fee income.

Agency and fiduciary service fees amounted to RMB370 million, representing a year-on-year decrease of RMB32 million, mainly due to early expiry of some fiduciary projects of the Group.

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Bank card fees amounted to RMB165 million, representing a decrease of RMB15 million or 8.38% over the previous year, mainly attributed to the decrease in ATM fee income from debit cards and POS consumption.

Settlement and clearing fees amounted to RMB134 million, keeping flat over the previous year, mainly due to that the Group continued to implement preferential policies for financial services and proactively exempted certain business fees.

(2) Net other non-interest income

The following table sets forth, for the years indicated, net other non-interest income of the Group:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			
	2020	2019	Change in amount	Change (%)
Net trading gain or loss	767.5	759.8	7.7	1.01
Other net business gain	224.7	183.2	41.5	22.65
Share of net profits from associates	0.3	–	0.3	N/A
Net gain resulted from derecognition of financial assets at fair value through other comprehensive income	36.6	–	36.6	N/A
Net gain resulted from derecognition of financial assets measured at amortised cost	1.0	86.7	(85.7)	(98.85)
Total net other non- interest income	1,030.1	1,029.7	0.4	0.04

In 2020, the Group's net other non-interest income was RMB1,030 million, representing a year-on-year increase of RMB0.4 million or 0.04% over the previous year, mainly due to that net gains from derecognition of financial assets at fair value through other comprehensive income increased, as well as the Group increased financial support for stabilizing enterprises and preserving employment and increased revenue from the interest rate swap business with the central bank for deferring capital repayment for inclusive small and micro enterprises.

3. *Operating expenses*

The following table sets forth, for the years indicated, the operating expenses of the Group:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			
	2020	2019	Change in amount	Change (%)
Staff costs	4,841.7	4,932.8	(91.1)	(1.85)
Salaries, bonuses and allowances	3,532.1	3,219.3	312.8	9.72
Staff benefits, social insurance premiums, housing provident fund	877.2	1,297.0	(419.8)	(32.37)
Others	432.4	416.5	15.9	3.82
Taxes and surcharges	273.6	236.2	37.4	15.83
Depreciation and amortisation	849.7	782.0	67.7	8.66
Other general and administrative expenses	1,944.4	1,884.9	59.5	3.16
Total operating expenses	7,909.4	7,835.9	73.5	0.94

In 2020, the operating expenses of the Group amounted to RMB7,909 million, representing an increase of RMB74 million or 0.94% as compared to the same period of the previous year. The Group continuously strengthened cost management, optimized the expense structure and controlled expenses in a reasonable manner on the basis of ensuring stable revenue growth.

(1) *Staff Costs*

Staff costs are the largest component of operating expenses of the Group, accounting for 61.21% and 62.95% of its total operating expenses as of 2020 and 2019 respectively.

In 2020, staff costs amounted to RMB4.842 billion, representing a decrease of RMB91 million or 1.85% over the previous year. Among which, staff benefits, social insurance premiums and housing provident fund decreased by RMB420 million or 32.37% over the previous year, mainly due to that, to follow the spirit of the relevant instructions on pandemic prevention and control, the Group's social insurance contributions for its employees can enjoy certain stage reductions and concessions.

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(2) Taxes and surcharges

Taxes and surcharges mainly relate to revenue generated from loans (interest income), transfer of securities and other financial products and services. In 2020, taxes and surcharges of the Group amounted to RMB274 million, representing a year-on-year increase of RMB37 million or 15.83%, which was mainly due to the increase in the taxes, such as value-added tax, driven by the continued increase in the Group's taxable income.

(3) Depreciation and Amortization

In 2020, the depreciation and amortization amounted to RMB850 million, representing an increase of RMB68 million or 8.66% over the previous year, which was mainly due to that the Group had firmly accelerated the deployment of financial technology, increased investment in financial technology and promoted the business transformation and development through the construction of intelligent technological platform and smart products platform.

(4) Other General and Administrative Expenses

In 2020, other general and administrative expenses amounted to RMB1,944 million, representing an increase of RMB60 million or 3.16% as compared to the previous year. Firstly, the growth in deposits from customers drove increase in deposit premiums, and secondly, there were increases in electronic equipment operations and consulting service fees related to network operations and business development.

4. Impairment loss

The following table sets forth, for the years indicated, the impairment loss:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			
	2020	2019	Change in amount	Change (%)
Impairment loss on credit on loans and advances to customers	9,459.2	4,935.1	4,524.1	91.67
Impairment loss on credit on financial investments	828.3	1,163.5	(335.2)	(28.81)
Impairment loss on other credit	(78.9)	474.0	(552.9)	(116.65)
Impairment losses on other assets	1.1	0.8	0.3	37.50
Total impairment loss	10,209.7	6,573.4	3,636.3	55.32

In 2020, the Group's impairment loss was RMB10,210 million, representing an increase of RMB3,636 million or 55.32% over the previous year. Among which, impairment losses on loans and advances to customers increased by RMB4,524 million over the previous year, mainly due to that facing the effect of the COVID-19 pandemic, the Group proactively implemented classification downgrades to large-sum risk loan, increased the impairment provision for loans to customer and timely wrote off and disposed non-performing loans based on the principle of forward-looking and cautious operation, laying a solid foundation for the asset quality management in the future.

The impairment losses on financial investments decreased by RMB335 million over the previous year, and other impairment losses decreased by RMB553 million over the previous year, mainly due to that the Group strengthened its financial market analysis and judgment, strictly prevented and controlled the risks and continuously improved the quality of the non-credit financial assets.

5. *Income tax expense*

The following table sets forth the profit before tax and income tax expense for the years ended 31 December 2020 and 2019.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			
	2020	2019	Change in amount	Change (%)
Profit before tax	10,062.8	12,233.0	(2,170.2)	(17.74)
Tax calculated at applicable statutory tax rate	2,426.4	2,990.6	(564.2)	(18.87)
Add/(less) the tax effect of the following items:				
Non-deductible expenses	57.8	260.6	(202.8)	(77.82)
Non-taxable income	(988.9)	(788.1)	(200.8)	25.48
Tax effect of changes in large-scale health insurance policies	–	(195.3)	195.3	(100.00)
Others	2.7	(22.9)	25.6	(111.79)
Income tax expense	1,498.0	2,244.9	(746.9)	(33.27)

In 2020, income tax expense amounted to RMB1,498 million, representing a decrease of RMB747 million over the previous year. The effective income tax rate was 14.89%, lower than the statutory rate of 25%. The decrease was mainly due to the fact that the Group continued to optimize the investment structure of its business and held certain statutory tax-exempt treasury bonds and local government bonds on the basis of balancing risks and returns, thereby reducing the effective income tax rate.

(II) Analysis on Statement of Financial Position

1. Assets

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

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019		Change in amount	Change (%)
	Amount	Percentage of Total amount (%)	Amount	Percentage of Total amount (%)		
Net loans and advances to customers	486,963.4	42.85	416,340.8	40.41	70,622.6	16.96
Carrying balance of loans and advances to customers	507,885.9	44.69	437,084.9	42.42	70,801.0	16.20
Allowances for impairment on loans and advances to customers ⁽¹⁾	(20,922.5)	(1.84)	(20,744.1)	(2.01)	(178.4)	0.86
Financial Investments	429,954.5	37.83	377,353.2	36.63	52,601.3	13.94
Financial assets measured at amortised cost	383,164.5	33.72	346,418.4	33.63	36,746.1	10.61
Financial assets measured at fair value through other comprehensive income	16,625.5	1.46	7,256.8	0.70	9,368.7	129.10
Financial assets measured at fair value through profit and loss	30,164.5	2.65	23,678.0	2.30	6,486.5	27.39
Cash and balances with Central Bank	65,368.9	5.75	77,413.6	7.51	(12,044.7)	(15.56)
Deposits and placements with banks and other financial institutions	137,386.6	12.09	146,001.2	14.18	(8,614.6)	(5.90)
Financial assets held under resale agreements	1,303.0	0.11	–	–	1,303.0	N/A
Investment in associates	450.3	0.04	–	–	450.3	N/A
Goodwill	440.1	0.04	440.1	0.04	–	–
Other assets⁽²⁾	14,499.8	1.29	12,681.3	1.23	1,818.5	14.34
Total Assets	1,136,366.6	100.00	1,030,230.2	100.00	106,136.4	10.30

Notes:

- (1) Includes only the provision for impairment on loans and advances to customers measured at amortised cost.
- (2) Other assets consist of fixed assets, deferred income tax assets, right-of-use assets, and other receivables.

As of the end of 2020, the Group's total assets amounted to RMB1,136,367 million, representing an increase of RMB106,136 million or 10.30% as compared to the end of the previous year.

The carrying balance of loans and advances to customers amounted to RMB507.886 billion, representing an increase of RMB70.801 billion or 16.20% over the end of the previous year. The Group, as the largest financial institution in Chongqing region, has always adhered to serving the essential requirements of the real economy, actively implemented the financial policies for pandemic prevention and control, and proactively increased credit investment on the basis of promoting steady and healthy development of its own business. In the principle of ecological priorities and green development, the Group focused on advanced manufacturing and industry transformation, providing strong support to the local economic development of Chongqing region. The Bank innovated small and micro retailing financial service model and improved service efficiency through deep integration online with offline, devoted itself to supporting the stable development of private and small and micro enterprises.

Financial investments amounted to RMB429,955 million, representing an increase of RMB52,601 million or 13.94% compared to the end of the previous year. In 2020, the Group optimized investment structure of financial assets and increased the investment in standardized products such as bonds and funds.

Total cash and balances with the Central Bank amounted to RMB65,369 million, representing a decrease of RMB12,045 million or 15.65% as compared to the end of the previous year, mainly due to downward adjustment of the deposit reserve ratio.

Deposits and placements with banks and other financial institutions amounted to RMB137,387 million, representing a decrease of RMB8,615 million or 5.90% as compared to the end of the previous year, mainly due to that, the Group optimized its asset structure, increased credit investment and increased the proportion of relatively higher-yielding debt investments.

Financial assets held under resale agreements amounted to RMB1,303 million, mainly due to the Group's utilization of surplus funds through multiple channels, after comprehensively taking into account the needs of asset-liability and liquidity management.

Investment in associates amounted to RMB450 million, mainly due to the Group's equity participation in Chongqing Xiaomi Consumer Finance Corporate.

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(1) Loans and advances to customers

The following table sets forth, as at the dates indicated, the composition of the Group's loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019	
	Amount	Percentage of Total Amount (%)	Amount	Percentage of Total Amount (%)
Corporate loans	273,631.3	53.88	254,760.4	58.29
Short-term loans ⁽¹⁾	69,302.5	13.65	78,134.2	17.88
Medium and long- term loans ⁽²⁾	204,328.8	40.23	176,626.2	40.41
Retail loans	216,543.7	42.64	162,237.8	37.12
Personal mortgage loans ⁽³⁾	91,337.0	17.98	73,091.4	16.72
Personal business and re- employment loans ⁽⁴⁾	66,799.8	13.15	50,516.0	11.56
Other loans ⁽⁵⁾	58,406.9	11.51	38,630.4	8.84
Discounted bills	17,710.9	3.48	20,086.7	4.59
Total loans and advanced to customers	507,885.9	100.00	437,084.9	100.00

Notes:

- (1) Short-term loans primarily consist of loans with contractual maturities of one year or less.
- (2) Medium and long-term loans primarily consist of loans with contractual maturities over one year.
- (3) Personal mortgage loans primarily consist of residential mortgage loans and commercial property mortgage loans.
- (4) Personal business and re-employment loans primarily consist of personal loans for business purposes, personal working capital loans and small amount loans related to employment and re-employment.
- (5) Other loans primarily consist of individual consumption loans, credit card loans, housing pledged loan, rural cross-guaranteed loans and credit loans.

As of the end of 2020, the carrying balance of loans and advances to customers of the Group amounted to RMB507,886 million, representing an increase of RMB70,801 million, or 16.20% as compared to the end of the previous year.

The gross amount of corporate loans and advances was RMB273,631 million, representing an increase of RMB18,871 million, or 7.41% as compared to the end of the previous year. Among which, short-term loans represented a decrease of RMB8.832 billion, and medium-and long-term loans represented an increase of RMB27.703 billion, which were mainly due to that, in order to continuously implement the financial policies for pandemic prevention and control, the Bank assisted enterprises to resume work and production; actively supported the construction of key local projects, focused on business areas such as large infrastructure, manufacturing industry and people's livelihood; vigorously expanded strategic sectors such as green finance and intelligent manufacturing, and continuously promoted the transformation and upgrading of the company's business.

Total retail loans and advances amounted to RMB216.544 billion, representing an increase of RMB54.306 billion or 33.47% over the end of the previous year, and an increase of 5.52 percentage points of the ratio in the total loans. Adhering to the philosophy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents" and leveraging on its huge retail client basis, the Group developed the asset business through multiple channels. Among which, total personal mortgage loans amounted to RMB91.337 billion, representing an increase of RMB18.246 billion or 24.96% over the end of the previous year, mainly due to the support for the local citizens' reasonable financing requirement for owner-occupied houses, subject to the regulatory real estate control policies; total personal business and re-employment loans amounted to RMB66.800 billion, representing an increase of RMB16.284 billion or 32.23% over the end of the previous year, which was mainly due to the implementation of the inclusive finance policy and relied on technology-enabled innovative service means to support personal business financing needs; total other loans amounted to RMB58.407 billion, representing a year-on-year increase of RMB19.777 billion or 51.19% over the end of last year, which was due to that on the basis of balancing risk and return, using online, scenario-based, data-based and other customer acquisition methods, the Bank rationally developed credit card, consumer finance and other businesses.

Discounted bills amounted to RMB17,711 million, representing a decrease of RMB2,376 million or 11.83% as compared to the end of the previous year.

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The following table sets forth, as at the dates indicated, the composition of the Group's loans by industry classification:

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019	
	Amount	Percentage of total amount (%)	Amount	Percentage of total amount (%)
Total corporate loans and advances	273,631.3	53.88	254,760.4	58.29
Water, environmental and public facility management	63,875.2	12.58	59,508.9	13.61
Manufacturing	61,019.7	12.01	61,130.0	13.99
Leasing and business services	60,476.7	11.91	50,481.8	11.55
Electricity, heat, gas and water production and supply industries	19,232.7	3.79	16,531.0	3.78
Transportation, warehousing and postal services	18,177.2	3.58	12,221.2	2.80
Wholesale and retail industries	17,969.1	3.54	18,792.1	4.30
Construction	6,601.1	1.30	7,152.0	1.64
Health and social work	6,288.3	1.24	5,538.1	1.27
Real estate	5,676.8	1.12	8,032.9	1.84
Financial	2,791.6	0.55	2,784.0	0.63
Others	11,522.9	2.26	12,588.3	2.88
Retail loans and advances	216,543.7	42.64	162,237.8	37.12
Discounted bills	17,710.9	3.48	20,086.7	4.59
Total loans and advances to customers	507,885.9	100.00	437,084.9	100.00

In 2020, the Group continued to advance credit support for national and major local strategic projects, intelligent manufacturing, and people's livelihood. As of the end of 2020, the balance of the Bank's corporate loans invested in water, environmental and public facilities management, manufacturing and leasing and business service industries were RMB63.875 billion, RMB61.020 billion and RMB60.477 billion respectively, accounting for 12.58%, 12.01%, and 11.91% of the Group's total loans and advances, respectively.

(2) Financial Investments

The following table sets forth, as at the dates indicated, the composition of the Group's financial investments:

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019	
	Amount	Percentage of Total Amount (%)	Amount	Percentage of Total Amount (%)
Bonds investment	305,211.4	70.99	249,463.0	66.11
Debt instruments issued by financial institutions	9,045.5	2.10	31,593.3	8.37
Interbank certificates of deposit	61,478.3	14.30	69,486.3	18.42
Debt financing plan	32,620.6	7.59	20,724.8	5.49
Fund	21,028.4	4.89	5,508.0	1.46
Equity instruments	570.3	0.13	577.8	0.15
Total financial investments	429,954.5	100.00	377,353.2	100.00

As of the end of 2020, the total financial investment amounted to RMB429,955 million, representing an increase of RMB52,601 million or 13.94% as compared with the end of the previous year. The Group continued to strengthen its market analysis and judgment, appropriated and optimized asset allocation, and appropriately increased the proportion of investment in standardized assets.

The following table sets forth, as at the dates indicated, the composition of the Group's bond investments by issuer:

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	113,384.5	37.14	97,403.4	39.05
Public institutions, and quasi- government bonds	69,429.7	22.75	56,933.4	22.82
Financial institution bonds	60,147.3	19.71	33,484.0	13.42
Corporate bonds	62,249.9	20.40	61,642.2	24.71
Total bonds investment	305,211.4	100.00	249,463.0	100.00

In 2020, the Group optimized the structure of bond investment and increased the investment in local government bonds, debt securities issued by policy banks and high-rated bonds of financial institutions. As of the end of 2020, the government bonds, public institutions and quasi-government bonds and financial institution bonds increased by RMB15,981 million, RMB12,496 million and RMB26,663 million respectively, as compared to the end of the previous year.

Management Discussion and Analysis

(3) Repossessed assets

As part of its effort to recover impaired loans and advances, the Group may obtain the title of the collateral, through legal actions or voluntary transfer from the borrowers, as compensation for the losses on loans and advances and interest receivable. As at the end of 2020, the Group's repossessed assets were RMB93 million, and the balance of impairment allowances for repossessed assets was RMB14 million. Please refer to "Other Assets" under Notes to the Financial Statements for details.

2. Liabilities

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

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019	
	Amount	Percentage of Total Amount (%)	Amount	Percentage of Total Amount (%)
Deposits from customers	724,999.8	69.63	673,401.8	71.61
Deposits and placements from banks and other financial institutions	62,139.3	5.97	35,568.7	3.78
Debt securities issued	173,178.2	16.63	171,330.1	18.22
Borrowings from Central Bank	62,313.8	5.98	31,218.0	3.32
Financial assets sold under repurchase agreements	6,373.2	0.61	15,086.1	1.60
Other liabilities ⁽¹⁾	12,290.1	1.18	13,823.2	1.47
Total liabilities	1,041,294.4	100.00	940,427.9	100.00

Note:

- (1) Other liabilities consist of accrued staff costs, taxes payable, lease liabilities and other payables, etc.

As of the end of 2020, the total liabilities of the Group increased by RMB100,867 million, or 10.73%, to RMB1,041.294 billion as compared to the end of the previous year. Deposits from customers are the most core liabilities source of the Group, representing an increase of RMB51,598 million or 7.66% as compared to the end of the previous year; deposits and placements from banks and other financial institutions increased by RMB26,571 million or 74.07% over the previous year, mainly due to the adjustment and optimization of liabilities structure based on the market condition; borrowings from Central Bank increased by RMB31,096 million or 99.61% as compared to the end of the previous year. This was mainly due to the active use of Central Bank's financial policies for pandemic prevention and control, the Group newly added special capital including special re-lending, re-loans in support of agriculture and small enterprises, etc.; the debt securities issued increased by RMB1.848 billion or 1.08% over the end of the previous year, which was mainly due to that the Group strengthened its active liability capability to reduce financing costs based on the market conditions of banks.

(1) Deposits from customers

The following table sets forth, as at the dates indicated, the composition of deposits from customers of the Group:

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019	
	Amount	Percentage of Total Amount (%)	Amount	Percentage of Total Amount (%)
Subtotal corporate deposits	156,370.2	21.57	156,030.7	23.17
Demand deposit	122,309.1	16.87	125,140.0	18.58
Time deposit	34,061.1	4.70	30,890.7	4.59
Subtotal personal deposits	561,617.1	77.46	511,571.7	75.97
Demand deposit	128,951.9	17.79	116,031.2	17.23
Time deposit	432,665.2	59.67	395,540.5	58.74
Pledged deposits	7,002.5	0.97	5,783.2	0.86
Other deposits	10.0	–	16.2	–
Total deposits from customers	724,999.8	100.00	673,401.8	100.00

In 2020, the Group leveraged its channel and retail advantages, and steadily increased deposits from customers. At of the end of 2020, total deposits from customers amounted to RMB725,000 million, representing an increase of RMB51,598 million or 7.66% as compared to the end of the previous year, and accounted for 69.63% of total liabilities with 1.98 percentage points lower than that of the end of the previous year.

Management Discussion and Analysis

In terms of customer structure, corporate deposits amounted to RMB156,370 million with an increase of RMB340 million or 0.22% over the end of the previous year, accounted for 21.57% of deposits from customers, with a decrease of 1.60 percentage points compared to the end of the previous year; personal deposits amounted to RMB561,617 million with an increase of RMB50,045 million or 9.78% over the end of the previous year, accounted for 77.46% of total deposits from customers, with an increase of 1.49 percentage points compared to the end of the previous year.

In terms of term structure, the demand deposits amounted to RMB251,261 million, representing an increase of RMB10,090 million or 4.18% over the end of the previous year, and accounted for 34.66% of total deposits from customers, with a decrease of 1.15 percentage points compared to the end of the previous year. Time deposits amounted to RMB466,726 million, representing an increase of RMB40,295 million or 9.45% over the end of the previous year, with the proportion of total deposits from customers rising by 1.04 percentage points over the end of the previous year to 64.37%.

(2) Debt securities issued

The Group has not issued any corporate bonds that are required to be disclosed in accordance with the requirements of the “Rules No. 2 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities—Contents and Format of Annual Report (Revision 2017)” and the “Rules No. 38 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities—Contents and Format of the Annual Report on Corporate Bonds”. For details, please refer to “Bonds Payable” under Notes to the Financial Statements.

(III) Shareholders' Equity

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

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019	
	Amount	Percentage of Total Amount (%)	Amount	Percentage of Total Amount (%)
Share capital	11,357.0	11.95	11,357.0	12.65
Capital reserve	20,924.6	22.01	21,014.6	23.40
Investment revaluation reserve	(418.0)	(0.44)	(106.6)	(0.12)
Actuarial revaluation reserve	(268.5)	(0.28)	(336.1)	(0.37)
Surplus reserve	12,069.8	12.70	11,283.6	12.56
General risk reserve	14,056.1	14.78	12,635.3	14.07
Retained earnings	35,947.7	37.80	32,365.7	36.04
Equity attributable to equity holders of the Bank	93,668.7	98.52	88,213.5	98.23
Non-controlling interests	1,403.5	1.48	1,588.8	1.77
Total shareholders' equity	95,072.2	100.00	89,802.3	100.00

As of the end of 2020, total equity amounted to RMB95,072 million, representing an increase of RMB5,270 million as compared to the previous year, mainly attributable to the increase in unappropriated profits. In particular, investment revaluation reserve decreased by RMB311 million from the end of the previous year, mainly due to the changes in the fair value of financial assets measured at fair value through other comprehensive income invested by the Group; general risk reserve increased by RMB1,421 million as compared to the end of the previous year, mainly due to general provision with an amount of 1.5% of the balance of risk assets at the end of the previous year.

(IV) Analysis of off-Balance-Sheet Items

Off-balance-sheet items of the Group mainly include unused credit card limit, acceptance bills, letters of guaranteed funds issued and letters of credit issued. The balances of unused credit card limit, acceptance bills, letters of guaranteed funds issued and letters of credit issued amounted to RMB21,960 million, RMB9,237 million, RMB3,799 million and RMB2,395 million respectively.

As of the end of 2020, the operating lease commitments of the Group that are not included in the measurement of lease liabilities were not significant.

Management Discussion and Analysis

As of the end of 2020, all the Group's capital expenditure commitments which have been approved but were unnecessary to be presented on the balance sheet were signed but unfulfilled contracts with amount of RMB502 million.

(V) Statement of Cash Flows

The following table sets forth, as at the dates indicated, the Group's cash flow statement:

(Expressed in RMB million, unless otherwise stated)	2020	2019	2018
Net cash flow from operating activities	42,370.3	23,851.3	(81,223.3)
Net cash flows from investing activities	(37,885.8)	(51,852.8)	18,823.1
Net cash flow from financing activities	(5,690.9)	13,885.2	48,357.4

Net cash inflows from operating activities amounted to RMB42,370 million with an increase of RMB18,519 million as compared to the same period of the previous year, which was mainly due to the year-on-year increase of the net increase in the borrowings from central bank and net increase in client deposit and placements with banks. In particular, cash inflow amounted to RMB159,472 million with an increase of RMB48,170 million; cash outflow amounted to RMB117,102 million with an increase of RMB29,651million.

Net cash outflow from investing activities amounted to RMB37,886 million. In particular, cash inflows amounted to RMB191,152 million with a decrease of RMB1,079 million, cash outflows amounted to RMB229,038 million with a decrease of RMB15,046 million, which was mainly due to the decrease in cash payments on bonds investments.

Net cash outflow from financing activities amounted to RMB5,691 million. In particular, cash inflow amounted to RMB225,531 million, which was mainly due to the cash received from the issuance of bonds by the Group; cash outflow amounted to RMB231,222 million, which was mainly due to the repayment of debt securities.

(VI) Loan Quality Analysis1. *Breakdown of Loans by the Five-Category Classification*

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

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019	
	Amount	Percentage of total amount (%)	Amount	Percentage of total amount (%)
Normal	489,255.1	96.33	421,463.7	96.43
Special mention	11,985.7	2.36	10,161.3	2.32
Substandard	2,868.6	0.56	3,447.0	0.79
Doubtful	3,641.1	0.72	1,883.0	0.43
Loss	135.4	0.03	129.9	0.03
Total loans and advances to customers	507,885.9	100.00	437,084.9	100.00
Amount of non-performing loans	6,645.1		5,459.9	
Non-performing loan ratio (%)		1.31		1.25

In 2020, the Group actively responded to the complicated and everchanging environment at home and abroad under the context of the COVID-19 pandemic and got fully prepared for credit support during the pandemic period, as well as insisted on making classification in a prudent manner, and strictly controlled substantial risks, implemented risk classification management dynamically, actively handled the potential large risky loans, put more efforts to the recovery and disposal of non-performing loans and comprehensively improved quality of asset. Since large individual loans to risky customers were classified as the non-performing loans based on the risk classification, as of the end of 2020, the balance of non-performing loans of the Group increased by RMB1,185 million from the end of the previous year to RMB6,645 million; while the non-performing loan ratio was 1.31% which was 0.06 percentage point higher than that of the end of the previous year. Among which, the balance of non-performing loans of urban area and the balance of non-performing loans of county area accounted for 69.29% and 30.71% of the Group, respectively.

Management Discussion and Analysis

2. Concentration of Loans

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

The following table sets forth, as at the dates indicated, the loans and non-performing loans by industry:

(Expressed in RMB million, unless otherwise stated)	31 December 2020				31 December 2019			
	Loan amount	Percentage of total amount (%)	Non- performing loan amount	Non- performing loan ratio	Loan amount	Percentage of total amount (%)	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans	273,631.3	53.88	5,316.0	1.94	254,760.4	58.29	4,305.5	1.69
Manufacturing	61,019.7	12.01	2,961.9	4.85	61,130.0	13.99	1,741.4	2.85
Production and supply of electricity, gas and water	19,232.7	3.79	-	-	16,531.0	3.78	-	-
Real estate	5,676.8	1.12	-	-	8,032.9	1.84	692.3	8.62
Leasing and commercial services	60,476.7	11.91	7.4	0.01	50,481.8	11.55	2.0	0.00
Water conservancy, environment and public utility management	63,875.2	12.58	-	-	59,508.9	13.61	4.5	0.01
Construction	6,601.1	1.30	47.4	0.72	7,152.0	1.64	143.0	2.00
Wholesale and retail	17,969.1	3.54	1,440.7	8.02	18,792.1	4.30	332.7	1.77
Other	38,780.0	7.63	858.6	2.21	33,131.7	7.58	1,389.6	4.19
Retail loans	216,543.7	42.64	1,328.1	0.61	162,237.8	37.12	1,153.4	0.71
Discounted bills	17,710.9	3.48	1.0	0.01	20,086.7	4.59	1.0	0.00
Total	507,885.9	100.00	6,645.1	1.31	437,084.9	100	5,459.9	1.25

In 2020, the Group strictly implemented guidelines for credit investment, strictly adhered to the lending and exit criteria, strengthened the management and control of key industries and strictly implemented relevant national regulatory policies and further optimized the credit structure. As of the end of 2020, all balance of loans, balance of non-performing loans and non-performing loan ratios of the real estate industry of the Group recorded a year-on-year decrease.

(2) Concentration of borrowers

As at the end of 2020, the Group's total loans to its largest single borrower accounted for 3.74% of its net capital while total loans to its top ten clients accounted for 23.76% of its net capital, both of which were in compliance with the regulatory requirements and declined year-on-year. As of the end of 2020, all the Group's loans to top ten largest single borrowers were not non-performing loans.

① Indicators of concentration

Major Regulatory Indicators	Regulatory standard	31 December 2020	31 December 2019	31 December 2018
Percentage of the loans to largest single client to the net capital(%)	≤10%	3.74	5.15	5.95
Percentage of the loans to single group client to the net capital(%)	≤15%	5.72	6.37	7.75
Percentage of the loans to top ten clients to the net capital (%)	N/A	23.76	24.19	27.49

Management Discussion and Analysis

② Loans to top ten largest single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	31 December 2020	
		Amount	Percentage of the total amount of loans (%)
Client A	Leasing and commercial service	4,191.7	0.83
Client B	Water conservancy, environment and public utility management	3,348.2	0.66
Client C	Manufacturing	3,274.2	0.64
Client D	Leasing and commercial service	2,557.6	0.50
Client E	Water conservancy, environment and public utility management	2,445.0	0.48
Client F	Leasing and commercial service	2,353.5	0.46
Client G	Water conservancy, environment and public utility management	2,279.8	0.45
Client H	Water conservancy, environment and public utility management	2,218.7	0.44
Client I	Leasing and commercial service	1,993.0	0.39
Client J	Water conservancy, environment and public utility management	1,932.7	0.38

3. *Distribution of Loans and Non-performing Loans by Product Type*

The following table sets forth, for the dates indicated, the loans and non-performing loans of the Group by product type:

(Expressed in RMB million, unless otherwise stated)	31 December 2020			31 December 2019		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans	273,631.3	5,316.0	1.94	254,760.4	4,305.5	1.69
Short-term loans	69,302.5	1,247.1	1.80	78,134.2	1,225.7	1.57
Medium-and-long-term loans	204,328.8	4,068.9	1.99	176,626.2	3,079.8	1.74
Retail loans	216,543.7	1,328.1	0.61	162,237.8	1,153.4	0.71
Personal mortgage loan	91,337.0	279.5	0.31	73,091.4	238.1	0.33
Personal business and re-employment loans	66,799.8	544.6	0.82	50,516.0	440.9	0.87
Other loans	58,406.9	504.0	0.86	38,630.4	474.4	1.23
Discounted bills business	17,710.9	1.0	0.01	20,086.7	1.0	0.00
Total	507,885.9	6,645.1	1.31	437,084.9	5,459.9	1.25

As of the end of 2020, non-performing ratio of corporate loans of the Group increased by 0.25 percentage point to 1.94% as compared with the end of the previous year, whereas non-performing ratio of retail loans decreased by 0.10 percentage point to 0.61% as compared with the end of the previous year.

4. *Restructured Loans and Advances to Customers*

The following table sets forth, for the dates indicated, the Group's restructured loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Restructured loans and advances to customers	1,539.5	0.30	623.6	0.14

Management Discussion and Analysis

5. Overdue Loans and Advances to Customers

The following table sets forth, for the dates indicated, the aging analysis of the Group's overdue loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Overdue within 3 months	1,379.0	0.27	2,010.5	0.46
Overdue for 3 months to 1 year	2,473.9	0.49	1,368.1	0.31
Overdue for over 1 year and within 3 years	1,303.8	0.26	1,404.3	0.32
Overdue for more than 3 years	426.5	0.08	279.1	0.07
Total overdue loans and advances to customers	5,583.2	1.10	5,062.0	1.16

As of the end of 2020, the total overdue loans of the Group amounted to RMB5,583 million, representing an increase of RMB521 million from the end of the previous year; overdue loans accounted for 1.10%, representing a decrease of 0.06 percentage point from the end of the previous year.

6. *Changes in Provision for Loans Impairment*

The Group (Expressed in RMB million, unless otherwise stated)	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	8,545.0	5,205.7	6,993.4	20,744.1
Transfer:				
Transfer to stage 1	1,277.7	(1,226.9)	(50.8)	–
Transfer to stage 2	(1,098.4)	1,344.0	(245.6)	–
Transfer to stage 3	(767.2)	(2,363.3)	3,130.5	–
ECL changes arisen from stage transfer	(1,072.3)	1,949.7	2,378.2	3,255.6
New financial assets originated or purchased	7,433.1	–	–	7,433.1
Derecognition or settlement	(3,904.8)	(703.8)	(459.0)	(5,067.6)
Remeasurement	136.0	41.2	4,431.7	4,608.9
Write-offs and other transfer out of the year	–	–	(10,051.6)	(10,051.6)
Closing balance	10,549.1	4,246.6	6,126.8	20,922.5

 7. *Distribution of Loans by Type of Collateral*

The following table sets forth, for the dates indicated, the Group's distribution of loans and advances to customers by type of collateral:

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Credit loans	77,664.2	15.29	52,668.6	12.05
Guaranteed loans	160,337.6	31.57	137,850.8	31.54
Collateralised loans	208,580.2	41.07	181,751.6	41.58
Pledged loans	61,303.9	12.07	64,813.9	14.83
Total loans and advances to customers	507,885.9	100.00	437,084.9	100.00

Management Discussion and Analysis

8. Loan Migration Ratios

(Expressed in percentage)	31 December 2020	31 December 2019	31 December 2018
Migration ratios of normal loans	4.27	3.32	3.14
Migration ratios of special mention loans	11.04	7.40	39.3
Migration ratios of substandard loans	12.36	30.01	65.32
Migration ratios of doubtful loans	1.87	2.07	10.98

Note: The loan migration rate is calculated based on the 1104 statement of the CBIRC, which is the data of the Group.

(7) Segment Information

1. Summary of Geographical Segment

(Expressed in percentage)	31 December 2020		31 December 2019	
	County	Urban	County	Urban
Deposits	70.04	29.96	69.33	30.67
Loans	50.79	49.21	48.02	51.98
Assets	52.91	47.09	49.37	50.63
Loan-deposit ratio	50.80	115.06	44.96	110.01

In 2020, the Group's county-level deposits accounted for 70.04%, a year-on-year increase of 0.71 percentage points. County-level loan accounted for 50.79%, a year-on-year increase of 2.77 percentage points, and the county-level assets accounted for 52.91%, a year-on-year increase of 3.54 percentage points. Based on Chongqing, the Group insists on its orientation of supporting small and micro enterprises and agriculture-based entities, deeply cultivates the rural economy, continuously improves the county's financial service capabilities, and supports the development of county economy.

2. *Summary of Business Segment*

(Expressed in RMB million, unless otherwise stated)	Twelve months ended 31 December 2020		Twelve months ended 31 December 2019	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Operating income				
Corporate business	9,320.6	33.07	8,583.1	32.22
Retail banking business	10,953.0	38.87	9,928.8	37.27
Financial market operations	7,883.4	27.97	8,102.2	30.41
Unallocated	24.9	0.09	28.3	0.10
Total operating income	28,181.9	100.00	26,642.4	100.00

In 2020, the Group's operating income of corporate business was RMB9,321 million, accounting for 33.07%, a year-on-year increase of 0.85 percentage points; operating income of retail banking business was RMB10,953 million, accounting for 38.87%, a year-on-year increase of 1.60 percentage points; operating income of financial market operations was RMB7,883 million, accounting for 27.97%, a year-on-year decrease of 2.44 percentage points. In recent years, the Bank has been adhering to the strategy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents", promoted the investment to personal and small and micro entities and continuously optimized the loan structure. The proportion of operating income of retail banking business continued to increase.

(8) Differences between the Financial Statements Prepared in accordance with Chinese Accounting Standards and IFRS

1. *Differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS*

As a financial institution incorporated in the People's Republic of China, the Bank prepares consolidated financial statements of the Bank and its subsidiaries in accordance with the Accounting Standards for Enterprises promulgated by the Ministry of Finance of the People's Republic of China, relevant regulations issued by the CSRC and other regulatory agencies (collectively referred to as "Accounting Standards for Enterprises").

Management Discussion and Analysis

The Group also compiles consolidated financial statements in accordance with the International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board and the disclosure regulations applicable to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. There are some differences between the financial statements in this report and the Group's financial statements prepared in accordance with Accounting Standards for Enterprises. The differentiated items and amounts are listed below:

(Expressed in RMB million, unless otherwise stated)	Net Assets (Consolidated)		
	31 December 2020	31 December 2019	31 December 2018
In accordance with Accounting Standards for Enterprises	94,632.1	89,362.2	71,708.7
Differentiated items and amount			
– Goodwill from acquisitions	440.1	440.1	440.1
In accordance with IFRS	95,072.2	89,802.3	72,148.8

2. *Reasons for the Differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS*

The Bank was incorporated on 27 June 2008 as a limited company by shares, and the newly incorporated company acquired the assets and liabilities of 38 County/District Rural Credit Cooperative Unions, including the former Chongqing Rural Credit Cooperative (重慶市農村信用合作社), Chongqing Yuzhong District Rural Credit Cooperative Union (重慶市渝中區農村信用合作社聯合社) and Chongqing Wulong Rural Cooperative Bank (重慶武隆農村合作銀行) (“Acquisition”). The Bank first implemented the Accounting Standards for Enterprises on 1 January 2009 and was not required to recognise the goodwill generated from the Acquisition. The Bank made an initial public offering of overseas listed foreign shares (H shares) on the Hong Kong Stock Exchange on 16 December 2010 and adopted IFRS for the first time in the same year. The goodwill generated from the Acquisition was retrospectively recognized in accordance with the relevant requirements of the first implementation of IFRS.

(9) Changes in Significant Accounting Policies and Significant Accounting Estimates and Judgments

In determining the carrying amounts of some assets and liabilities and the related profit or loss during the Reporting Period in accordance with its accounting policies, the Group makes estimates and judgments in certain aspects. The Group makes estimates and assumptions based on historical experience and expectations of future events, and reviews them on a regular basis. In addition, the Group needs to make further judgments in respect of the application of accounting policies. The Group's management believes that the estimates and judgments made by the Group reflect appropriately the economic context which the Group was subject to. The major areas affected by the estimates and judgments include expected credit loss measurement, liabilities related to supplementary retirement benefit and early retirement benefit, classification of financial assets, fair value of financial instruments, judgment on ownership and control of structured entities, and income taxes.

III. Discussion and Analysis of Main Business Operations

(I) Retail business highlights

The Bank adheres to the development strategy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents", adheres to the development concept of "customer-centered" business, focuses on "personal savings and loans, bank cards, wealth management private business, and agency", focuses on customers, maintains the determination of transformation and upgrading, further cultivates the retail market, and focuses its efforts. In 2020, the Bank overcame the dual effect of pandemic and downward economy and promoted a continuous steady growth in the retail business. The income of retail business was RMB10,953 million, representing an increase of RMB1,024 million year-on-year, accounting for 38.87% of the operating income of the Group, ranking the first in the Group's operating income for four consecutive years. The profits before tax were RMB6,001 million, representing a year-on-year increase of RMB703 million, accounting for 59.64% of the Group's profit before tax, ranking the first in the Group's profit before tax.

1. Personal Deposit and Loan Business

(1) Personal Deposit Business

Deposit scale recorded a stable growth. By creating a classification management system of "functional, featured and scenario-based" products, the Bank creates featured and scenario-based deposit products around customers' differentiated needs, and launch featured products such as "Commercial Wealth Deposit (商富存)", scenario-based products such as "Birthday Certificate of Deposit (生日存單)" and structured deposit products to improve product coverage and boost continuous deposit growth. As at the end of 2020, the balance of personal deposits of the Group amounted to RMB561,617 million, representing an increase of RMB50,045 million or 9.78% over the end of the previous year. The Bank ranked the first among its regional counterparts in terms of the amount, annual growth and market share of personal deposits.

(2) Personal Loan Business

Continue to optimize the loan structure. The Bank insisted on business for small and micro enterprises, stressed product innovation, implemented differentiated credit services, continued to support inclusive finance and constantly consolidated the advantageous position of personal loan business. The Bank implemented various measures to promote the professionalization, online operation and standardization of personal loan business, so as to achieve structural transformation. As at the end of 2020, the balance of the Group's retail loan amounted to RMB216,544 million, representing an increase of RMB54,306 million or 33.47% over the end of the previous year and the increment market share ranked the first among Chongqing. Among which, the closing balance of personal mortgage loans amounted to RMB91.337 billion, an increase of RMB18.246 billion compared with the end of the previous year; the Bank has developed innovative loan products by itself, and has launched self-innovated products such as the retail credit consumer loans "Yukuai Loan", the housing mortgage product "Fast Housing Loan" and the housing mortgage "Jie Housing Loan". The closing balance of autonomous innovative loans was RMB5.99 billion, an increase of RMB3.755 billion compared with the end of the previous year. The risk of personal loans was well controlled, with a non-performing rate of 0.61%, decreased by 0.1 percentage point from the end of the previous year, and the average household loan was only RMB241,400 (excluding tri-party cooperation loans), effectively spreading the risk of assets.

2. Bank Card Business

(1) Debit card business

The Bank has continuously enriched the "Jiangyu" branded debit card product system, launched personalized cards, military service cards, industrial cooperation cards, and continuously improve the functions of debit card retaining original number for card exchange and online card application to boost the steady growth of debit card business. As at the end of 2020, the total number of debit cards issued by the Bank reached 23,866,400; the consumption related thereto amounted to RMB72,428 million. Specially, nostalgia series of debit cards issued with the function of subsidizing foreign remittance fees gained remote remittance funds of RMB134,734 million and reached an issued number of 12,567,800 in 2020.

(2) Credit card business

The Bank made persistent efforts to the innovation of credit card business, and was continuously committed to branding credit card business with distinctive features. Rapid progress has been made in business innovation, brand establishment, system construction and organization structures. The Bank has been actively promoting business innovation, taking the development strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, actively promoting the construction of “BBC ecosystem”, creating innovative product brands such as “Yukuai Car Life”, “Yukuai Home Life” and “Yukuai Beauty Life”, and launching a series of “client-side + merchant-side” financial products. The Bank continued to build its brand image, led by the development mode of “regionalization and specialization”, enriched the series of Jiangyu credit card brands, continued to create a good card use environment, and enhanced the Bank’s credit card awareness. The Bank continuously enhanced the technology empowerment, launched the new decision system and automatic approval module to improve the approval efficiency, opened the outbound call installation function of Yukuai Loan, and realized the overall application of various channels such as WeChat official accounts, telephone banking and mobile banking. The Bank has continued to optimize its organizational structure to increase the proportion of front office staff, focus talents’ strength on product innovation, and rationalize the development system and mechanism in accordance with the principle of “tilting resources to the front office, reducing staff and increasing efficiency in the middle office, and streamlining the back office”. Based on the existing business, the Bank will focus on sustainable development, respond to market demand, actively promote the construction of credit card “BBC ecosystem”, create a card use environment around the three scenarios of “home, car and beauty”, create a new model of credit card development, and improve the level of credit card financial services.

In 2020, the credit card issuance scale of the Bank grew rapidly, and transaction scale developed steadily. As at the end of 2020, 373,000 new cards were issued by the Bank, reaching an all-time high. The accumulative total number of credit cards issued by the Bank exceeded 1.38 million. In 2020, the cumulative number of consumptions related to credit cards of the Bank amounted to 24,439,200 and the cumulative consumption amount was RMB30,056 million. The issuance and transaction scale of credit cards continued to increase.

3. *Wealth Management and Private Banking Business*

The Wealth Management and Private Banking business continues to break through.

Firstly, the wealth brand has become more powerful, with the concept of “wealth management, cooperation and family”, and the management brand of “Jiangyu wealth” is built around “high net worth, high quality and high level” customers; Secondly, the wealth management index has been greatly improved, with a net increase of 235,800 VIP customers, or 11.93%, and a net increase of RMB55.345 billion in balance of financial assets, or 13.26%, including a net increase of 984 wealth management and private banking business customers, or 20%, and a net increase of RMB4.8 billion in financial assets, or 21%; Thirdly, the operation mechanism is beginning to bear fruit, and the professional team is growing day by day. The number of financial account managers in the Bank reached 831, the number of wealth advisors reached 43, and the AFP certification rate of wealth advisors exceeded 80%, creating a three-tier professional wealth management echelon covering branch financial managers, branch wealth advisors, and private banking investment advisors in the head office; and Fourthly, value-added services are more visible. The Bank continues to build a special financial service system of “financial products + rights and benefits activities” around three scenarios of “home, car and beauty”, and focusing on 11 activities of benefit and rights including “housing, car” and “food, accommodation, travel, shopping and entertainment, medical care”. With the themes of “Happy Spring”, “Cool Summer” and “Celebrating Autumn Harvest”, more than 50 seasonal themed activities were held for wealthy management and private banking clients, covering more than 3,000 high net worth clients. The Bank has taken the lead in planning more than 60 professional financial intelligence activities such as “consultation with famous Chinese doctors”, “legal consultation”, “tax planning” and “investment strategy report”, covering more than 1,000 high net worth clients, and actively building the exclusive rights and benefits brand of the Bank’s unique wealthy management and private banking clients.

4. *Agency Business*

Agency business achieved another good result. The Bank continued to enrich its agency product system, focusing on strengthening cooperation with the top 10 leading companies in the public fund industry, selecting representative products managed by core fund managers, and providing high net worth customers with channels to invest in the capital market. The Bank also innovated the “project-based” promotion method and added products such as accident insurance, critical illness insurance and home insurance to enhance customer experience and promote insurance business sales. In 2020, fund products achieved sales of RMB8.61 billion and fee income of RMB22.4347 million; insurance products achieved sales of RMB566 million and fee income of RMB49.5278 million, with sales of insurance products and commission income increasing by 21.2% and 157.16% respectively compared with the previous year; savings bonds once again achieved sales of RMB1.015 billion and fee income of RMB4.9615 million. The Bank successfully obtained the qualification of underwriting savings bonds for 2021-2023, becoming the only local legal person financial institution with the qualification of underwriting savings bonds in Chongqing. In addition, the Bank is actively exploring new types of product cooperation. The Bank has verified the feasibility of introducing capital management products not yet covered by the Bank, such as brokerage capital management, insurance capital management, private equity funds, etc. The Bank has completed the admission of the proposed partner institutions and the work related to product selection, and carried out the development of the system for the distribution of capital management products.

(II) Small and Micro Enterprises Businesses

Based on the advantages of wide network coverage and large number of staff, the Bank continues to strengthen financial technology to empower micro-and small businesses, continuously innovate online products and service channels, optimize the loan processing process, improve customer experience, comprehensively improve micro-and small financial services through in-depth integration of online and offline, conduct solid financial support for the work of stabilizing enterprises and preserving employment, and promote the sustainable, stable and healthy development of micro-and small businesses.

As of the end of 2020, the number of inclusive small and micro enterprise loans of the Bank¹ amounted to 129,230, representing an increase of 5,574 over the end of the previous year. The loan balance amounted to RMB78,473 million, representing an increase of RMB13,278 million or 20.37% as compared to the end of the year, in addition to 3.76 percentage points higher than the average loan growth rate of the Bank. In 2020, the average weight interest rate of new inclusive small and micro enterprise loans was 5.67%, keeping rate at a reasonable level. The asset quality of inclusive small-and micro enterprise loans was well controlled, achieving the regulatory goal of “two increases and two controls”, effectively promote the financial services of small-and micro enterprises to “increase volume, expand coverage, improve quality and reduce costs”, the number of inclusive small-and micro enterprise loans and the the market share of the balance continues to maintain the first in Chongqing.

Online business innovation has become more powerful. Firstly, the Bank newly developed and launched the functions of “self-drawing and self-renewing loans for SMEs” and “self-contracting and self-servicing mortgage for personal business loans”, and was the first bank in Chongqing to realize customers’ self-registration of mortgages through electronic channels; the Bank also took the lead in Chongqing in completing the building of online loan processing channel for business start-ups and guaranteed loans. Moreover, the Bank has increased the amount of self-drawing and self-renewing loans functions for personal business loans and expanded the current business coverage rate to 97%. Secondly, “Tax Fast Loan”, an online product of “Bank-Tax Interaction”, was launched, “Housing Fast Loan” was optimized, and “Second Charge Loan” was launched to activate the value of the Bank’s stock of loan collateral, broaden customer acquisition channels, and form new business growth points.

Scale of offline business has become more solid. Firstly, the Bank continues to deepen the cooperation among the government and the guarantee agencies, and increases the investment in guaranteed loans for business start-ups and credit loans for knowledge value of science and technology-based enterprises. Throughout the year, 37,300 households and RMB6.525 billion of guaranteed loans for business start-ups were launched, accounting for 75% of Chongqing’s total guaranteed loan share, with a loan balance of RMB6.404 billion, up RMB3.129 billion from the end of the previous year. The Bank issued knowledge value credit loans to 1,447 technology-based enterprises with a balance of RMB2.35 billion, accounting for 51.4% of Chongqing’s total knowledge value credit loan share, an increase of 536 enterprises and RMB929 million respectively from the end of the previous year, and the loan coverage continued to expand. Secondly, the Bank optimized offline loan products by combining market changes and customer demands, and gave reasonable authorization to branches to give full play to the advantages of network and personnel, to make good use of the relending and rediscounted funds, to carry out actions solidly into the park, into the market, into the business district, to focus on the supply chain of the industrial chain, to actively market small and micro enterprises and individual industrial and commercial households, and to increase loan investment. The total amount of loans granted to inclusive small-and micro enterprises was RMB88.359 billion during the year.

¹ Inclusive small and micro enterprise loans refer to small and micro enterprises loans, individual business owners, and small and micro enterprise owners business loans with total individual credit amount below RMB10 million (inclusive).

Construction of institutional mechanism has become more in-depth. Firstly, the Bank conscientiously implemented the spirit of the executive meeting of the State Council, further increased the proportion of the value weight of inclusive finance in the comprehensive performance assessment of branches, tightened the assessment efforts, and strengthened the incentives and constraints. Secondly, the Bank has further promoted the construction of small-and micro franchise institutions, setting up a total of 3 new franchise sub-branches for small and micro enterprises in 2020, and the number reached 17 by the end of the year, further extending the reach of small-and-micro financial services and leading the development of small-and micro business of the whole Bank.

(III) Corporate Business

1. *Corporate Deposit and Loan Business*

The Bank followed the national “Belt and Road” initiative, bolstered up the construction of the Yangtze River Economic Belt, the new western land-sea corridor and the Chengdu-Chongqing dual-city economic circle, supports the implementation of major country-wise and local strategies, and provided financial aids for regional economic transformation and development. It held the ecosystem to be the priority, put into practice the notion of green development, carried out the construction of green financial system in an active manner, oriented itself towards green finance, and endeavored to step up the green transformation of the company’s customers. Focusing on advanced manufacturing, it formulated a special action plan for “loans aiding the manufacturing sector” and the action program intended to provide assistance for the manufacturing, which harbors the ambition of promoting strategic emerging industries that is hopeful to set sail in Chongqing. The Bank continued to strengthen its support for the “benefiting people’s livelihood” areas such as healthcare and education and firmly fulfill its social responsibilities. During the Reporting Period, the Bank promoted the corporate business steadily in accordance with national macro-economic adjustment and control, external regulatory policies, and regional economic operations, and in accordance with the principles of legal compliance and commercial sustainability.

As at the end of 2020, the balance of corporate deposit of the Group (including the pledged deposits and other deposits) amounted to RMB163,383 million, ranking third in the Chongqing regional local and foreign currency market. In the meantime, the Bank optimized the deposit structure and maintained a high proportion of demand deposit by giving sustained attention to account marketing, payment settlement as well as speeding up the promotion and application of online products such cash management. The average annualised cost rate of the Group’s corporate deposits was 1.16%, among them, the demand deposits accounted for 78.22% as at the end of the year. The balance of corporate loans with discount of the Group was RMB291,342 million, representing an increase of RMB16,495 million or 6.00% as compared to the end of previous year, ranking third in the Chongqing regional local and foreign currency market; the average annualised yield of the Group’s corporate loans without discount was 4.97% and the corporate loan-deposit spread was 3.81%.

The Bank built up the strength of faith, took on deserved responsibilities, fought against the pandemic on the front line. In the face of the ferocious pandemic, the whole company, under the instructions of the Party Committee of the Head Office, worked together in the front line against the epidemic by finance to meet the financing demands that derived from health and pandemic prevention, manufacturing and procurement of pharmaceutical supplies, public health infrastructure construction, scientific research and technological transformation, and all the rest. It gave full play to the re-loan policy and lent substantial support regarding medical and living necessities, health and pandemic prevention, guarantee for production and supply. The Bank granted credit to as many as 245 companies on the PBOC's re-lending list, with a credit amount of RMB8.191 billion, and deployed the PBOC's special re-lending funds to issue loans for pandemic prevention and control amounting to RMB3.6 billion to 189 key enterprises.

The Bank marched forward on the road of green economy, played the trailblazer of the transformation, and acted as the role model. The Bank assigned high priority to ecology and green development, paid close attention to the green social-economic transformation, and explore a sustainable path centering on "peak carbon emissions" and "carbon neutral", and served as a good role model in promoting green development across the Yangtze River Economic Belt. In February, the Bank officially announced the adoption of the Equator Principles, thus becoming the fourth equatorial bank across the country and the first in the central and western China; in April, it became the first bank in Chongqing to join the National Green Finance Professional Committee; in August, it signed a strategic cooperation agreement with Tsinghua University's Green Finance Development Research Center, hiring Mr. Ma Jun as the expert advisor on green finance; in November, it joined the working group on environmental disclosure of Chinese and British financial institutions. The balance of green credit was RMB24.57 billion, representing an increase of RMB7.51 billion, or 44%, over the end of the previous year. It issued the first single green financial bond in the western China based on Bond Connect that totaled up to RMB2 billion, and landed Chongqing's first cross-border green tourism financing business, using the letter of guarantee to help a company absorb foreign funds as much as RMB0.2 billion.

The Bank continued to conquer formidable tasks, achieved steady development, and maintained the resilience of growth. Against the backdrop of a complex and ever-changing external environment and increasingly intense competition with the counterparts, the company's financial line kept up high morale to continuously unfold marketing events, with the focus put on businesses like big infrastructure, manufacturing and people's livelihood. A total of 97 infrastructure projects accumulated have been set up by 32 branch banks, with a reserve value of RMB58 billion. It for the first time led the Syndication Group to finance the construction of a rail transit project with a financing of RMB11.6 billion. It launched an action plan for "loans aiding the manufacturing sector" and a action program intended to provide assistance for the manufacturing, which served to guide the branch banks to drive up support for the manufacturing that falls into real economy, with medium- and long-term loans for the manufacturing sector increasing by RMB11.56 billion, or 59.5%, over the end of the previous year, and the added value was 40% higher than Chongqing. The Bank put out special incentive programs to guide customers in the area of people's livelihood, afforded sustained and increasing credit support for businesses in relation to people's livelihood, such as health care, education, water and electricity supply, with the balance of loans in the area of people's livelihood amounting to RMB23.961 billion, representing an increase of 11.86% over the end of the previous year.

The Bank created new channels broadly, guided the marketing activities, and made good use of institutional alliances. It employed the platform of institutional alliances, established communicational mechanisms with Chongqing 41 bureaus, commissions and offices, in an attempt to promptly grasp the latest policy developments, capital flows and information dynamics. It garnered 54 newly opened key institutional accounts, 4,057 rural collective economic organization accounts, and made continuing efforts to consolidate the basis of the liability business. It contracted a strategic cooperation agreement with the Municipal Provident Fund Center to ensure strategic cooperation on five fronts, namely the deposit and use by flexible employees, information technology, value-added services targeting housing provident fund, integrated development of housing provident fund in the Chengdu-Chongqing dual-city economic circle, housing provident fund entrusted loans, etc., so as to help promote the sharing of information resource between the two parties as well as financial services upgrading.

The Bank optimized its business structure to obtain greater revenue, and emphasized value creation. It continuously enhanced the contribution of income by proactively modifying the debt structure, stridently controlling the cost of paid interest, and boosting value creation. With respect to interest cost, the proportion of the company's demand deposits was as high as 78.22%, and the interest rate of deposits was 1.16%, which can be viewed as an outstanding performance among listed banks. Making full use of the advantages of solid customer base and smooth cooperation pipeline, the Bank highlighted the asset business placement and customer classification and pricing, and continued to deepen corporate finance cooperation with central enterprises, key state-owned enterprises and high-quality private enterprises in Chongqing, which has generated better economic benefits.

It demonstrated sharp determination to innovate and fuel development, and was dedicated to promote service quality and efficiency. It successfully launched the Bank's first company settlement card, Jiangyu Industrial Card, and through the integration of online banking, ATM, POS and other multi-channel services, the company's off-counter business rate was raised up to 70.1%; the Bank's CRM system has been completed and launched to realize intelligent product promotion, real-time data reminders and other functions, providing new digital tools for marketing management; cash management business has developed steadily, with a total of 217 contracted customers, helping customers to collect funds of RMB1.12 billion; it newly financed 31 projects for smart hospitals and schools, representing a year-on-year increase of 121%. It revitalized rural assets, innovated on movable property mortgages, and distributed the first live pig mortgage loan in Chongqing.

2. *International Business*

Affected by the Sino-US trade war and the pandemic, the main indicators of the international business of the Bank fluctuated significantly. However, the general development situation is gradually recovering. During the Reporting Period, the international settlement amounted to USD5,645 million (including cross-border settlement of RMB3,824 million), representing a year-on-year decrease of 15.29%, foreign exchange settlement amounted to USD2,080 million, representing a year-on-year decrease of 16.67%, the on-balance sheet and off-balance sheet trade financing balance and foreign currency loan balance amounted to USD1,443 million, representing a decrease of USD24 million as compared to the end of the previous year. The number of foreign exchange customers of the Bank reached 1,218, representing an increase of 93 customers from the end of the previous year, and 393 of which were active customers, representing a proportion of 5.79% in the market. **Transaction volume of foreign exchange transaction ranked the first among local corporate Banks in Chongqing**, of which the transaction volume of interBank current foreign exchange settlements amounted to USD4,744 million. The transaction volume of forward and swaps foreign exchange settlements amounted to USD2,721 million. **The interBank collaboration was continually optimized.** The Bank has obtained USD9,500 million from financial institution credit at home and abroad. Derivatives counterparties increased to 30, overseas disbursement counterparties increased to 40 and forfeiting counterparties increased to 37.

Achieving a new breakthrough in cross-border financing. First, it notched up a breakthrough in cross-border financing, landing Chongqing first cross-border green tourism financing business, employed letters of guarantee to help a company acquire foreign finance of RMB200 million, thus providing new momentum for green economic development; it implemented the first “domestic insurance direct loan” business under the “full-scale cross-border financing macro-prudential” category for enterprises on governmental platform, and helped a company to garner cross-border funds of RMB295 million. Second, it made outstanding achievements in assisting pandemic prevention and control, and supporting foreign trade companies in fighting the pandemic and reducing interest rates. It signed the “Special Loan Discount Cooperation Agreement for Small and Medium-sized Foreign Trade Enterprises” with the Municipal Commission of Commerce to issue preferential loans and help them obtain interest subsidies for companies in the list of Commission of Commerce. Accumulatively it issued loans to 93 shortlisted companies, with a loan balance of RMB2.443 billion, ranking first in Chongqing; it leveraged its advantages to help foreign trade companies fight the pandemic and resume production, and opened up a “green channel” to provide foreign trade companies with efficient and convenient cross-border settlement.

The Bank built new channels for customer service. First, it set up a new intelligent service platform, improved and promoted the international business online intelligent service platform, put online an array of international business products, guided customers to complete international business online; and a total of 94 customers registered online functions, achieving self-service settlement of RMB414 million. Notably, as the first local bank that put online the mobile bank-based personal settlement business, it met the demands of individual customers in self-service settlement and sale of foreign exchange, and improved its market influence. Second, it created a new pathway of cross-border clearing, opened a new account for the clearing of Singapore Dollar in Singapore, opened a new path for the clearing of Singapore Dollar, improved the efficiency of the bank’s foreign exchange fund clearing; it successfully participated in the CIPS system, opened up new channels for RMB cross-border payment, and expanded the Bank’s cross-border RMB clearing network.

The Bank’s compliance operations have reached a new level. Foreign exchange business compliance management of the Bank has been highly appreciated by the regulatory department. In 2020 the Bank’s comprehensive assessment of foreign exchange management was once again rated as a Class A, making it the only local corporate bank in Chongqing with the highest rating for five consecutive years, and the Bank’s foreign exchange business compliance management has come to a higher plane.

The Bank reaped a harvest in international ratings. The Bank’s first international rating was Moody’s Baa2 (stable) rating, the highest rating among regional banks received from international ratings. The rating results are of far-reaching significance to the Bank’s international development, help to enhance the Bank’s international visibility and market reputation, win the favor of international capital markets, and provide strong support for the Bank to promote international development, issue overseas bonds, open up overseas capital trading markets, set up overseas branches, etc.

(IV) Financial Market Business

1. Overview of Inter-Bank Business

In 2020, under the impact of the pandemic, the oscillations of the financial market remained at a high level. In this context, the Bank strengthened the macroeconomic situation analysis, consolidated the risk assessment, prevention and control mechanisms, made continued exertions to improve the systemic support to ensure the sound development of financial industry business. Specifically speaking, it refers to mainly “one upscale” and “two promotions”:

Market influence continued to increase. During the Reporting Period, the Bank's market influence steadily increased and its brand awareness further expanded. On the one hand, it successfully regained the qualification of Tier 1 dealer for open market business in 2020, being the only legal institution in Chongqing to be granted this qualification; through active participation in open market business operations, the Bank accelerated the transmission of monetary policy in the western region and maintained the stability of the money market; on the other hand, the Bank won the "Core Dealer in Interbank Local Currency Market", "Excellent Money Market Dealer in Interbank Local Currency Market", "Interbank Local Currency Market Trading Mechanism Innovation Award X-Repo", "Interbank Local Currency Market Trading Mechanism Innovation Award IDeal" and "X-Repo Active Dealer", being the only rural commercial bank in the western region and the financial institution with the most awards in Chongqing.

It promoted the online transformation of business. **First**, amid the pandemic, online business operations were vigorously carried out, and the proportion of online transactions increased significantly; during the reporting period, it obtained the qualification of the main online deposit dealer of China Foreign Exchange Trading Center, became one of the 38 chief participating institutions in the country, and expanded the scope of online deposit counterparts, thus laying a solid foundation for the steady development of online deposit business; **second**, it further improved systemic support, realized online automation of business approval in an incremental manner, and continuously improved transaction efficiency and standardized management.

Promote the optimization of asset and liability structure. On the asset side, the Bank seized the timing of allocation and responded to the market situation through analysis and research, and held more standardized and online assets; on the liability side, the Bank used diversified trading methods to expand the financing pipeline, and continuously reduced the cost of liabilities while safeguarding the sources of liabilities.

2. *Bond investment*

(1) Bond investment strategy

In 2020, the Bank conscientiously implemented the policy call for financial support to the real economy, and continued to optimize its bond investment strategy by balancing liquidity and yield while ensuring safety. Specifically at the operational level, firstly, the Bank increased the holdings of bonds with better liquidity, such as policy bank bonds and local government bonds; secondly, the Bank allocated asset securitization products and high-quality credit bonds, and did a good job of matching returns and risks with each other.

As of the end of 2020, the value of the Group's bonds amount to RMB305,211 million, of which government bonds, public sector bonds and quasi-government bonds amounted to RMB182,814 million, with an increase of RMB28,477 million as compared with the end of the previous year; among other bonds, AAA¹ -rated bonds were RMB69.437 billion, an increase of RMB26.079 billion over the end of the previous year. Among other bonds, AA+ rated bonds were RMB24.715 billion, an increase of RMB5.202 billion over the end of the previous year. Among other bonds, AA-rated bonds were RMB28.073 billion, a decrease of RMB3.388 billion from the end of the previous year.

¹ Bond rating: debt rating is prioritized. If there is no debt rating, the subject rating is used.

Management Discussion and Analysis

(2) Holding of financial bonds

As of the end of 2020, the nominal value of the Group's financial institution bonds amounted to RMB127,612 million which consisted of debt securities issued by policy Banks of RMB66,451 million, asset securitization products of RMB49,830 million, commercial banking debts of RMB8,060 million and bonds issued by other financial institutions of RMB3,271 million. The top ten financial bonds held:

Breakdown as below:

Unit: RMB million, except for interest rate per annum

Name of debt securities	Nominal value	interest rate per annum (%)	Maturity Date
Debt securities issued by policy Banks in 2019	10,000.0	3.48	2029/1/8
Debt securities issued by policy Banks in 2019	5,750.0	3.45	2029/9/20
Debt securities issued by policy Banks in 2020	5,000.0	3.07	2030/3/10
Debt securities issued by policy Banks in 2018	4,240.0	4.88	2028/2/9
Debt securities issued by policy Banks in 2018	4,000.0	4.00	2025/11/12
Debt securities issued by policy Banks in 2020	3,000.0	3.09	2030/6/18
Debt securities issued by policy Banks in 2018	3,000.0	4.69	2023/3/23
Debt securities issued by policy Banks in 2020	3,000.0	3.70	2030/10/20
Debt securities issued by policy Banks in 2020	2,000.0	3.23	2030/3/23
InterBank asset securitisation in 2020	2,000.0	3.35	2030/6/26

3. Asset Management Business

As of the end of 2020, the outstanding balance of the Group's wealth management products amounted to RMB138,255 million, representing an increase of RMB3,823 million over the end of the previous year. The scale of self-issued wealth management products of CQRC Wealth Management Co., Ltd. exceeded RMB14 billion, ranking among the top city and rural commercial wealth management subsidiaries. The wealth management company achieved profitability within six months of its opening and successfully met its target.

The year 2020 was a milestone year for the Group's wealth management business, with "one goal" accomplished, "two transformations" achieved, and "three breakthroughs" realized.

As to one goal, centering on the objective of opening a wealth management subsidiary, after the approval of its establishment in February 2020, the Group overcame the impact of the pandemic and carried out all the preparatory work in full swing and successfully opened a wealth management subsidiary in the first half of the year, becoming the only wealth management subsidiary in the national rural commercial system and the western region.

As to two transformations, first, in strict accordance with regulatory requirements, the Group accelerated the net value-based transformation. By the end of 2020, the Group's net value wealth management products accounted for more than 80%, ranking the forefront of the rural commercial system; second, along with the opening of the wealth management company, the wealth management business operation model was transformed from the banking sector system smoothly into corporate system, along with the establishment of the wealth management company corporate governance structure, improvement in the mechanisms and improvement of internal control.

As to three breakthroughs, the Group issued the first wealth management product with the theme of "rural revitalization" and make breakthrough in helping targeted poverty alleviation; issued the first wealth management product with equity assets among local institutions. New breakthroughs have been made in the construction of the product system: its independently issued wealth management products with an amount of over RMB14 billion, ranking first among its subsidiaries within six months after its opening, and its initial work has achieved breakthrough results.

4. *Investment banking Business*

The Bank successfully obtained the qualification of trustee-manager of non-financial corporate debt financing instruments, credit risk mitigation certificates and credit-linked notes creator from China InterBank Market Dealers Association; led underwriting of 17 debt financing instruments of non-financial corporations, with an aggregate share of RMB6.46 billion, a year-on-year increase of 267.05%; successfully led underwriting of Chongqing's first batch of pandemic prevention and control bonds to alleviate serious issues on shortage of funds for the resumption of work and production; newly joined underwriting syndicates for local government bonds of Hubei, Zhejiang, Xiamen, Anhui, Hebei, Sichuan and Yunnan with the total number of syndicates joined reaching 19 and the local government bonds underwritten by syndicates joined amounting to RMB17.17 billion for the whole year, representing a year-on-year increase of 66.9%; successfully completed the Bank's work on the issuance of RMB2 billion of special financial bonds for Sannong, RMB8 billion of ordinary financial bonds and RMB2 billion of green financial bonds, of which RMB8 billion of ordinary financial bonds set the Bank's record for the largest single issuance and the lowest coupon rate. In term of comprehensive support, it continued to promote the establishment of a post-supervision management system, strengthened process standardization and internal risk control, and steadily improved the development level of the investment banking business.

5. *Asset Custodial Business*

As of the end of 2020, the asset custodial scale of the Bank was RMB126,432 million. During the Reporting Period, no material custody risk events occurred.

(V) Financial Technology

The Bank formulated the Medium-term Strategic Plan for Financial Technology of Chongqing Rural Commercial Bank (2021-2023) based on the new development situation, which clearly defined the main measures to increase investment in financial technology, continuously improved the Bank's financial technology capability and promoted the building of information technology personnel team, with the goal of "integrated products, intelligent services, agile response, open scenarios and all-age customers" to build a "digital rural commercial bank" financial technology development strategy.

Currently, the Bank has formed an organizational structure of "one committee, one center, one department and one lab" around financial technology, including the Financial Technology Management Committee under the senior management, the Financial Technology Center, which consists of five headquarter-level departments: Financial Innovation Department, Electronic Banking Department, Application R&D Center, Data Management Department, and Direct-Sales Banking Team, as well as the Technology Information Department and the Financial Technology Lab. The Financial Technology Management Committee coordinates and manages the Bank's IT governance, planning and construction; the Financial Technology Center takes the lead in promoting the efficient integration of technology and business with an agile mechanism to strongly support the Bank's product, process and service innovation; the Technology and Information Department works hard in the areas of information security, infrastructure and technology operation and maintenance to ensure the stable operation of the Bank's information systems; the Financial Technology Lab was established in 2020 to conduct relatively independent application research in the field of innovative technologies in an open mode and to provide a research environment for the Bank's post-doctoral working station in the field of financial technology.

As of the end of 2020, the head office of the Bank employed a total of 367 full-time technology personnel, including 4 PhDs, forming a comprehensive echelon of "channel + business + data + technology + cooperation." It will continue to absorb talents from all walks of life at a high growth rate at the same time, improve and perfect the market-based elimination mechanism of "recruitment and dismissal, promotion and demotion" and fully activate the internal innovation vitality of the Financial Technology Center.

1. *Expand the service area of financial technology platform*

With the idea of standardization, the Bank continued to promote the construction and improvement of financial technology capability platform, and fully completed eight intelligent platforms of face, image, voice, semantics, video, call, knowledge base and RPA to form the Bank's intelligent perception and cognitive capabilities and to abstract the needs of the Bank's business scenarios into standardized services to provide a standardized interface for the digital transformation of various business scenarios across the Bank. Among them, face recognition is effectively embedded in various scenes such as face-scanning transaction, person ID verification, sensorless recognition, intelligent greeting, etc., with an average daily call of over 110,000 times; the image platform realizes 31 types of image classification and 20 types of image recognition, including general license and handwritten notes, and supports arbitrary image classification and recognition through training prepared by the independent labeling team, with a classification accuracy rate of 99.2% and recognition accuracy rate of 96.6% of handwritten notes, ranking top in the industry. The voice semantic platform supports multi-channel voice transcription, intelligent outbound call, intelligent customer service, intelligent wake-up call, intelligent quality inspection and other business scenarios, realizing dialect recognition applications with local characteristics; the video banking platform was put into operation, laying a solid foundation for promoting "non-contact" remote service business; the intelligent knowledge base was launched to realize gradual standardized migration and sedimentation of business knowledge across the Bank; the RPA process robot's application areas were expanded and the Bank's business automation and intelligent processing capabilities were steadily improved. At the same time, we actively carried out strategic key projects such as paperless, online arbitration, open banking platform and credit card migration to accelerate the digital transformation process of the whole Bank.

2. *Innovate and improve digital products and services*

The Bank fully implemented the strategy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents" with the typical features of "online application, big data investigation, intelligent approval, online spending and repayment, and rapid iteration of functions" and took individual, micro and small enterprise and Sannong customers as the main customer groups, and continued to improve the digital financial service product system in the direction of self-development and tripartite cooperation to continuously enhance the accessibility of financial services. We provided customers with comprehensive financial service solutions. In the field of self-developed products, the "Yukuai" series of products have been formed, including "Yukuai Loan", "Housing Fast Loan", "Piao Fast Discount", "Jiefang Loan", "Shui Fast Loan", "Yuzhangtong" and other brands. Next, we will build a unified brand and portal around different customer groups of individuals, small and micro enterprises and Sannong, formulate a differentiated interest rate system, provide a variety of credit-based, independent and flexible collateral and guarantee methods, realize comprehensive credit and intelligent recommendation for customers, and create an integration model of online and offline service, which can meet diverse finance needs of customers in the area of consumption, business, production and investment timely, accurately and conveniently.

The Bank also actively participated in the People's Bank of China's Financial Technology Innovation Supervision Pilot Program, making full use of the "sandbox mechanism" to explore ways to improve the capability and accuracy of financial services. Two projects of the Banks have been selected as the first batch of supervision pilot projects in Chongqing. Among which, "multi-party learning-based credit service for agriculture" apply multi-party learning and big data technologies to establish an innovative risk control system for agriculture-related credit, strengthening the KYC system and risk modeling foundation of the Bank to provide more convenient financial services to "Sannong" customers; and "smart banking service supporting Chongqing local dialect" provides more accurate and convenient intelligent voice services to customers from different social groups.

3. *Soundly improve the level of digital risk control services*

The Bank made comprehensive use of big data, artificial intelligence and information visualization and other technical means to achieve the full-life-cycle digital products risk control, while building the electronic evidence preservation and application system covering the entire life cycle of customers. Firstly, we built an intelligent data decision-making platform to support more than ten digital products developed by ourselves and third parties, while meeting the data decision-making needs of future online products, insisting on independent control model development and deployment, realizing multi-engine invocation, with an average of 100,000 decisions per day and a decision-making efficiency of 99.77%; secondly, we put into operation and continuously improved the anti-fraud system, integrating data monitoring, manual investigation and strategy iteration, gradually forming a virtuous dead cycle mechanism of "monitoring – identification – reporting – disposal – feedback – improvement" and establishing differentiated strategies for different products. In 2020, the anti-fraud system blocked more than 10,000 customers at risk of fraud, assisted in manual verification more than 1,000 times in total, and uncovered a number of suspicious loans; thirdly, we established a comprehensive online product operation pointer system, to carry out continuous tracking and risk analysis of key aspects such as customer access, conversion and spending, and continuously improve the effectiveness of product operation; fourthly, we initially built a big data post-loan system, formed post-loan risk monitoring indicators of 19 major categories and 57 sub-categories and created a post-loan management system with post-loan monitoring, risk warning, overdue collection and non-performing disposal as the core; fifthly, we launched intelligent voice collection system, realizing automatic voice collection, supporting the adaptive recognition of Chongqing dialect and Mandarin, and effectively improving the quality and efficiency of post-loan management; Sixthly, we launched and put into production of electronic deposit system, realizing the deposit of the whole life cycle of digital products, innovating and opearting online arbitration and other applications, and promoting the innovation of judicial disposal of online business.

4. *Strengthen the Bank's technological service infrastructure and security capabilities*

The Bank continued to upgrade and optimize our infrastructure and basic structure to steadily improve our information system support and security capabilities and to improve the quality of our data with data governance as the core factor of production, so as to lay a solid foundation for the intelligent application of the Bank.

In terms of infrastructure, we continued to promote the construction and optimization of the infrastructure of “two locations and three centers”. Firstly, we continued to improve the supporting facilities of the main data center in Yuzui and obtained the “National Green Data Center” certification in 2020; secondly, we implemented and completed the relocation of the new city disaster recovery center to achieve the industry-leading disaster recovery and backup service system, business sustaining supportability and unexpected disaster management plan; thirdly, we promoted the building of remote disaster recovery center in Wanzhou, aiming to build another advanced data center with distinctive features. As of the end of 2020, the Wanzhou data center (remote disaster recovery) has completed the schematic design work, preparation and review of the bill of quantities and aimed to basically complete the construction in 2021.

In terms of data governance, firstly, we established a data expert group mechanism to effectively promote cross-departmental collaboration and reduce the phenomenon of “data silos” and “data chimneys”; secondly, we completed data quality mapping and laid the foundation for subsequent data quality management; thirdly, we carried out data quality improvement in line with regulatory requirements and won the 2020 First Prize for Financial Statistics Analysis from the Chongqing Department of Banking and Management of the People's Bank of China; fourthly, we continued to legally and compliantly expand the scope of external data access and introduced 30 external data sources such as government and tripartite institutions with a year-on-year increase of seven times in external data calls; fourthly, we continuously promoted internal and external data integration, and achieved effective integration of source system data of nearly 15,000 fields of nearly 30 business systems related to retail across the bank, and opened up “data silos” to form account-level, product-level, customer-level and institution-level big data platform, and added more than 500 processing data items such as customer roll-ups, merchant roll-ups, customer 360 views and customer management accounts to effectively improve data service capabilities.

5. *Create a brand image of independent innovation in financial technology*

With a focus on key areas such as artificial intelligence, risk control decision making, and experience enhancement, the Bank took independent and controllable as the key principle, dug deeper into the field, made focused breakthroughs, and launched comprehensive intellectual property protection work to build a “patent pool” and “standard library” in core areas, while continuously building a distinctive image of financial technology innovation. First, in 2020, the Bank submitted nearly 20 invention patents in the field of financial technology, and declared and obtained 2 software copyrights; second, the Bank became the first local financial institution selected as a member of the National Financial Standards Technical Committee, and participated in the formulation and publication of 3 financial industry standards, 2 financial group standards, and many corporate standards, of which the Internet Banking Service Quality was shortlisted in the list of forerunners of enterprise standards. Third, the Bank actively participated in national and local pilot projects on financial technology, financial standardization and financial technology regulation, including two projects on digital inclusive finance and bank risk prevention and control, which were included in the national pilot projects on financial technology, and dialect banking and multi-party security learning were selected as the first batch of regulatory pilot applications in Chongqing. Fourthly, the digital transformation practice has been recognized by the industry and selected as 2020 Outstanding Case of Digital Transformation of State-owned Enterprises, 2020 Top 10 Model Financial Institutions of Chongqing Smart Finance, and the first prize of 2020 Chongqing Enterprise Management Modernization Innovation Achievement by Chongqing Entrepreneurs Association.

(VI) Financial Business in County Area

County area is the principle base where the Group carries out Sannong financial services. The financial business in county area has been a long-term strategic focus of the Group, and also one of the Group’s major sources of revenue. The Group provides diversified financial services for customers in county area through 5 branches, 26 first level subbranches, 110 secondary level sub-branches and their 1,313 distribution outlets, 2 community branch outlets as well as 12 village and township banks located in county area. During the Reporting Period, the Group took advantage of interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, actively innovated products, and strived to enhance the financial services in county area, all of which have led to the rapid growth of financial services in county area.

By the end of 2020, the loan balance of the financial business¹ of the Group in county area amounted to RMB257,969 million, representing an increase of RMB48,071 million, or 22.90% over the end of the previous year. In particular, the corporate loan balance of the financial business in county area amounted to RMB101,911 million which accounted for 34.98% of the corporate loan balance (inclusive of discount) of the Group, representing an increase of RMB10,660 million, or 11.68% over the end of the previous year. The personal loan balance of the financial business in the county area amounted to RMB156,058 million, representing an increase of RMB37,411 million, or 31.53% over the end of the previous year, accounting for 72.07% of the personal loan balance of the Group. The deposits balance in county area amounted to RMB507,801 million, representing an increase of RMB40,916 million, or 8.76% over the end of the previous year.

The Group fully implemented strategic deployment of the Party and the State, followed the general keystone of making progress while maintaining stability, adhered to the new development concept, benchmarked against and pursued the target tasks of comprehensively building a moderately prosperous society, strengthened the alignment of financial service measures, and paid close attention to the implementation of measures. Based on the new industries, new business normal and new dominance in county areas, channelling of financial resources was propelled to help ensure that agricultural production and supply are stable, farmers' incomes are increased, and rural areas are harmonious and stable. By the end of 2020, the balance of agricultural loans of the Group² amounted to RMB170.414 billion.

¹ The loan of the financial business in County Area refers to loans released by branches of the Bank in Chongqing City, other than loans released in 9 major districts. It also includes loans released by 12 village and township banks and Qujing Branch.

² The agricultural loans refer to loans to farmers, loans to rural enterprises and various organisations, loans to urban enterprises and various organisations directing to activities related to agriculture, forestry, animal husbandry and fishery industry as well as supporting agriculture and rural development in accordance with the "Special Statistics System of Agricultural Loans" (《涉農貸款專項統計制度》) (Yin Fa [2007] No. 246).

1. *Reform and Innovation*

(1) Management Reinforcement

During the Reporting Period, the Bank has actively and steadily pushed forward the construction of Sannong financial service system, with an aim to continuously improve capability and level of such service. A meeting was held on a regular basis by Sannong Financial Service Committee of the Board to listen to a report on the work of Sannong financial services and focus on reinforcing the strategic move on Sannong financial services. Financial Service Committee for Sannong and Poverty Alleviation¹ under senior management considered a work proposal on Sannong service and fighting against poverty alleviation, to strengthen the guidance and support for Sannong and poverty alleviation of the Bank. By introducing Sannong Business Management Department in the head office to functional departments and leading Sannong financial services among the Bank, the Bank set up secondary departments or professional posts under the corporate and personal banking business lines to be responsible for the “Sannong” business marketing guidance, product innovation, etc. It has set up specialised institutions in respective county branches, to be responsible for the specific promotion of “Sannong” business. In addition, the Bank further regulated and optimised the agriculture-related credit approval procedures to improve service quality and performance.

(2) Strengthening Incentives

The Bank further enhanced the capacity of Sannong financial services, solely prepared the agriculture-related credit plan, established the special assessment scheme and implemented a differentiated incentive policy toward the business of Sannong. Resources including staff, funds, self-service machines and others were shifted towards the sub-branches providing the financial services in county area to ensure that the financial services in county area could become fast and convenient, timely, effective and satisfying.

¹ “Financial Service Committee for Sannong and Poverty Alleviation” has changed its name to “Financial Service Committee for Sannong and Rural revitalization” in March 2021

(3) Innovation-driven

With a focus on the improving inclusive financial services, the Bank accelerated innovative product and service models and increased financial supply for “Sannong”. The Bank actively promoted cooperation models such as bank to government and bank to guarantor, continued to promote the integration and development of “Three Cooperatives”, accelerated the use of new technologies such as cloud computing, big data, and artificial intelligence, and innovated “online + offline” two-way driving, fast and efficient financial service products or service models to meet the diversified financial needs of customers in rural areas. The Bank also revised and improved existing measures and operating procedures of “Sannong” credit loan based on new changes, new characteristics and new demands of rural areas, so as to promote the integration of products and markets.

2. *Personal Banking Business in County Area*

During the Reporting Period, the Bank devised and implemented special marketing plans in a bid to drive the growth of personal banking business in county area. Targeting the county’s individual and private business owners, household farm owners, entrepreneur and innovation leader and other excellent customers, the Bank vigorously developed personal products for specific areas. The Bank launched a complete product line from traditional deposit, loan and remittance to new investment and financing, and carry out differentiated and characteristic financial service alignment for different types of individual customer groups to continuously improve customer service experience. At the same time, with a focus on assistance on fighting against poverty alleviation, the Bank rolled out the “eight actions” for financial poverty alleviation, namely: party-building poverty alleviation action, industrial poverty alleviation action, credit poverty alleviation action, channel poverty alleviation action, consumption poverty alleviation action, employment poverty alleviation action, intellectual alleviation action and alignment poverty alleviation action, to continuously optimize inclusive financial services and successfully complete the battle against poverty with hard work, effective results and high quality.

As the only bank in Chongqing offering the social pension insurance services for urban and rural residents, the Bank carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 11.2 million people. Departments of finance and social insurance of the city and district/county have opened social insurance accounts with the Bank, with a capital balance of RMB15,250 million by the end of 2020. In 2020, the number of individual pensions withheld by the Bank amounted to 22,561.2 thousand, totaling RMB8,046 million; the number of individual pensions paid by the Bank as an agent amounted to 48,779.2 thousand, totaling RMB19,662 million. These services provided the Bank with an extensive customer base and helped stabilize the customer resources and facilitate the development of the Bank’s businesses.

The Bank made greater efforts in the construction of electronic channels in county area and vigorously marketed the Jiangyu Card (江渝卡), the Jiangyu Xiangqing Card (江渝乡情卡), the Farmer's Fortune Card (福农卡), credit card and mobile banking, etc. By the end of 2020, the Bank operated 2,957 ATMs, 394 multimedia enquiry machines and 1,529 units of intelligent integrated counters in county area and established and operated 459 convenient rural financial centers. The number of debit cards and credit cards issued by the Bank in county area also increased by 1,337.4 thousand and increased by 288.4 thousand over the end of the previous year, respectively, to 18,760.3 thousand and 1,066.8 thousand, respectively, which accounted for 78.61% of the debit cards issued by the Bank and 76.92% of the credit cards issued by the Bank, respectively. 8,931.5 thousand customers in county area opened for mobile phone banking service, accounting for 79.50% of the number of customers opening for mobile phone banking service of the Bank and representing an increase of 1,298.9 thousand customers over the end of the previous year. With the gradual enhancement in electronic equipment, the increase in the number of cards and the promotion and marketing on E-banking products, the Bank is well poised to keep expanding its customer base in county area, increase the penetration of banking business in county area, and build good business relationship with customers.

3. *Corporate Banking Business in County Area*

During the Reporting Period, we centered on the key corporate banking businesses in county area such as facilitating the integrated development of urban and rural areas and the modernization of agriculture and rural areas. The Bank actively promoted the grassroot-level settlement account through online and offline distinctive financial services, targeting at agricultural industrialisation leading enterprises, whilst continuing to increase financial support for the country and the local poverty alleviation work.

The Bank had been actively serving the rural collective economy and promoting the reform and development, earnestly opened corporate settlement accounts for the rural collective economic organization in county area, expediting the facilitation and online process of corporate settlement for the grass root-level collective economic organization. The Bank continued to tighten classified management of corporate customers in county area, energetically intensify marketing efforts and strive to foster core customer groups. By the end of 2020, the Bank supported 461 agricultural industrialisation leading enterprises, the outstanding balance of loans amounting to RMB11,230 million, representing an increase of RMB1,350 million as compared to the end of the previous year.

The Bank placed utmost emphasis on poverty alleviation work and offered financial assistance to the nation and local poverty alleviation action plan, through the following ways: 1. By launching new product Jiangyu anti-poverty loan, the Bank continued to increase its support towards the infrastructure construction projects in underprivileged districts and counties. By the end of 2020, the Bank granted Jiangyu anti-poverty loans to 20 customers, adding new input of RMB738 million this year, the outstanding balance of loans amounted to RMB1,583 million, representing an increase of RMB480 million as compared with last year. 2. By actively implementing the deployment requirements of the Central Committee of the CPC and the State Council for stabilizing pork production and ensuring market supply, innovating models, and completing the issuance of first mortgage loan for live pig in Chongqing City. 3. Keeping on its support towards the land reclamation work of rural construction lands. By the end of 2020, the Bank granted RM16,017 million credit in accumulate to the reclamation project, the accumulated amount of loans provided by the Bank was RMB10,209 million, the outstanding balance of loans was RMB701 million, assisting 186.8 thousand acres of rural construction land to undergo reclamation.

(VII) Distribution Channels

1. *Physical Outlets*

Operating outlets are the primary distribution channels of the Bank. By the end 2020, the Bank had 1,765 branches of various kinds, among which 1,456 branches were located in County Area. The network of sub-branches covers all the 38 administrative districts and counties with 1,454 distribution outlets in the county area of Chongqing and 309 institutions in the city's urban area. The Bank has put the construction of distribution channels into its medium and long-term strategic development plan and stepped up optimising the layout of outlets and restructuring to improve its service coverage, service capabilities and operational efficiency. In 2021, the Bank intended to relocate 21 existing branches and refurbish 86 existing branches.

2. *Self-service banking*

In order to expand the scope of customer services and provide customers with more convenient services, by the end of 2020, the Bank established 145 24-hour self-service banking centers and the number of ATMs and self-service inquiry terminals reached to 4,482 (including in Qujing City). The proportion of machine to outlet was 2.54:1, among which the number of ATMs put into use amounted to 4,059 units and self-service inquiry terminals put into use amounted to 423 units. The Bank continued to deepen the basic financial services in rural areas. By the end of 2020, 463 convenient rural financial service centers had been established. As such, the Bank extended its financial service coverage whilst bringing convenience and benefits to the people in rural area. It won widespread recognition from the local government and the general public, achieving both social and economic benefits.

3. *Electronic Channels*

(1) Telephone banking

In 2020, the Bank further deepened the service philosophy of “customer-oriented” and continued to further improve telephone banking service experience, our manual telephone access ratio was 92.77%, VIP access ratio was 98.91% and customer satisfaction towards the telephone service reached 99.88%. To enhance customer experience, the Bank further accelerated the in-depth application of information technologies such as artificial intelligence and mobile Internet. Self-service on smart service platform increased to 82.15%, representing a year-on-year increase of 4.76%.

In 2020, in order to adapt to the market-oriented development trend, the customer service center of the Bank expanded the outbound service, with a total of 127,600 outbound credit card customers throughout the year, and realized the bill installment income of RMB4,343,800.

(2) Mobile banking

The Bank newly launched the “mobile banking” App 6.0, which includes three versions of mobile phone banking: “exclusive version”, “simple version” and “growth version”; It has launched pocket money, living expenses, financial and business education, family protection, family online and other functions to shape the family circle and realize full online coverage of retail business so as to further enhance customer experience; it provided various ways for customer easy login including password, FACE ID/fingerprint, hand gesture and face-scanning. On the basis of realizing intelligent and characteristic functions such as online reservation, ATM card-free cash withdrawal, audio transfer, bulky transfer, transfer appointment, wish deposit, wealth assessment, smart investment advisory, single key bill payment and life calendar, etc., the Bank has added a new mode of changing debit cards and magnetic stripe cards with the same number of chip cards, created Xiaoyu assistant, introduced the function of “scanning code handling”, diverted the pressure of counter business, and guided customers to handle more online channel business.

By the end of 2020, the number of mobile banking customers of the Group reached 11,233,400, representing a net increase of 1,660,000 for the whole year or 17.34% as compared to the end of the previous year. The transaction volume during the year achieved RMB1,455,207 million, representing a year-on-year increase of 33.61%. The number of the financial transactions was 63,546,700, representing a year-on-year increase of 9.23%. The number of corporate internet banking customers of the Bank reached 124.3 thousand, representing a net increase of 21.3 thousand for the year, or 20.68% over the end of the previous year, the transaction volume reached RMB912,172 million during the year, representing a year-on-year increase of 20.21%. During the year, the substitution rate of electronic channels financial transactions of the Bank reached 96.29%, representing an increase of 1.70 percentage points as compared to the end of the previous year.

(VIII) Principal Controlled and Investee Companies

1. Information on Controlled Subsidiaries

(1) Village and township bank

CQRC Village and Township Bank is a general name for the village and township banks established by the Bank as the major promoter. The establishment of village and township banks is of great significance to fulfilling the Rural Revitalization Strategy, performing social responsibility, broadening and deepening the service to new rural construction, exploring the development of business growth and establishing a sustainable model for the growth of profit of the Bank. As of the end of 2020, the Bank has established 12 CQRC Village and Township Banks in 12 counties (districts/cities) across 5 provinces, of which the shareholding ratio is not less than 51% for all, with aggregate registered capital amounting to RMB1,662 million, total assets amounting to RMB4,150 million, net assets amounting to RMB1,780 million, the respective outstanding balance of deposits and loans in aggregate amounting to RMB1,730 million and RMB3,268 million, non-performing loan ratio and allowance to non-performing loans amounting to 0.97% and 346.36%, respectively, and net profits amounting to RMB60 million. The overall business development was stable, the product system was continuously improved, the number of customers was steadily increasing, the sustainable operation capability was continuously enhanced, and the main risk regulatory indicators met regulatory requirements.

(2) CQRC Financial Leasing Co., Ltd.

CQRC Financial Leasing Co., Ltd. is a controlling subsidiary of the Bank. It was established in December 2014 with a paid-in capital of RMB2.5 billion. It is mainly engaged in financial leasing business, transfer and transfer of finance lease assets, fixed income securities investment business, interbank lending, borrowing from financial institutions, sales and disposals of leased property, brokerage consulting, and establishment of project companies in domestic bonded districts to conduct leasing business, etc. In 2020, the Bank held 80% equity interests of CQRC Financial Leasing upon it completed the transfer of the equity interests of Chongqing Jieli Wheel Manufacturing Co., Ltd. As at the end of 2020, the total assets and net assets of CQRC Financial Leasing was RMB38.769 billion and RMB4.357 billion, respectively, recording net profit of RMB746 million.

(3) CQRC Wealth Management Co., Ltd.

CQRC Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, officially commenced business in June 2020. It is the first wealth management subsidiary of rural commercial banks in China and corporate banks in western China, with a paid-in capital of RMB2 billion. It is primarily engaged in public offering of wealth management products to the general public, investment and management of properties entrusted by investors; private placement of wealth management products to qualified investors, investment and management of properties entrusted by investors; wealth management advisory and consulting services; and other businesses approved by the banking supervisory authorities of the State Council. In the first year after its opening, the total assets and net assets of CQRC Wealth Management were RMB2.040 billion and RMB2.006 billion, respectively, recording net profit of RMB6.20 million.

2. *Principal Investee Companies*

Chongqing Xiaomi Consumer Finance Company is the second licensed consumer finance companies in Chongqing. It officially opened in May 2020, mainly engaging in granting personal consumer loans. Its paid-in capital was RMB1.5 billion. The Bank held its 30% equity interests. As at the end of 2020, the total assets and net assets of Xiaomi Consumer Finance was RMB1.574 billion and RMB1.501 billion, respectively. The net profit recorded RMB 1.09 million (Unaudited financial data).

IV. KEY OPERATION CONCERNS

(i) About profitability

In 2020, the Group achieved a net profit of RMB8,565 million, down RMB1,423 million from the previous year, mainly due to that in response to the COVID-19, the Group actively implemented relevant policy and supervision instruction, carried out hardship relief and preferential measures for enterprise, such as fee reduction and price concession measures, and increased impairment provision, with impairment provisions of RMB10.210 billion in 2020, up RMB3.636 billion from the previous year. By increasing the impairment provision, on the one hand, the Group increased the efforts on the disposal of risky assets, eliminated potential risks and consolidated the quality of assets. On the other hand, the Group carried out impairment provision for loans prospectively while taking into account the pandemic and other factors to continuously enhance its risk offsetting ability, with a provision coverage rate of 314.95%.

Save as the effect of impairment, the operations of the Group maintained steady growth in an advanced development stage. From the perspective of operating revenue and cost control, **firstly, operating revenue maintained steady growth.** The Group achieved operating revenue of RMB28.182 billion, representing a year-on-year increase of RMB1.54 billion or 5.78%, and a year-on-year increase of 3.83 percentage points. As for a single season, the operating revenue was on steady year-on-year rise. From first quarter to fourth quarter, the quarterly operating income grew at 4.24%, 4.92%, 4.95% and 5.78% on a year-on-year basis, respectively, and core profitability continued to improve. This was mainly due to the continuous adjustment of asset and liability structure in line with the “anchoring the Bank with retail” orientation, increased loan and retail loan investment, and strengthened the control over the term structure of deposits. On the other hand, we continued to explore the growth potential of non-interest income and approved the establishment of a financial management subsidiary, expanded the development of agency funds, insurance and credit commitment business, and actively explored cash management and other middle-income products, realizing non-interest income of RMB3.933 billion, representing a year-on-year increase of 20.32%. **Secondly, we continued to improve the level of cost refinement and control.** The financial resources were allocated differentially. On the one hand, we streamlined daily expenses; on the other hand, we increased investments in financial technology innovation, actively promoted online business and paperless office, and promoted changes in operation methods and improved work efficiency by increasing investment in digital infrastructure and R&D personnel. In 2020, the Group’s operating expenses amounted to RMB7.909 billion, representing a year-on-year increase of 0.94% and the cost-to-income ratio was 27.09%, representing a year-on-year decrease of 1.43 percentage points.

Looking ahead to 2021, the domestic economy will accelerate its recovery and the construction of the Chengdu-Chongqing twin-city economic circle will gradually advance. The Group will actively seize the opportunity of high-quality economic development in Chongqing, focus on the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, dig deeper into the market potential, consolidate and expand its business advantages and promote a steady recovery of operating results. Firstly, the Bank will continue to promote the adjustment of asset and liability structure, continuously increase the proportion of loans and retail loans, strengthen the control of deposit structure, and stabilize the level of interest payment; secondly, the Bank continues to improve its pricing management ability, closely follow the market and formulate differentiated pricing strategies timely, and continuously improve its asset risk pricing ability; thirdly, the Bank continues to explore the growth potential of non-interest income, closely follow the integrated financial needs of customers, and refine major product launch plan through medium- and long-term intermediate business product planning and support the process assessment to promote the steady increase in the proportion of net fee and commission income; fourthly, the Bank will strengthen risk quality control, optimize the unified credit limit control, implement differentiated credit strategy, and increase the use of intelligent monitoring tools to enhance risk control capability; fifthly, the Bank will continuously strengthen the ability of cost refinement management, refine the accurate allocation of financial resources, and continuously increase investment in technology and leverage financial resources.

(ii) About growth in net fee and commission income

In 2020, the net fee and commission income of the Group amounted to RMB2.903 billion, representing an increase of RMB664 million or 29.65% as compared to the previous year, and the ratio of net fee and commission income to operating income increased by 1.90 percentage points to 10.3%, mainly driven by the growth of investment banking income such as fund management fees, agency insurance, advisory and consulting. Firstly, the income from fund management fees increased by RMB623 million or 47.4% on a year-on-year basis, mainly due to the establishment of a wealth management subsidiary, optimization of wealth management investment structure and issuance of net-worth wealth management products in compliance with the new regulations, and the wealth management business continued to maintain a large share and steady growth. Secondly, by continuously enriching the agency product system, strengthening cooperation with the top 10 companies in the public fund industry and insurance companies, increasing the number of products such as accident insurance, critical illness insurance and family property insurance, and promoting the agency sales of insurance business, the Group increased its agency insurance fee income by 157.16% on a year-on-year basis. Thirdly, by actively applying for business licenses and qualifications, the Group formed a systematic service system with standardized bonds and non-standard bonds as the main business, supplemented by new businesses such as portfolio financing, agency sales and derivatives, and provided comprehensive financing services to clients, while actively developing bond underwriting business, achieving a year-on-year increase of 21% in revenue from investment banking business such as advisory and consulting.

In 2021, the Group will adhere to the concept of business growth driven by product and service innovation, strengthen the construction of an integrated financial services mechanism and enhance resource guarantee and continue to explore new growth points for net fee and commission income.

Firstly, the Group will build a double engine of “product” and “pipeline” to consolidate the advantages in wealth management business. At the product end, the Group will give full play to the professional advantages of its wealth management subsidiaries, strengthen product innovation and launch products such as client cyclical type, types exclusive to specific client groups and co-branded types in a timely manner to continuously enrich the three product series of “Heng, Yi and Xing”. Meanwhile, the Group will adhere to the “fixed income +” strategy. Under the premise of controllable risks, the Group will actively integrate with the capital market and appropriately allocate equity assets such as stock purchase, FOF and so as to increase product returns; at the pipeline end, the Group will further expand its basic client base, continuously increase local wealth management market share, actively expand distribution pipeline outside the city, strive to increase the number of distribution agencies by more than 50%, and build a direct sales platform APP in due course to form a comprehensive and three-dimensional sales pipeline network covering online and offline channels and places in and out of the city.

Secondly, the Group continues to expand its financial service scenarios and enhance comprehensive financial service capabilities. For corporate clients, the Group will establish a large client service model based on investment banking business, implement a package of services including loans, short-term financing bonds, corporate bonds, trust plans and cash management, and promote the development of direct financing and guarantee commitments and other businesses. For retail clients, the Group will further increase cooperation with head funds and insurance companies, actively expand agency fund and insurance business product lines, enhance wealth management service capabilities, and develop online merchants around the BBC financial ecosystem to continuously expand a comprehensive service platform that integrates financial transactions, agency sales, e-merchants, and marketing promotions. As for interbank business, the Group will drive custody and investment banking business with investment, continue to explore asset flow, promote asset-light transformation, improve resource allocation efficiency and broaden revenue pipeline.

Thirdly, the Group will strengthen resource guarantee to help business development. On one hand, the Group will refine the internal assessment, increase the license application for custodian, the investment and loan linkage incentives, refine the process assessment of pipeline application, key product promotion and differentiated pricing, improve the KPI scores and differentiated reward coefficients of key middle income products and promote the development of intermediate business. On the other hand, the Group will continue to increase the introduction of professional talents in investment research and fund trading, optimize the allocation of wealth management account managers, improve the level of specialization, and continuously strengthen the building of a team of professionals to promote the steady improvement of the Bank’s wealth management capability.

(iii) About net interest margin

In 2020, the Group's net interest margin was 2.25%, down 8 BP from the previous year and 4 BP less than the previous year, which was mainly due to that, under the impact of COVID-19 pandemic, the People's Bank of China increased counter-cyclical monetary policy adjustment, which led to the downward adjustment of LPR rates and the maintenance of low market interest rates, resulting in a decrease in 23 BP in the yield on interest-bearing assets over the previous year. In order to maintain a reasonable level of net interest margin, the Group actively adjusted our asset and liability structure. Firstly, the Group continuously increased our loan and retail loan investments, with the ratio of loan to total asset and the ratio of retail loan to loan increasing by 2.27 and 5.52 percentage points, respectively, compared with the previous year. Secondly, we continued to consolidate our advantage in deposits and liabilities, and controlled the growth of time deposits with a maturity of three years and above through FTP pricing guidance, quota control and differential authorization, etc. The proportion of the growth of time deposits with a maturity of three years and above decreased by 74 percentage points year-on-year, and the interest rate paid on deposits was 1.97%, representing a year-on-year increase of 4 BP, down 24 BP from last year. At the same time, we seized the opportunity of market interest rate and issued financial bonds to reasonably reduce the cost of debt, and the cost ratio of interest-paying debt was 2.17%, down 14 BP from the previous year.

Looking ahead to 2021, with the gradual improvement of the economy, the stability of monetary policy and the continued progress of the Bank's business restructuring, the net interest margin is expected to remain stable.

On the asset side, firstly, we will continue to increase loan investment, seize the opportunity of the construction of Yangtze River Economic Belt and Chengdu-Chongqing twin-city economic circle, and increase the support for major strategies and key projects; **secondly**, we will steadily increase the proportion of retail and micro loans, implement the strategic direction of "anchoring the Bank with retail", adhere to the positioning of small and micro business, strengthen online small and micro business innovation, and continue to deepen cooperation between banks, governments and guarantors to deepen and penetrate the local micro and small market; at the same time, we will increase the investment in consumer loans based on scenario-specific marketing. **Thirdly**, we will rationalize its capital business structure. We will strengthen the study and judgment of interest rate trends, and focus on improving capital efficiency. **Fourthly**, we will continue to improve our risk pricing management capabilities, continuously strengthen the level of refined measurement of various costs and revenues, and improve differentiated pricing strategies.

On the liability side, firstly, we will give full play to traditional advantages and stabilize deposit growth. We will continue to leverage our advantages in channels, personnel and products, increase marketing efforts during peak seasons, actively seize opportunities in the savings market, and continue to consolidate the leading share of Chongqing. **Secondly**, we will continue to consolidate advantages about interest payable on deposits, adopt more refined management and control measures for deposit structure, adhere to customer-centricity, build a low, medium, and high “pyramid” product pricing system for functional products, specialty products, and scene products, and match differentiated deposit products to carry out precise marketing, and at the same time actively expand wealth management business, promote the precipitation of demand deposits and reasonably control the interest payment cost of deposits. **Thirdly**, we will optimize the debt structure at the right time. Combining with the needs of business development, we will strengthen the prediction of interest rate trends, expand diversified liabilities, optimize the liability structure, and stabilize the cost of liabilities.

(iv) About asset quality

In 2020, the Bank actively responded to the more complex and volatile internal and external environment in the context of the COVID-19 pandemic, and implemented the work plans of the government and regulatory authorities on pandemic prevention and control, and tried its best to provide credit support during the pandemic to help win the battle against the pandemic. The Bank also strengthened risk monitoring of its stock of loans, carried out comprehensive assessment and analysis of large potential risk loans, strictly grasped the substantial risks, dynamically implemented classification downgrades to non-performing, cleared potential risks of large customers, consolidated the bank-wide asset quality, and disposed non-performing loans in a timely manner in accordance with relevant internal and external regulations to lay the foundation for further sound development.

Firstly, asset quality remained stable. As of the end of 2020, the Bank's non-performing loan ratio was 1.31%, representing an increase of 0.06 percentage point over the end of last year, and the percentage of loans of concern was 2.36%, representing an increase of 0.04 percentage point over the end of last year. The overdue ratio of loans was 1.10%, representing a decrease of 0.06 percentage point over the end of last year. The proportion of concern and non-performing loans increased, mainly because the Bank strictly grasped the substantial risks, especially for large potential risk customers, and took the initiative to downgrade the loan classification, however, under this context, the asset quality of the Group was maintained at an excellent level in the industry. **Secondly, release the risk of deferred repayment of principal and interest in an orderly manner.** During the pandemic, the Group strictly followed the policy orientation and implemented the policy of deferred repayment of principal and interest on loans of enterprises and individuals affected by the pandemic but with certain development prospects. As of the end of 2020, the balance of micro, small and medium-sized loans handled by the Group with deferred repayment of principal and interest was RMB13.2 billion (excluding accrued interest), accounting for only 2.61% of all loans of the Group. Meanwhile, the Group will strictly control substantial risks, dynamically implement risk categories, make timely and dynamic adjustments to loans that meet non-performing and concerned conditions, fully reflect the asset quality, and make forward-looking provision for impairment. As of the end of the year, the average accrual ratio for impairment of the above-mentioned loans was 25%, and the impact of loans with

deferred repayment of principal and interest on the Group's subsequent operations was relatively small. **Thirdly, clear large potential risk loans.** Due to factors such as slowing macroeconomic growth and COVID-19 pandemic, the risks of individual large loan customers of the Group have been gradually exposed. In view of this, the Group has always adhered to the principle of prudent classification, and identified and disposed of the non-performing loans with large potential risks in time. As of the end of 2020, the NPL ratios of real estate industry and construction industry were 0% and 0.72% respectively, representing a decrease of 8.62 percentage points and 1.28 percentage points respectively over the beginning of the year. The asset quality was greatly improved. The NPL ratios of manufacturing industry was 4.85%, representing an increase of 2 percentage points over the beginning of the year, which was due to that individual large loans of manufacturing industry were adjusted downward to non-performing loans. Accordingly, the Group made relevant arrangements and made enough provisions for impairment and cleared of potential risks in an orderly manner. **Fourthly, be cautious about risk categories.** The Group continued to strengthen the risk assessment of overdue loans and recognized eligible loans as non-performing loans in a timely manner. According to the classification results, the overdue rate of loans of the Group at the end of 2020 was 1.10%, which was 0.21 percentage points lower than the NPL ratio, and the overdue rate of loans for two consecutive years was lower than the NPL ratio. At the same time, the ratio of loans overdue for more than 90 days and loans overdue for more than 60 days to non-performing loans of the Group was 63.27% and 68.71% respectively, which have remained within 100% for three consecutive years and continue to maintain the good level of listed banks. **Fifthly, the loan risk mitigation remains sufficient.** By the end of 2020, the Group's overdue loans and special-mentioned loans (including mortgage, pledge and guarantee) accounted for 90.03% and 96.42% respectively, among which the collateral value of mortgage and pledged loans covered 1.96 times and 2.57 times of loan principal respectively, which had strong risk mitigation ability. **Sixthly, the settlement and management of non-performing loans were strengthened.** As for the non-performing loans written-off, the Bank treated it as on-balance sheet loans, strengthened its management and continued to settle and collect it in strictly compliance with the principle of keeping record of the loan write-off and exercising creditor's rights for loan recovery. Meanwhile, the Group arranged annual settlement and collection tasks for the loans written-off, and strengthened the assessment and supervision on the business institution and made greater efforts to settle and manage such loans. In 2020, the non-performing loans settled and collected by the Group were RMB 1.973 billion, of which the loans written-off of RMB 867 million were recovered, representing a year-on-year increase of RMB 55 million.

In 2021, the Bank will continue to adhere to prudent principles, strictly adhere to the risk bottom line, and implement “strictly control the increase and revitalize the stock” for credit business. On the one hand, the Bank will actively respond to the external environment, release annual guidelines on credit investment in a timely manner, promote the restructuring of the credit structure across the Bank, connect with external big data, empower the bank with technology, and further apply internal rating, stress testing and other management tools to build a smart risk control platform and improve risk management. On the other hand, the Bank will give full play to the “baton” of assessment, stimulate the enthusiasm of front-line staff to clear the collection, seek benefits from non-performing assets and actively revitalize the non-performing inventory.

The year 2021 is the opening year of China's 14th Five-Year Plan, the COVID-19 pandemic has been effectively controlled, and the government work report by the State Council has set the expected economic growth rate for 2021 at 6%, which is conducive to the asset quality control of commercial banks as the socio-economic operation continues to recover. In addition, the Bank actively cleared the potential risks of large customers in 2020, and the asset quality was solidified, laying a solid foundation for sound development in 2021. Based on the above factors, it is expected that the Bank's credit risk will be generally controllable and the pressure brought by the deterioration in asset quality will continue to be relieved, the non-performing ratio will be gradually reduced, and the asset quality will continue to remain at a good level in 2021.

(v) About impairment provision

The Group has always adhered to the principles of compliance, prudence and prudent operation and the business philosophy of giving equal importance to efficiency and scale, quality and speed, and internal control and development. In 2020, the Bank recorded credit impairment loss of RMB10.209 billion for the year, an increase of 55% over the last year. Among them, the provision of RMB7.603 billion was made for the corporate line, an increase of 111% over last year, mainly for the disposal and write-off of potential large risk loans that the Group initiated to downgrade, laying a solid foundation for future asset quality control. Against this backdrop, the Bank's provision coverage ratio of 314.95% and a provision to loan ratio of 4.12% remained high and ranked among the top listed banks. In addition, the Bank classifies all loans over 30 days past due as stage 2 or below as required by the new guidelines and makes provision for impairment based on the life of the assets. In terms of provision for overdue loans, the Bank's provision coverage ratio of 497.80% for loans over 90 days past due and 458.36% for loans over 60 days past due are both at a high level in the industry, improving the settlement and replenishment capabilities for the risk loans.

(vi) About capital replenishment

The Group formulates its three-year capital plan on an annual rolling basis, taking into account regulatory requirements, the Group's sustainable development needs and shareholders' return requirements. Meanwhile, it reviews and re-examines its capital adequacy in the next three years in a timely manner, formulates reasonable capital replenishment plans and adjusts its capital management strategies to maintain a good level of capital adequacy to safeguard its business development.

Management Discussion and Analysis

The Group's capital replenishment always adheres to the principle of endogenous sources, supplemented by exogenous sources. **On the endogenous side**, the Group strives to increase value creation, raise the level of capital income, enhance the ability of capital selfaccumulation, and replenish capital mainly by endogenous means such as retained profits, capital reserves and surplus, so as to enhance the long-term sustainability of the source of capital replenishment and promote high-quality development by means of internal growth. **On the exogenous side**, it rationally adjusts and optimizes capital structure. According to the Medium-term Capital Plan 2020-2022 approved by the Group's Board of Directors, preparations for the issuance of non-fixed-term capital bonds of no less than RMB4 billion were initiated in 2020, and the RMB4 billion of Tier 2 capital bonds redeemed through option exercise at the end of 2021 were renewed, while other Tier 1 capital was replenished.

As of the end of 2020, the Group's core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio were 11.96%, 11.97% and 14.28% respectively, which were 4.46, 3.47 and 3.78 percentage points higher than the regulatory requirements and continued to meet the Group's risk appetite requirements. According to the Medium-term Capital Plan 2021-2023 approved by the Group's Board of Directors, in the next three years, the Group will have sufficient capital at all levels and no other exogenous capital replenishment plans, subject to the completion of the established plan of issuing capital bonds with no fixed maturity.

V. RISK MANAGEMENT

During the Reporting Period, facing the impact of the COVID-19 and a complex external situation, the Bank adhered to the philosophy of "prudent operation and steady development", and with risks under control, resolutely implemented the policies of governments and regulatory agencies at all levels to ensure the steady development of the Bank while strengthening support for the real economy. Firstly, the Bank further optimized key risk management policies, updated the Annual Risk Preference Statement of the Group, and moderately adjusted quantitative risk indicators to adapt to the pandemic situation and regulatory orientation; On the basis of revising the Basic System of Risk Management, the Bank incorporated the Equator Principle, green finance and sustainable development requirements into the basic principles of risk management; In addition, with the aim of benchmarking supervision, adaptive management and clear process, the Bank has formulated the latest implementation rules for IT risk assessment, IT outsourcing risk management, liquidity risk stress test and quota management, and revised the credit asset risk classification method, authorization management method and working rules of the senior management risk management committee, so as to improve the system of comprehensive risk management system. Secondly, the Group has continuously improved the risk identification, measurement, evaluation, monitoring and control capabilities, so as to keep the overall asset quality stable, effectively implement internal control and control all kinds of risks. The Group had adequate provisions for asset impairment, maintained capital adequacy ratios at all levels at a high level with abundant liquidity and strong risk-compensating ability, and the level of risk management was appropriate to the scale and complexity of business.

(1) Risk Management Structure

The Group's risk management structure consists of the Board of Directors, the Board of Supervisors, senior management and related special committees authorized by it, the headquarter's risk management department, other relevant functional departments, the audit department and various operating agencies (including subsidiaries). The Board of Directors assumed the ultimate responsibility for comprehensive risk management and set up a risk management committee to carry out responsibilities related to comprehensive risk management with the Board's authorization. The senior management assumed the responsibilities for implementing comprehensive risk management, implementing Board resolutions, and set up risk management committees to make collective decisions on risk management related matters. The Board of Supervisors assumed the responsibilities for overseeing overall risk management, supervising and inspecting the due diligence performance of the Board of Directors and senior management in respect of risk management and supervising their rectification.

The headquarter's risk management department took the lead in the daily management of comprehensive risks, and was responsible for leading the implementation of comprehensive risk management system and timely reporting to the senior management on the Group's comprehensive risks and various major risks. Each department of the headquarter assumed direct responsibility for the risk management of the line and the department, and managed various risks including credit risk, market risk, liquidity risk, and operational risk in accordance with the division of responsibilities. The audit department of the headquarter is responsible for performing internal audits on relevant performance. Each branch (business department of the headquarter) is responsible for the daily management of comprehensive risks of the branch. Under the framework of the Bank's overall risk appetite and risk management policies, each subsidiary institution has established a comprehensive risk management system that is appropriate to the nature, scale and complexity of its business.

(2) Credit Risk Management

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

In 2020, the Group actively responded to the more complex and changeable internal and external environment against the backdrop of the COVID-19. It implemented the work arrangements of the government and regulatory authorities on pandemic prevention and control, spare no effort to provide credit support during the pandemic period, and implemented detailed credit policies such as delaying repayment of principal and interest to help win the tough battle of pandemic prevention and control. During the Reporting Period, the Group's overall credit risk was under control and its asset quality remained stable.

Firstly, the Group actively responded to the external environment. According to the documents issued by various levels on the prevention and control of COVID-19 pandemic, the Group formulated the credit policy during the pandemic period in a timely manner, moderately decentralized the examination and approval authority, improved the efficiency of business examination and approval, and made it possible to delay as much as possible, so as to support the “anti-pandemic” war and the recovery of the real economy. Secondly, the Group is forward-looking in controlling credit risks. In view of the macro-economic impact of the pandemic, the Group made forward-looking provision for loan impairment, implemented credit risk investigation, effectively grasped the risk status of credit assets of the whole bank, and prudently carried out classified management of loan risks, without simply lowering the classification level of customer risks because of the pandemic. At the same time, the Group fully exposed customers with potential risks, strengthened the disposal of non-performing loans, further consolidated asset quality, and laid the foundation for subsequent steady development. Thirdly, the Bank strengthened credit management. The Bank continuously optimized the management mechanism and process. In order to meet the needs of internal and external management, the Bank timely revised the credit risk management systems such as collateral access, post-loan management and unified credit, optimized the credit process and further improved the applicability of the system. The Bank formulated the guidelines for the direction of investment in annual credit loans, and determined the focus in credit loans by segments of industry so as to guide the optimization of credit structure. Fourthly, the Bank constantly strengthened the technical support for risk measurement. The Bank innovatively carried out tests on the special pressure of credit risk under the pandemic in order to quantify the Bank’s ability to deal with sudden extreme risk events. The Bank resolutely conducted risk assessment of models and rules for innovative products, increased the frequency of monitoring and analysis, identified and rectified the problems and effectively controlled the asset quality of innovative products.

(3) Market Risk Management

Market risk refers to the risk of losses from on-balance-sheet and off-balance-sheet businesses of the Group arising from adverse changes in the market price (such as interest rate, exchange rate, stock price and commodity price, etc.). The market risks faced by the Group mainly include interest rate risk and exchange rate risk. The purpose of market risk management is to control potential market risk losses through monitoring and other measures to the extent that the Group can bear and maximize risk-adjusted returns.

The Group manages its interest rate risk and exchange rate risk in accordance with the regulatory requirements of the Group and with reference to the relevant provisions in the “New Basel Capital Accord”. The Group has also formulated a management system for market risk through regulations on authorisation, credit extension and limit of risks, and measures such as monitoring and reporting.

In 2020, the Group continued to improve its proactive market risk management capabilities and steadily advanced various management tasks. Firstly, the Group further optimized the management system, revised the Measures for the Administration of Division of Transaction Account Books and Bank Account Books and operating procedures, Emergency Response Plan for Market Risk and consolidated the management foundation; Secondly, the Group carried out market risk limit and formulated a full-year market risk limit plan in accordance with the business plan. It has set risk limits, trading limits and stop-loss limits, and monitored them on a daily basis. There was no limit breakthrough in 2020. At the same time, it continued to do risk monitoring and tips according to market changes; Thirdly, the Group adjusted its stress test scenarios in light of the current macro policies and economic situation, reasonably adjusted the stress test scenario, assessed the impact on capital under different stress scenario, and improved its forward-looking analysis of market risk. The test results show that the market risk in 2020 has little impact on the capital adequacy ratio of the Group; Fourthly, the Group strengthened the research and judgment on interest rates, regularly carried out research and analysis of macro environment and market interest rates, and conducted forward-looking analysis of LPR and deposit product interest rates, and guided loans with different maturities to be released according to the changing trend of interest rates; Fifthly, the Group carried out emergency drills against the background of pandemic situation and LPR pricing mechanism, so as to enhance the emergency response capabilities of the whole Bank to deal with interest rate risk of loan business.

1. *Interest Rate Risk Analysis*

Interest rate risk is the major market risk faced by the bank accounts. The Group measures interest rate sensitivity gap on a regular basis, evaluates interest rate risk through gap analysis, and further assesses the impact of interest rate changes on net interest income and economic value in varied interest rate scenarios.

At the beginning of 2020, the COVID-19 outbreak and black swan incidents, caused a significant increase in downward pressure on the economy and a fall in internal and external demand. To cope with the impact of the pandemic, the PBOC adhered to a prudent monetary policy, comprehensively used and innovated a variety of monetary policy tools, guided financial institutions to increase their support for the real economy, especially for small and micro enterprises and private enterprises, to help resume work and production. With the recovery of the economy and the marginal adjustment of the country's monetary policy, in 2020, money market interest rates and bond market yields showed the characteristics of "downward and then upward", with the yield of shibor and interest-rate bonds showing equal compared with the beginning of the year, and banking system liquidity generally remaining reasonably abundant. With the further recovery of the domestic economy, the risk of interest rate may be going up in 2021. The Group will keep a close eye on the changes in macro monetary policies and domestic and foreign economic situation, improve the proactiveness of interest rate risk management, strengthen the differentiation of internal and external interest rates, refine pricing of internal and external interest rates, and ensure the sustained growth in the revenue and market value of the Group.

Management Discussion and Analysis

The structure of the Group's interest rate risk gap on the contract re-pricing date or maturity date (whichever was earlier) is as follows:

RMB million

	31 December 2020						Non-interest bearing	Total
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years			
Interest rate gap	(125,962.3)	(68,593.5)	(44,241.4)	88,510.0	155,894.8	82,328.2	87,935.8	

	31 December 2019						Non-interest bearing	Total
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years			
Interest rate gap	35,948.8	(73,582.1)	7,446.6	(11,039.1)	102,233.9	23,728.4	84,736.5	

By the end of 2020, the Group's accumulated gaps of interest rate for all maturities amounted to RMB87.936 billion, representing an increase of RMB3.199 billion over the end of the previous year.

2. Interest rate sensitivity analysis

The following table illustrates the interest rate sensitivity analysis of the Group on the assumption that the overall interest rate in the market moves in parallel and not considering any risk management actions the management may take to mitigate interest rate risk:

RMB million

Change in basis points	The Group 31 December 2020		The Group 31 December 2019	
	Impact on net profit	Impact on other Comprehensive income	Impact on net profit	Impact on other Comprehensive income
Increase in 100 basis points	347.4	118.5	1,552.9	49.3
Decrease in 100 basis points	(347.4)	(118.5)	(1,552.9)	(49.3)

3. *Exchange Rate Risk Analysis*

Exchange rate risk primarily results from mismatches in the currency denomination of the Group's assets and liabilities and currency position mismatches caused by currency mismatched between capitals and foreign currency transactions. The Group mainly adopts foreign exchange exposure analysis, sensitivity analysis and other means to measure exchange rate risk. The Group is mainly engaged in the Renminbi business with certain transactions related to US dollars, Euro and HK dollars but seldom conducts transactions in other currencies. Transactions in foreign currencies are mainly the Group's business of self-operated and agency current business, self-operated and agency swaps settlement and agency forward business.

In 2020, the fluctuation range of USD/RMB exchange rate was between 6.52 and 7.13. USD/RMB exchange rate fell by 6.27% for the whole year, and the trend rose first and then fell. At the beginning of the year, due to the rapid spread of the pandemic throughout the world and the complex and changeable international economic situation, the two-way fluctuation of foreign exchange rate intensified significantly in the first half year. With the effective control of the pandemic in our country and the gradual recovery of the economy, despite the pandemic abroad is still severe, RMB exchange rate shifted from a weak to a strong one in June. In addition, after the sharp interest rate cut in the United States, the federal funds rate was close to zero, and the spread between China and the United States expanded to the highest level in history, which pushed the RMB to continue to rise. At the end of 2020, the exchange rate between the US dollar and the RMB fell to the lowest point. In 2021, under the background of uncertain development of pandemic, with the large-scale vaccination, the global economy will recover or undergo new changes, and the monetary policies of various countries will be adjusted accordingly, and the international exchange market will continue to be in a turbulent state. The Group will continuously pay attention to global economic situation, strengthen the study and judgment on the trend of foreign exchange rate and reasonably allocate local and foreign currency assets. The Group strengthened its management capability of its exposure to foreign exchange risks and the management standard of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilization of foreign exchange capital reasonably. It also actively explored the usage of derivative financial instruments for exchange rate to hedge against exchange rate risk.

Management Discussion and Analysis

As at the end of December 2020, the position of foreign currencies on the Group's balance sheet denominated in RMB is as follows:

RMB million

	31 December 2020				Total
	U.S. dollars RMB	HK dollars RMB	Other Currencies RMB	RMB equivalent	
Net position	87,732.9	(377.8)	189.1	391.6	87,935.8

	31 December 2019				Total
	U.S. dollars RMB	HK dollars RMB	Other Currencies RMB	RMB equivalent	
Net position	80,558.3	4,016.7	37.7	123.8	84,736.5

4. Exchange rate sensitivity analysis

The following table illustrates the exchange rate sensitivity analysis of the Group on the assumption that the RMB exchange rate against USD in the market moves and not considering any risk management actions the management may take to mitigate exchange rate risk:

RMB million

Exchange rate changes	31 December 2020 Impact on net profit	31 December 2019 Impact on net profit
5% appreciation	12.8	(150.6)
5% depreciation	(12.8)	150.6

(4) Liquidity Risk Management

Liquidity risk refers to the risk of inability in getting sufficient funds at reasonable costs in a timely manner to meet the due liabilities or other obligations for payments or other capital needs required for the conduction of normal business. The objective of liquidity risk management of the Group is to meet the liquidity needs of asset, liability and off-balance sheet activities and meet its payment obligation to external parties on a timely basis, to maintain stable operation with overall security, to protect the interests of depositors, and to effectively balance fund profitability and overall security no matter during the normal operation or at a highly stressed condition through the development of a scientific and comprehensive liquidity risk management mechanism and the implementation of effective identification, measurement, monitoring and reporting measures on liquidity risk. The Board of Directors of the Group is ultimately responsible for liquidity risk management. The Asset and Liability Management Commission and Risk Management Commission under senior management are responsible for establishing policies and strategies relating to the Group's overall management of liquidity risk. The Assets and Liabilities Management Department, the Risk Management Department, the Capital Operation Department, International Operations Department and other related departments cooperated with each other to form an organizational structure of liquidity risk management with division of work and cooperation, clear responsibilities and efficient operation. The Group ensured payment through continuous monitoring and management of positions across the Bank. The Group, leveraging its unremitting efforts in strengthening liquidity monitoring as well as the application of the FTP, a system for internal fund transfer pricing, had improved the management of internal fund allocation under the system. The Group updated liquidity pressure tests scenarios annually and carried out liquidity pressure tests quarterly to examine the ability of the Group to withstand risks under extreme pressure. The results showed that the management of liquidity risks under pressure, though more difficult, was controllable.

In 2020, the Group insisted on the business ideology of prudence and compliance, continuously optimized the structure of assets and liabilities, formulated and implemented the liquidity risk appetite and limit management and control plan for 2020. The Group has formulated the Implementing Rules for Management and Control of Liquidity Risk Limits on the above basis, further improved the standardization and reasonableness of limit management and control, and use this as a guide to continue to conduct forward-looking liquidity risk index management, deployed and dynamically adjusted liquidity risk management strategies in advance, and promoted liquidity risk indicators continue to meet standards according to the forward-looking calculation results. The Group enhanced daytime liquidity risk management, and continued to optimize liquidity risk management information system to facilitate the refined management. Under the background of COVID-19 pandemic, the Group conducted liquidity risk emergency drills to continuously review and improve the emergency mechanism for liquidity risk management.

Management Discussion and Analysis

1. Liquidity risk analysis

In 2020, affected by the impact of the COVID 19 pandemic and the complex domestic and international economic situation, the People's Bank of China adjusted the strength and pace of monetary policy at the right time and flexibly used a variety of monetary policy tools to keep the total amount of liquidity matching the market demand. In general, the banking system liquidity remains reasonably abundant. The Group strictly complied with the liquidity limit management mechanism and maintained a satisfactory liquidity. As at the end of 2020, all the key indicators reflecting the liquidity status of the Group met the supervision requirements. The Group appraised the liquidity risk conditions by means of liquidity gap analysis. As at the end of December 2020, the liquidity gap analysis of the Group is as follows:

Undiscounted contractual cash flows categorised by contractual maturities:

		31 December 2020						
(Expressed in RMB million, unless otherwise stated)	Past due/Undated	On demand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Net position of assets and liabilities	59,086.2	(244,445.4)	(23,885.0)	(77,322.7)	(25,946.3)	206,312.4	421,793.3	315,592.5

		31 December 2019						
(Expressed in RMB million, unless otherwise stated)	Past due/Undated	On demand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Net position of assets and liabilities	66,995.4	(248,227.3)	(3,682.3)	(70,618.6)	58,675.9	117,008.4	344,722.9	264,874.4

Note: Please refer to “Notes to the Consolidated Financial Statements: 48. Financial Risk Management (4) Liquidity Risk”.

The Group measured and disclosed its liquidity ratio, liquidity coverage ratio and net stable funding ratio in accordance with the relevant requirements of Methods for Liquidity Risk Management in Commercial Banks (《商業銀行流動性風險管理辦法》) issued by the CBIRC.

By the end of 2020, the liquidity ratio of the Group is as follows:

Liquidity ratio(%)	31 December 2020	31 December 2019	31 December 2018
Renminbi	57.06	57.12	51.71
Foreign Currency	98.87	29.94	33.00

By the end of 2020, the net stable funding ratio of the Group is as follows:

RMB million	31 December 2020	30 September 2020
Available stable funding	789,295.18	790,843.98
Required stable funding	744,136.95	736,319.83
Net stable funding ratio (%)	106.07	107.40

By the end of 2020, the liquidity coverage ratio of the Group is as follows:

RMB million	31 December 2020
Qualified and high-quality liquid assets	111,891.77
Net cash outflows in future 30 days	59,838.51
Liquidity coverage (%)	186.99

The qualified and high-quality liquid assets mean various assets which can be cashed quickly in the financial market through sale or mortgage (pledge) without loss or with minimal loss in the pressure scenarios set by the liquidity coverage ratio. The net cash outflow in future 30 days means the balance between the expected total cash outflow and the expected total cash inflow in the future 30 days in the pressure scenarios set by the liquidity coverage ratio. The expected total cash outflow is the sum of the products of the balance of the relevant liabilities and off-balance-sheet items and its expected churn rate or extraction rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow is the sum of the products of the balance of the relevant on and off-balance-sheet contractual receivables and its expected churn rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow which can be included shall not exceed 75% of the expected total cash outflow.

(5) Operational Risk Management

Operational risk refers to the risk of loss due to imperfections or errors in internal procedures, personnel and scientific and technological information systems, or external events. Through the principles of comprehensiveness and prudence, the Bank implements an operational risk management strategy that matches the Bank's asset size and business complexity, based on a comprehensive risk management system and in compliance with the overall risk appetite.

During the Reporting Period, the Bank continued to consolidate and improve its operational risk management system to strictly guard against major operational risk events and strive to achieve comprehensive identification and effective control of operational risks. Firstly, the Bank closely identified and monitored risks. The Bank updated and improved the monitoring system of key risk indicators, regularly collected index data and risk loss data, and consolidated the foundation of risk measurement. Secondly, the Bank comprehensively evaluated measures to improve risk control. The Bank identified and sorted out key risk links in the process of various operation and management activities, updated and optimized risk control measures and improved management capabilities through system evaluation. Thirdly, the Bank carried out a number of risk inspections. Taking the investigation of case risks as the main line, the Bank comprehensively screened potential operational risk points through a combination of on-site and off-site methods, and organized the implementation of special inspections of accounting business, counter business and cash business to supervise and strengthen risk prevention in key areas. Fourthly, the Bank has improved the management effectiveness of business continuity. The Bank's implementation of special actions to improve the quality of the business continuity emergency plan can significantly improve the standardization and operability of the plan. At the same time, the Bank held a centralized exercise of important business every year, and the emergency response mechanism and the availability of disaster preparedness resources were fully tested. Fifthly, the Bank implemented the measures to outsource risk management. Through the establishment of an information technology outsourcing risk management system, the Bank managed the differentiation of different types of outsourcing business, and organized all levels of institutions throughout the Bank to formulate special investigation plans to investigate potential risks and control results in all links of the outsourcing business life cycle one by one.

(6) Reputation Risk

Reputation risk refers to the risk of negative evaluation of the Group by the stakeholders, the public and the media due to the Group's operations, management and other actions or external events, thereby damaging the brand value of the Group, adversely affecting the normal operation of the Group, or even affecting market stability and social stability.

During the Reporting Period, the Bank established a sound reputation risk management mechanism, actively and effectively prevented reputation risk and responded to negative public opinion events, and actively maintained the Bank's good market image to achieve the overall objective of reputation risk management.

(7) Information Technology Risks

Information technology risks refer to operational, legal, and reputational risks arising from the use of information technology during commercial operation of banks due to natural factors, human factors, technical loopholes, and management defects.

During the Reporting Period, the Bank's information technology risk management system operated smoothly. The Bank actively carried out risk assessment and closely integrated risk control with scientific and technological activities. Firstly, the Bank restructured its information technology risk management system, adjusted its risk monitoring, identification and evaluation mechanisms, adapted to the actual financial technology structure in the Bank, and strengthened the coverage and management of overall risk management. Secondly, the Bank strengthened its investment in key infrastructure construction. In order to improve the carrying and supporting capacity of disaster preparedness centers and support the long-term steady development of scientific and technological activities, the Bank implemented the relocation of disaster preparedness centers in the same city and the reconstruction of disaster preparedness centers in different places. Thirdly, the Bank improved its ability to prevent and control scientific and technological risks. The Bank participated in the actions to protect the network and fully tested the ability of network security protection. By promoting the special system for terminal security prevention and control, enriching information security measures and carrying out application and development security consultation, the Bank can realize the simultaneous implementation of security protection and system construction. Fourthly, the Bank implemented a number of information technology risk assessments. By setting up an expert group to pre-assess risks of important system projects, the Bank carried out a special assessment of customer data risks for the first time, and carried out a number of assessments such as information technology outsourcing, business continuity and information technology risk as a whole, so as to comprehensively and deeply grasp the actual risk situation and supervise the rectification of problems and significantly improve the risk prevention and control capability.

(8) Anti-Money Laundering Risks

During the Reporting Period, the Bank followed the philosophy of risk orientation, established and improved the money laundering risk self-evaluation system, optimized work mechanism, and effectively enhanced the ability to prevent money laundering risk.

During the Reporting Period, the Bank revised the anti-money laundering internal control system and improved the anti-money laundering system; upgraded the anti-money laundering system to improve intensive management of anti-money laundering; completed money laundering and terrorist financing third-party risk assessment to strengthen problem-based rectification; carried out special data governance to improve the quality of customer information; held work exchange meetings to promote the implementation of unified money laundering risk management strategies; implemented off-site inspection to strengthen the guide on the management of compliance with the anti-money laundering of branches and controlled subsidiaries; promoted the propaganda and training of anti-money laundering to continuously improve the quality of anti-money laundering work; strengthened communication with regulatory agencies to continuously improve the quality of anti-money laundering work.

(9) Implementation of the Basel Capital Accord

The Group focused on the promotion of new capital accord and continuously improved the quantification level and refined management level of risk management. Firstly, the Group completed the update on the internal rating of non-retailing sector of 2020, continuously carried out internal rating system monitoring and verification, conducted internal rating analysis on a regular basis, and analyzed and reported retailing and non-retailing internal rating analysis on a quarterly basis, and comprehensively analyzed the overall rating status from the perspectives of rating distribution, default analysis, quota analysis and model verification monitoring to ensure that the internal rating system was functioning properly. Secondly, the Group continuously optimized internal rating model, developed and updated the model that met the monitoring threshold and the data accumulation requirements in a timely manner to ensure the availability of the model. Thirdly, the Group continually optimized various systems such as rating system management and financial tools impairment management to promote the standardised and efficient use of the results of the construction of new capital accord. Fourthly, the Bank's risk data management has achieved remarkable results. The Bank's risk data mart can provide stable and reliable basic data interfaces for capital planning, credit risk management, liquidity risk management and operational risk management, and open risk indicator monitoring functions to institutions at all levels so as to sense risk situations in a timely manner. Fifthly, the impairment measurement system under the IFRS9 was in stable operation, which achieved automation of impairment measurement and improved the refinement level of risk management. Sixthly, the risk-weighted assets (RWA) system is based on risk data collection, realising the automatic calculation of risk-weighted assets of the Bank, thereby providing an effective tool for enhancing the capital management ability of the Bank.

(10) Internal Audit

The Group has established a sound internal audit system according to laws and regulations. The Articles of Association clearly stipulated that the Board was responsible for ensuring that internal audit had sufficient independence. Internal audit department was responsible and reported to the Board. The internal audit departments were respectively set up at headquarter and branch offices, and the subsidiaries had internal audit departments or were equipped with internal audit personnel. Internal audit personnel accounted for 2% of the total number of employees, which was in compliance with the regulatory requirements.

The Bank continued to implement informatization, standardization and professionalization to improve the quality and efficiency of internal audit. Firstly, the Bank emphasized informatization, using big data technology to develop audit models to achieve accurate and efficient audits with round-the-clock, organization-wide and all-data supervision. Secondly, the Bank stressed the standardisation. It formulated menu-type working papers, compiled audit manuals, implemented standardized audit processes and five-level audit quality control. Thirdly, the Bank focused on the professionalization, promoted the professionalization of auditors to foster the spirit of concentration, profession and expert, more than a hundred people had obtained qualifications such as internationally certified internal auditors, certified public accountants, and titles of senior and middle-ranking, achieving excellent team quality.

During the Reporting Period, the Group's internal audit adhered to the goals of serving the organization. In the face of pandemic, it turned crisis into opportunity and strengthened off-site audit to further promote the innovation of internal audit work. In response to internal and external requirements, it took initiative and dedicatedly fulfilled its duties to further improve the level of audit supervision. According to key areas such as internal control improvement, risk control and financial science and technology innovation, the Bank carried out various audit projects such as internal control evaluation, economic responsibility audit, special audit and consolidated audit. The Bank paid attention to the rectification of problems, carried out special work such as "looking back" on chaos rectification based on regulatory requirements, and promoted the implementation of national policies, regulatory requirements, the strategy of the headquarter and the high-quality development of the whole Bank.

(11) Large Risk Exposures

Pursuant to the requirements of the Administrative Measures for Large Risk Exposures of Commercial Banks (《商業銀行大額風險暴露管理辦法》) issued by the CBIRC, the Bank established a management mechanism for large risk exposures and included the mechanism into the comprehensive risk management system of the Group. The system measured and monitored the status and changes of large risk exposures, and continued to strengthen the limit control of large credit business to prevent concentration risk. The Bank promoted the construction of large-value risk exposure system in an orderly manner and continuously improved its ability to manage large-value risk exposure. As of the end of 2020, the Bank's indicators of large risk exposures were better than the regulatory requirements.

(12) Related Party Transactions

During the Reporting Period, in accordance with the requirements for listing of A shares, the Bank continued to improve its management of related party transactions: Firstly, the Bank revised the Administrative Measures for the Related Party Transactions (《關聯交易管理辦法》) and fully complied with the regulations of the CBIRC, the Shanghai Stock Exchange, the Hong Kong Stock Exchange, and relevant accounting standards. Based on its actual needs on related party transaction management in recent years, the Bank revised the related party transaction management system in terms of related party identification standards, list collection and updates, review and approval authority and procedures, and information disclosure. The measures have been considered and approved by the Board and are being implemented, providing system guarantee for the compliance management of related party transactions of the Bank. Secondly, the Bank strengthened the management of the list of related parties. The Bank regularly collected information from related parties and conducted dynamic management and timely update of the list. It promptly and effectively conveyed communicated with shareholders, directors, supervisors and senior management and other persons about the importance and principles of related party transaction management, laying a solid foundation for related party transaction management. Thirdly, the Bank strictly reviewed related-party transactions. The Bank reviewed and approved all related party transactions in accordance with regulatory requirements and the Bank's management system, actively promoted the coordinated reporting of credit to related party group, carried out classification review and hierarchical approval of related-party transactions, controlled compliance risks of related party transactions, and improved the Bank's related party transaction management efficiency.

1. *Related party transactions during the ordinary course of business*

During the Reporting Period, the Bank conducted related party transactions by following the relevant regulations of local and overseas regulatory authorities and the Administrative Measures for the Related Party Transactions (《關聯交易管理辦法》) of the Bank, the related party transactions were priced fairly and in line with the overall interests of the Bank and shareholders.

- (1) Pursuant to the relevant provisions of the CBIRC, during the Reporting Period, there were 25 proposals on significant related party transactions approved by the Board of Directors, which involves the substantial shareholders and its related parties, the related party transactions of the controlling subsidiaries of the Bank.

- ① At the end of 2020, the balance of credit-related significant related party transactions that occurred during the Reporting Period was RMB25,036 million, as follows:

Unit: RMB million

No.	Name of related party	Transaction type	Credit balance	Percentage of net capital
1	The related companies of Chongqing Yufu Capital Operation Group Co., Ltd. (重慶渝富資本運營集團有限公司) ¹	Credit	6,562.1	5.86%
2	CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司)	Credit	4,750.0	4.24%
3	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Credit	3,743.7	3.34%
4	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and its related companies	Credit	3,743.7	3.34%
5	Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司) and its related companies	Credit	3,224.9	2.88%
6	Loncin Holdings Co., Ltd. (隆鑫控股有限公司) and its related companies ²	Credit	2,578.7	2.30%
7	Bank of Chongqing Co., Ltd.	Credit	2,127.8	1.90%
8	The related companies of Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	Credit	1,498.0	1.34%
9	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) ² and its related companies ²	Credit	540.8	0.48%
10	West Air Co., Ltd. (西部航空有限責任公司)	Credit	500.0	0.45%
11	Dazu Rock Carving Movie & TV Culture Co., Ltd. (大足石刻影視文化有限責任公司)	Credit	226.2	0.20%
12	Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司)	Credit	10.0	0.01%

- 1 During the year, the Bank reviewed the group credit granted to the related companies of Chongqing Yufu Capital Operation Group Co., Ltd. (重慶渝富資本運營集團有限公司) twice.
- 2 During the year, the Bank reviewed the enterprise credit transactions of Loncin Holdings Co., Ltd. (隆鑫控股有限公司) and its related companies three times, namely the group credit, the adjustment to the loan term of Loncin Holdings Co., Ltd, and the adjustment to the loan term and interest rate of Loncin Holdings Co., Ltd (隆鑫控股有限公司) and USUM Investment Group Limited (渝商投資集團股份有限公司).
- 3 During the year, the Bank reviewed the group credit granted to Chongqing Development Real Estate Management Co., Ltd. (重慶發展置業管理有限公司) and its related companies twice.

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- ② The transaction amount of the non-credit significant related party transactions of the Bank during the Reporting Period was RMB23 million, as follows:

Unit: RMB million

No.	Name of related party	Transaction type	Transaction amount	Business type
1	Chongqing Caxin Holding Group Co., Ltd. (重慶財信控股集團有限公司) ¹	Non-credit	11.5	Charge service fee
2	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	Non-credit	5.5	Property lease
3	Chongqing Hengyi Travel Development Co., Ltd. (重慶恆義旅遊發展有限公司)	Non-credit	4.2	Charge service fee
4	CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司) ²	Non-credit	1.8	Charge service fee and property lease

- (2) During the Reporting Period, the balance of the Bank's loans to related natural persons under the relevant regulations of the Shanghai Stock Exchange was RMB69 million. Major related transactions that occurred between the Bank and related parties under the relevant regulations of the Shanghai Stock Exchange are as follows:

On 26 March 2020 and 20 May 2020, the 30th meeting of the fourth session of the Board and the 2019 Annual General Meeting of the Bank considered and approved ① the "Resolution in Relation to the Related Party Transaction Regarding to Group Credit Limits of Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)" agreeing to grant Chongqing Casin Group Co., Ltd. and its related parties a comprehensive group credit limit of RMB9,978.8 million, with a credit period of 1 year; ② the "Resolution in relation to the Related Party Transaction Regarding to Credit Limits of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)", agreeing to grant Chongqing City Construction Investment (Group) Company Limited credit limit of RMB7,000 million, with a credit period of 1 year. For details, please refer to the "Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd." (Announcement No.: 2020-011) published by the Bank on the website of the Shanghai Stock Exchange on 27 March 2020.

¹ During the year, the Bank reviewed the service fee charged from Chongqing Caxin Holding Group Co., Ltd. (重慶財信控股集團有限公司) twice. Chongqing Caxin Infrastructure Investment Group Co., Ltd. (重慶財信基礎設施投資集團有限公司) has changed its name to Chongqing Caxin Holding Group Co., Ltd. (重慶財信控股集團有限公司) on 10 December 2020.

² During the year, the Bank reviewed the service fee charged from CQRC Village and Township Bank (渝農商金融租賃有限責任公司) fourth.

The 32nd meeting of the fourth session of the Board and the 2020 first extraordinary general meeting of the Bank considered and approved the “Resolution in relation to the Related Transaction with Loncin Holding Co., Ltd. (隆鑫控股有限公司)” on 24 April 2020 and 29 June 2020, respectively, agreeing to adjust the terms of 5 loans to Loncin Holding Co., Ltd. to 2021, with a total amount of RMB996.857 million. For details, please refer to the “Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd.” (Announcement No.: 2020-020) published by the Bank on the website of the Shanghai Stock Exchange on 25 April 2020.

On 26 August 2020 and 20 October 2020, the 38th meeting of the fourth session of the Board considered and the 2020 second extraordinary general meeting of the Bank considered and approved ① the “Resolution in relation to the Related Party Transaction Regarding to Credit Limits of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)”, agreeing to grant Chongqing City Construction Investment (Group) Company Limited credit limit of RMB14,854.10 million, with a credit period of 1 year; ② the “Resolution in relation to the Related Party Transaction Regarding to Group Credit Limits of Loncin Holding Co., Ltd. (隆鑫控股有限公司)”, agreeing to grant Chongqing City Construction Investment (Group) Company Limited a comprehensive group credit limit of RMB6,479 million, with a credit period of 1 year; ③ the “Resolution in relation to the Related Party Transaction Regarding to Loncin Holding Co., Ltd. (隆鑫控股有限公司) and USUM Investment Group Limited (渝商投資集團股份有限公司)”, agreeing to revise the loan term and interest rate of Loncin Holding Co., Ltd. and USUM Investment Group Limited (渝商投資集團股份有限公司). For details, please refer to the “Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Limited” (Announcement No.: 2020-041) published by the Bank on the website of the Shanghai Stock Exchange on 27 August 2020.

2. *Related party transaction in connection with purchase or sale of assets or equity interests*

During the Reporting Period, the Bank was not involved in related party transaction in connection with purchase or sale of assets or equity interest.

3. *Related party transaction in connection with joint external investment*

During the Reporting Period, the Bank was not involved in related party transaction in connection with joint external investment.

4. *Claims, Debt Transactions with Related Parties*

During the Reporting Period, the Bank was not involved in claims or debt transactions of a non-operating nature with related parties.

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5. Other major related party transaction

During the Reporting Period, apart from the transactions mentioned above, the Bank did not have any other major related party transactions that met the requirements of the securities regulatory authorities.

VI. Capital Management

The Group implemented comprehensive capital management, including the formulation of capital management policies, capital planning, capital adequacy ratio management plans, capital measurement, internal capital adequacy assessment, capital allocation and capital assessment management. The goal of the Group's capital management is to mainly accumulate internal capital, with external capital as supplement, to effectively balance capital supply and demand, to strengthen capital restrictions and guidance to the business, so as to maintain a capital level that is consistently higher than regulatory requirements, and to reserve a certain room for margin and buffer as security.

In 2020, the Group continued to promote the refinement of capital management, implemented the capital planning for 2020-2022, rationally arrange risk-weighted asset plans, optimize business structure, improve capital utilization efficiency, maintain continuous growth of capital, expand external capital supplement channels, and constantly enhance the service capability for real economy. The capital indicators throughout the year were good, providing a strong guarantee for the Group's stable business development and strategic implementation.

(I) Capital Adequacy Ratio

The Group calculates the core tier 1 capital adequacy ratios, tier 1 capital adequacy ratios, and capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) promulgated by the CBIRC and relevant provisions, among which, the credit risk was measured at weight method, the market risk was measured at standard method and the operational risk was measured at basic indicator approach. The calculation range of capital adequacy ratio includes all branches of the Bank, its subsidiary village banks, financial leasing companies and wealth management subsidiaries.

By the end of 2020, the Group's capital adequacy ratio was 14.28%, representing a decrease of 0.60 percentage point from the end of the previous year; the core tier 1 capital adequacy ratio and the tier 1 capital adequacy ratio were 11.96% and 11.97%, respectively, representing a decrease of 0.46 and 0.47 percentage point respectively from the end of the previous year. The decrease in the Group's capital adequacy ratio from the end of the previous year was mainly due to that firstly the net profit for the year decreased and the internal capital supplement lowered compared that of the same period of the previous year; secondly, as the Bank's asset scale maintained a certain growth rate, risk-weighted assets increased accordingly, resulting in a lower growth rate of net capital than that of risk-weighted assets.

The following table sets forth the relevant capital adequacy ratio of the Group and the Bank at the dates indicated.

Calculation results of capital adequacy ratio of the Group and the Bank

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019	
	The Group	The Bank	The Group	The Bank
Core tier 1 capital, net	93,726.7	86,352.5	88,559.0	83,772.1
Net tier 1 capital	93,814.2	86,352.5	88,680.0	83,772.1
Net capital	111,936.2	103,850.9	106,070.5	100,534.8
Risk-weighted assets	783,924.2	745,153.3	712,885.7	678,740.2
Include: Credit risk				
weighted assets	724,715.5	688,370.2	661,053.9	628,786.3
Market risk				
weighted assets	8,699.4	8,699.4	3,955.0	3,955.0
Operational risk				
weighted assets	50,509.3	48,083.7	47,876.8	45,998.9
Core tier 1 capital				
adequacy ratio (%)	11.96	11.59	12.42	12.34
Tier 1 capital adequacy				
ratio (%)	11.97	11.59	12.44	12.34
Capital adequacy ratio (%)	14.28	13.94	14.88	14.81

Management Discussion and Analysis

Capital Adequacy Ratio

(Expressed in RMB million, unless otherwise stated)	31 December 2020	31 December 2019
Core tier 1 capital	94,324.7	89,120.9
Portion of paid-in capital that may be included	11,357.0	11,357.0
Portion of capital reserve that may be included	20,238.1	20,572.0
Surplus reserve and general risk reserve	26,125.9	23,918.9
Unappropriated profit	35,947.7	32,365.6
Non-controlling interests	656.0	907.4
Core tier 1 capital deductible items	(598.0)	(561.9)
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	(157.9)	(121.8)
Core tier 1 capital, net	93,726.7	88,559.0
Other tier 1 capital	87.5	121.0
Non-controlling interests	87.5	121.0
Net tier 1 capital	93,814.2	88,680.0
Tier 2 capital	18,122.0	17,390.5
Tier 2 capital instruments and related premium that may be included	9,000.0	9,000.0
Excessive loan allowances	8,947.1	8,161.2
Non-controlling interests	174.9	229.3
Net capital	111,936.2	106,070.5
Total risk-weighted assets	783,924.2	712,885.7
Core tier 1 capital adequacy ratio (%)	11.96	12.42
Tier 1 capital adequacy ratio (%)	11.97	12.44
Capital adequacy ratio (%)	14.28	14.88

The following table shows the credit risk exposures of the Group as measured by weighting method on the dates indicated.

(Expressed in RMB million, unless otherwise stated)	31 December 2020		31 December 2019	
	Risk exposure	Unmitigated risk exposure	Risk exposure	Unmitigated risk exposure
On-balance sheet credit risk	1,118,872.7	1,096,997.8	1,023,361.6	999,099.9
Off-balance sheet credit risk	24,648.7	15,494.7	19,313.6	15,751.7
Counterparty credit risk	18,827.9	18,827.9	24,825.9	24,825.9
Total	1,162,349.3	1,131,320.4	1,067,501.1	1,039,677.5

According to the Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》) issued by the CBIRC, the information concerning the capital composition statements, detailed explanation on relevant items and the main characteristics of the capital instrument of the Reporting Period will be further disclosed in the “investor relations – capital supervision” column on the website of the Bank (<http://www.cqrcb.com>).

(2) Leverage Ratio

The Group measured and disclosed its leverage ratio in accordance with Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》).

By the end of 2020, the Group’s leverage ratio was 8.08%, a decrease of 0.37 percentage point from the end of the previous year, mainly because the growth rate of net tier 1 capital, was lower than the growth rate of on-balance sheet and off-balance sheet assets.

The following table sets out the Group’s related accounting items corresponding with the regulatory items of leverage ratio and the differences between regulatory items and accounting items as at the date indicated:

(Expressed in RMB million, unless otherwise stated)	31 December 2020
Consolidated total assets	1,136,366.6
Consolidated adjustments	–
Customer assets adjustments	–
Derivatives adjustment	108.0
Securities financing transactions adjustments	–
Off-balance sheet item adjustments	24,808.6
Other adjustments	(598.0)
The balance of assets on and off-balance sheet after adjustments	1,160,685.2

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The following table sets out information of the Group's leverage ratio, net tier 1 capital, assets on and off-balance sheet after adjustments and relevant details as at the date indicated:

(Expressed in RMB million, unless otherwise stated)	31 December 2020
Assets on the balance sheet (excluding derivatives and securities financing transactions)	1,135,005.1
Less: tier 1 capital deduction	(598.0)
The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	1,134,407.1
Replacement cost of various types of derivatives (net of qualified margins)	58.5
Potential risk exposure in various derivatives	108.0
The sum of collaterals deducted from the balance sheet	-
Less: assets receivables formed due to qualified margins	-
Less: the balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers	-
Notional principal for sold credit derivatives	-
Less: the balance of sold credit derivatives assets which can be deducted	-
The balance of derivatives assets	166.5
The balance of accounting assets for securities financing transactions	1,303.0
Less: the balance of securities financing transactions assets which can be deducted	-
Counterparty credit risk exposure to securities financing transactions	-
The balance of securities financing transactions assets formed due to securities financing transactions by proxy	-
The balance of securities financing transactions assets	1,303.0
The balance of items off balance sheet	42,758.0
Less: the balance of items off balance sheet reduced due to credit conversion	(17,949.4)
The balance of items off balance sheet after adjustments	24,808.6
Tier 1 capital, net	93,814.2
The balance of assets on and off-balance sheet after adjustments	1,160,685.2
Leverage ratio (%)	8.08

VII. Consumer Rights Protection

In 2020, the Bank always practiced the development philosophy of “people-centered”, upheld to the concept of finance for the people, carried out special events, promoted the continuous improvement of mechanism and system guarantees, system support and service capabilities, strengthened accountability, and helped with pandemic prevention and control to continuously enhance consumer rights protection work and awareness and the earnestly fulfill its responsibility for protecting consumer rights.

Consolidating the foundation to assist the comprehensive improvement. The Bank launched the “Consumer Rights Protection Work Promotion Year” activity throughout its jurisdiction, continued to improve the mechanism and system construction, integrated the protection of financial consumers’ rights and interests into corporate governance, corporate culture construction, and business development strategies. Senior management and the working leading group of the consumer rights protection regularly supervised and implemented consumer rights protection measures. The consumer protection functional departments gave full play to the active role in business product and service design, agreement formulation, product approval and admission, marketing and promotion, and aftersales evaluation to ensure that consumer rights protection work was properly executed and effectively implemented. During the Reporting Period, the Bank issued a total of 5 issues of various complaint reminder cases, 10 issues of complaint cases, 13 issues of various information exchanges; completed 312 consumer protection reviews on product admission, marketing materials and internal control systems; received a total of 3,334 consumer complaints, with the total number of complaints decreasing by 27.33% year-on-year, the timely completion rate of complaints and customer satisfaction reaching 99.73% and 99.69%, respectively.

Empowering technology to provide support. The Bank initiated the “dual-recording video” smart quality inspection by introducing AI, smart voice recognition and other technologies and made efforts to achieve the double improvement of quality inspection efficiency and process standardization; upgraded the function of the complaint tracking system to realize online collection of customer complaints case database, online early warning of hot complaints and management of “Grey List” of complaints; comprehensively implemented the systemization of complaint management, consumer protection review, and consumer protection inspection to achieve online and process-based daily management; fully implemented the complaint classification standards to achieve the deployment of the interface docking between complaint information and the supervision system and supported the new supervision statistics requirements; continued to promote the digitization of the product information inquiry platform to ensure the completeness, accuracy and instantaneity of the disclosure of product information, service charge and channel for complaint and achieve an digitization rate of more than 80% for the product information inquiry in all outlets of the Bank.

Taking the initiative to facilitate financial services. Relying on the “Jiangyu Consumer Protection Micro-Classroom” to promote brand, and on the basis of regular publicity activities such as “3.15”, “Keep Money Safe”, and “Financial Knowledge Walkathon”, the Bank launched the “Demining Action” special publicity activity to deliver financial knowledge to campuses, rural areas and the gathering places of migrant workers, pushing more than 30 WeChat images, articles and short videos containing various financial publicity knowledge and sending more than 500,000 short messages with more than 700,000 recipients. It was awarded “Advanced Group Promoted by Publicity Services Month in 2020”. The Bank invested more resources in basic financial services, and built the multi-channel and multi-mode financial service network consisting of physical outlets, self-service terminals, rural convenient financial outlets, mobile banking service vehicles and online electronic platforms, thus a total of 872 ATMs, 3,187 BCDMs and 423 enquiry machines were provided in 463 rural convenient financial self-service outlets, and the number of mobile banking users surpassed 10 million. The Bank also launched financial products and service such as “Commercial Wealth Deposit”, “Housing Fast Loan”, “Shui Fast Loan”, “Yukuai Car Life Series Financial Products”, “Mobile Banking APP6.0”, “Wealth Management Product Transfer” and “Smart Voice Assistant”. The Bank set up “courtesy counters”, “green channels”, “complaint reception areas” and “happy homes” which were equipped with reading glasses, caring seats, children’s entertainment facilities, gentle ramps, handrails, guardrails and other convenient facilities. The Bank launched anti-counterfeiting and fraud prevention seminars, small bankers and other public welfare activities to enhance the financial service experience of special customer groups. It was awarded “2020 Advanced Bank Promoted by Civilized and Standardized Service Organizations”.

VIII. OUTLOOK

2021 marks a new starting point for China to implement the “14th Five-Year Plan” and the long-term goal in 2035, which will start a new journey of building a socialist modern country and realizing the goal of the “second century”. In 2021, we are faced with unprecedented changes in the past century, profound changes in the world economic structure, counter-current economic globalization, and extensive and far-reaching influence of COVID-19 pandemic. Although there are still many uncertainties in the “restart” of the global economy, China’s economic development has shown strong resilience. With the establishment of international and domestic double circular economic growth model, the domestic economy will enter a new cycle of continuous quality improvement.

With respect to regional economy, Chongqing’s economic operation was recovered quarter by quarter in 2020, and the city’s GDP will increase by 3.9%, showing a stable and positive trend. In 2021, driven by the national strategy of building a twin-city economic circle in Chengdu and Chongqing, the economic strength, development vitality and international influence of Chengdu and Chongqing will be greatly enhanced, expecting to become the “fourth pole of growth” after the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, and Beijing-Tianjin-Hebei Region to drive the high-quality development of China., and Chongqing’s economy and society will open a new chapter.

In 2021, the Bank will always insist on serving the real economy as its main duty and continue to improve its ability to serve the national financial strategy, the development pattern of “double cycle” and the adjustment of new industrial pattern. The Bank will actively cope with the pressure of narrowing spreads, digital transformation and homogeneous competition, fully develop the financial technology, accelerate the upgrade of innovation, management and risk control, improve the comprehensiveness, safety and efficiency of services, and promote the transformation of product innovation to financial industry innovation so as to achieve continuous optimization of products and services, continuous improvement of risk management level and continuous promotion of high-quality development.

Corporate Social Responsibility

2020 was an extraordinary year. Confronted with grave and complex situation and tasks, unheard-of risks and challenges, the Bank adhered to the approaches of “strengthening management, controlling risks and stabilizing development”, steadily put into practice the strategies of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, seeking progress while keeping performance stable, tackling difficult problems directly and forging ahead, and fulfilled finance state-owned economy, environmental and social responsibilities with practical action.

Giving full support to resume work and production and taking the lead in epidemic prevention and control. The Bank fully implemented relevant requirements of epidemic prevention and control and carried out various prevention and control measures urgently and actually. None of our employees was suspected or infected and our outlets were the first to resume work and production. We donated RMB20 million to the Red Cross in Chongqing for epidemic prevention and control and helped to fight and win the battle against the epidemic; resolutely protected the enterprise’s credit demand, attached to the principles of “trying to offer interest-free credit, providing and renewing all the necessary credits” and energetically supported the credit demands of designated medical institutions and key enterprises.

Actively coordinating major strategies as a major force to serve the local. The Bank thoroughly implemented national major development strategies, actively integrated into the “Belt and Road”, Yangtze River Economic Zone green development, and the construction of Chengdu-Chongqing economic circle, took the initiative to research and analyze, fortified project coordination and effectively contributed to the high-quality development of local economy and society; centering on regulation and policy requirements, in reaction to the tasks of “six stabilities” and “six guarantees”, we constructed the multi-level service network of micro and small businesses, consistently increased the financial support, mitigated difficult and expensive financing problems of micro and small businesses in powerful ways and enhanced the internal impetus for enterprise operation and development.

Sparing no effort in boosting rural vitalization as the “propeller” of fighting against poverty. The Bank strictly enforced all arrangements including the fight against poverty and rural revitalization, gave full play to the five advantages of “outlets + equipment + technology + policy + service”, innovated the five measures of “party building + credit + industry + product + bank government linkage”, consolidated and improved quality and efficiency of targeted poverty reduction and alleviation; strengthened the service capabilities of “agriculture, rural areas and farmers”, promoted mechanism optimization of “agriculture, rural areas and farmers” services, improved the standard of rural financial services, underscored the role of industry-based poverty reduction initiative and furthered the development of agricultural business.

Practicing the green concept as the “front runner” of green finance. Adopting the Equator Principles, the Bank became the fourth “equator bank” in China and the first “equator bank” in Central and Western China; set up the Green Banking Commission to innovate green financial products; actively spread the concept of energy saving and environmental protection, carried out green environmental protection public welfare activities, practiced energy saving and emission reduction measures, created a green “paperless” office environment and helped Chongqing step up the construction of a “place boasting beautiful mountains and rivers”.

Continuing to improve humanistic concern as the “forest ranger” of Inclusive Finance. The Bank always adhered to “customer-oriented”, consistently developed the customers’ financial needs, innovated financial products and improved the service level of Inclusive Finance; launched the campaigns to protect consumers’ rights and interests, increased the efforts of financial publicity and education, and promoted the across-the-board popularization of financial knowledge, and improved the people’s awareness of risk prevention; upheld the strategy of “empowering the Bank with talents”, guaranteed the employees’ benefits and entitlements, cared for their physical and mental health and helped their career development.

2021 marks the beginning of the 14th Five-Year Plan period of the country, and also is the first year of the strategic planning of the 14th Five-Year Plan period of the Bank, and a crucial year for the road to a new trillion. The past and the future meet; the dream and wisdom are advancing side by side. The Bank will continue to implement the spirit of the 5th Plenary Session of the 19th CPC Central Committee and the central economic work conference, deepen reform and innovation, focus on promoting development, work hard, and be responsible and enterprising with a more enthusiastic attitude so as to celebrate the 100th anniversary of the Party with excellent achievements!

For the details of the Bank’s social responsibilities, please refer to 2020 Corporate Social Responsibility Report published by the Bank.

Changes in Shares and Particulars of Shareholders

I. Changes in Share Capital of Ordinary Shares

(I) Movement in Ordinary Shares

1. Movement in Ordinary Shares

Unit: share, %

	31 December 2019		Increase/(decrease)+/(-) in this movement					31 December 2020	
	Number of shares	Percentage	Issuance of new shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage
I. Shares with selling restrictions	7,743,394,491	68.18				(4,774,195,550)	(4,774,195,550)	2,969,198,941	26.14
1. State-owned shares									
2. Shares held by state-owned legal persons	2,819,731,591	24.83				(445,559,980)	(445,559,980)	2,374,171,611	20.90
3. Shares held by other domestic investors	4,923,561,882	43.35				(4,328,534,552)	(4,328,534,552)	595,027,330	5.24
Among which: Shares held by domestic non-state-owned legal persons	3,633,059,845	31.99				(3,053,482,545)	(3,053,482,545)	579,577,300	5.10
Shares held by domestic natural persons	1,290,502,037	11.36				(1,275,052,007)	(1,275,052,007)	15,450,030	0.14
4. Shares held by foreign investors	101,018	0.00				(101,018)	(101,018)	0	0.00
Among which: Shares held by foreign legal persons	101,018	0.00				(101,018)	(101,018)	0	0.00
Shares held by foreign natural persons									
II. Tradable shares without selling restrictions	3,613,605,509	31.82				4,774,195,550	4,774,195,550	8,387,801,059	73.86
1. RMB-denominated ordinary shares	1,100,269,468	9.69				4,774,195,550	4,774,195,550	5,874,465,018	51.73
2. Domestic listed foreign shares									
3. Overseas listed foreign share	2,513,336,041	22.13						2,513,336,041	22.13
4. Others									
III. Total ordinary shares	11,357,000,000	100.00						11,357,000,000	100.00

Note: "Shares with selling restrictions" set out as at 31 December 2020, the "shares held by domestic non-state-owned legal persons" includes the shares in the "specified account for securities held by unidentified person" of the Bank.

2. Explanation of changes in ordinary shares

During the Reporting Period, there was no change in the Company's total share capital which will impact the financial indicators such as earnings per share and net assets per share.

(II) Changes in restricted shares

During the Reporting Period, the number of shares with selling restrictions of the Bank decreased by 4,774,195,550 Shares and the number of shares without selling restrictions of the Bank increased by 4,774,195,550 Shares, which was due to the lawful releasing of 256,730,532 offline allotted shares with selling restrictions under the Bank's initial public offering of A shares and the listing and trading thereof from 30 April 2020 upon the expiration of the 6-month lockup period and the lawful releasing of 4,517,465,018 shares with selling restrictions under the Bank's initial public offering of A shares and the listing and trading thereof from 30 October 2020 upon the expiration of the 12-month lockup period. As at the end of 2020, the number of shares with selling restrictions was 2,969,198,941 Shares.

II. Securities Issuance and Listing

(I) Securities issuance during the Reporting Period

During the Reporting Period, the Bank has not issued any new ordinary shares and has not publicly issued any corporate bonds listed on the stock exchange.

On 9 January 2020, the Bank issued special financial bonds for agriculture, rural areas and farmers (the bond referred to as "20 Chongqing Rural Commercial Agriculture, Rural Areas and Farmers Bonds", bond code: 2021001) of Chongqing Rural Commercial Bank Co., Ltd. for 2020 through book-building process and filing. The bonds are a 3-year fixed-rate variety, and its final issuance scale is RMB2 billion and the coupon rate is 3.2%.

On 12 March 2020, the Bank issued financial bonds (the bond referred to as "20 Chongqing Rural Commercial Bonds", bond code: 2021008) of Chongqing Rural Commercial Bank Co., Ltd. for 2020 through book-building process and filing. The bonds are a 3-year fixed-rate variety, and its final issuance scale is RMB8 billion and the coupon rate is 2.89%.

On 5 November 2020, the Bank issued Phase I green financial bonds (Bond Connect) (the bond referred to as "20 Chongqing Rural Green Bonds 01", bond code: 2021031) of Chongqing Rural Commercial Bank Co., Ltd. for 2020 through book-building process and filing. The bonds are a 3-year fixed-rate variety, and its final issuance scale is RMB2 billion and the coupon rate is 3.60%.

Changes in Shares and Particulars of Shareholders

(II) Changes in the total number of ordinary shares of the Company and changes in shareholder structure and changes in the Company's assets and liabilities structure

During the Reporting Period, there is no changes in the total number of shares of the Bank and changes in shareholder structure and changes in the Bank's assets and liabilities structure which was caused by bonus shares of issue, capitalization of capital, right issue, further issuance of new shares, non-public offerings of shares, exercise of warrants, implementation of share incentive scheme, merger of enterprises, conversion of convertible corporate bonds, capital reduction, listing of domestic employee shares, issuance of bonds or other reasons.

(III) Existing internal employee shares

Shares held by internal employees of the Bank are mainly obtained through the following methods: 1. at the time of the establishment of the Bank, the former 39 districts and counties' on-the-job full-time employees or short-term contract workers in the business category participated in the establishment of the Bank as promoters and shareholders. 2. after the establishment of the Bank, the Bank's shares obtained through agreement transfer, inheritance and judicial judgments. On 30 October 2020, part of the restricted shares of the Bank have been released and issued and traded. It's unable to accurately verify the shareholdings after trading of the domestic employee shares.

III. Particulars of Shareholders

(I) Total number of shareholders

As at the end of 2020, the total number of shareholders of the Bank was 275,965 holders. Of which, 274,714 was the shareholders of A shares and 1,251 was the shareholders of H shares. As of 28 February 2021 (ie. the end of the previous month on the publication date of the Bank's A-share annual report), the total number of shareholders of the Bank was 274,738 holders. Of which, 273,496 was the shareholders of A shares and 1,242 was the shareholders of H shares.

Changes in Shares and Particulars of Shareholders

(II) Top ten shareholders and top ten shareholders holding tradable shares (or shareholders without selling restrictions) as of the end of the Reporting Period

1. Particulars of Shareholdings of the Top Ten Shareholders

Unit: share, %

Name of Shareholder (Full name)	Increase/ (Decrease) during the reporting period	Number of shares held at the end of the period	Percentage	Number of shares held with selling restrictions	Pledged or frozen		
					Condition of shares	Number of share	Nature of shareholder
Hong Kong Securities Clearing Company Nominees Limited	0	2,513,336,041	22.13	0	-	-	Overseas legal person
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	0	988,000,000	8.70	988,000,000	-	-	State-owned legal person
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	0	797,087,430	7.02	797,087,430	-	-	State-owned legal person
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	0	589,084,181	5.19	589,084,181	-	-	State-owned legal person
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	0	570,000,000	5.02	570,000,000	Pledged/ judicial freezing	570,000,000	Domestic non-State-owned legal person
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	0	443,100,000	3.90	0	Pledged	431,009,199	Domestic non-State-owned legal person
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	0	200,000,000	1.76	0	-	-	Domestic non-State-owned legal person
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限公司)	(113,550,775)	186,449,225	1.64	0	Pledged	134,028,183	Domestic non-State-owned legal person
Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司)	0	150,000,000	1.32	0	Pledged	150,000,000	Domestic non-State-owned legal person
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	0	150,000,000	1.32	0	Pledged	120,000,000	Domestic non-State-owned legal person

Changes in Shares and Particulars of Shareholders

- Note:*
1. The number of shares held by Hong Kong Securities Clearing Company Nominees Limited refers to the total number of shares in the shareholders of H shares' account of the Bank in the trading system represented by Hong Kong Securities Clearing Company Nominees Limited.
 2. Chongqing River & Holiday Hotel Management Co., Ltd. (重慶兩江假日酒店管理有限公司), Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司) and Chongqing Sanxia Financing Guarantee Group Corporation (重慶三峽融資擔保集團股份有限公司) and Chongqing Yufu (Hong Kong) Co., Ltd. (重慶渝富(香港)有限公司), the related parties of Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), hold 2,000,000 A Shares, 10,000,000 A Shares, 15,000,454 A Shares and 13,246,000 H Shares of the Bank, respectively, and Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) and its related parties jointly holds 1,028,246,454 Shares of the Bank, accounting for 9.05% of the total share capital collectively.
 3. Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司), a related party of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), holds 30,000,000 A shares of the Bank, and jointly holds 827,087,430 A shares of the Bank, accounting for 7.28% of the total share capital collectively.
 4. Chongqing Casin Real Estate Development Co., Ltd. (重慶財信房地產開發有限公司), a related party of Chongqing Casin Group Co., Ltd (重慶財信企業集團有限公司), holds 110,700 A shares of the Bank, jointly holds 443,210,700 A shares of the Bank, accounting for 3.90% of the total share capital collectively.

Changes in Shares and Particulars of Shareholders

2. Particulars of Shareholdings of the Top Ten Shareholders Without Selling Restrictions

Unit: share

Name of shareholder	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
Hong Kong Securities Clearing Company Nominees Limited	2,513,336,041	Overseas listed foreign shares	2,513,336,041
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	443,100,000	RMB-denominated ordinary shares	443,100,000
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	200,000,000	RMB-denominated ordinary shares	200,000,000
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	186,449,225	RMB-denominated ordinary shares	186,449,225
Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司)	150,000,000	RMB-denominated ordinary shares	150,000,000
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	150,000,000	RMB-denominated ordinary shares	150,000,000
Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司)	125,000,000	RMB-denominated ordinary shares	125,000,000
Chongqing Guanghua Holding (Group) Co., Ltd. (重慶光華控股(集團)有限公司)	108,452,600	RMB-denominated ordinary shares	108,452,600
Chongqing Jinyuan Times Shopping Mall Co. Ltd. (重慶金源時代購物廣場有限公司)	100,000,000	RMB-denominated ordinary shares	100,000,000
Chongqing Water Conservancy Investment Group Co., Ltd. (重慶市水利投資(集團)有限公司)	90,400,631	RMB-denominated ordinary shares	90,400,631

Changes in Shares and Particulars of Shareholders

3. Number of Shares Held By and Selling Restriction of the Top Ten Shareholders with Selling Restrictions

Unit: share

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions	
			Time available for trading	Additional number of approved tradable shares
1	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	988,000,000	April 2023	0
2	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	797,087,430	April 2023	0
3	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	589,084,181	April 2023	0
4	Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	570,000,000	April 2023	0
5	Chongqing Ruineng Construction Engineering Co., Ltd. (重慶瑞能建築工程集團有限公司)	5,200,000	October 2022	0
6	Xiamen Qipilang Asset Management Co., Ltd. (廈門七匹狼資產管理有限公司)	4,000,000	October 2022	0
7	Deng Lingran	1,000,000	October 2022	0
8	Huang Rong	817,400	October 2022	0
9	Wang Xianjun	301,000	October 2022	0
10	Zhang Li	263,800	Release in batches: October 2022: 39,570 shares; October 2023: 39,570 shares; October 2024: 39,570 shares; October 2025: 13,190 shares; October 2027: 131,900 shares.	0

(III) Explanation of the absence of controlling shareholders and actual controllers of the Company

The shareholding structure of the Bank is diversified, as of the end of 2020, the percentage of shareholding of the largest shareholder was 8.70%, and there are no controlling shareholders holding more than 50% of the shares. For major shareholders holding more than 5% of the shares, their respective shares do not exceed 10% of the total share capital, and their total shareholding does not exceed 50%. As the voting rights enjoyed by the shares held by them are not sufficient to make a material impact to resolutions approved on general meetings, no controlling shareholder of the Bank is existed. The Bank does not have any person who can actually control the Bank through investment relations, agreements or other arrangements, although not being a shareholder of the Bank, so no actual controller existed.

(IV) Particulars of Major Shareholders

1. Major shareholders holding more than 5% of the shares

As of the end of 2020, Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Co., Ltd. (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and Loncin Holding Co., Ltd. (隆鑫控股有限公司) held 988,000,000 shares, 797,087,430 shares, 589,084,181 shares and 570,000,000 shares of the Bank, respectively, representing 8.70%, 7.02%, 5.19% and 5.02% of total share capital of the Bank respectively, and are major shareholders of the Bank. Except for the aforesaid shareholders, there were no other legal person shareholders of the Bank holding 5% or more of total share capital of the Bank, nor were there any other employees or natural persons other than employees holding 5% or more of shares of the Bank.

- (1) Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) (formerly known as “Chongqing Yufu Assets Management Company Limited” (重慶渝富資產經營管理集團有限公司)), which was established on 27 February 2004, currently has a registered capital of RMB10 billion. It is a solely state-owned comprehensive assets operation and management company organised under the approval of Chongqing Municipal Government and is under supervision of Chongqing State-owned Assets Supervision and Administration Commission as a municipal state-owned key enterprise.
- (2) Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), which was established in February 1993, currently has a registered capital of RMB20 billion. It is a solely state-owned enterprise with its business covering city infrastructure constructions as its major business, and real estates, financial equity, intelligent traffic, health & pension, exhibition economy, general aviation and other industries, positioning itself as a “general contractor, general construction agent and general operator” of major infrastructure projects.
- (3) Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) (formerly known as “Chongqing Transport and Travel Investment Group Company Limited” (重慶交通旅遊投資集團有限公司)), which was established on 6 December 2002, currently has a registered capital of RMB5.287 billion. It is a large solely state-owned enterprise established with the fund from Chongqing Municipal Government and is engaged in the construction of secondary roads in Chongqing and the development and management of tourism resources in Chongqing. In 2019, its 100% equity is transferred to Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) and is directly managed by the Municipal Finance Bureau. It clearly defined its strategic position as a company specializing in assets operation and management.

Changes in Shares and Particulars of Shareholders

- (4) Loncin Holding Co., Ltd. (隆鑫控股有限公司) was established on 22 January 2003 and currently has a registered capital of RMB1 billion. It is an industry-based investment holding group. It has been listed among “Top 500 Chinese Enterprises”.

2. Other major shareholders under regulations

As at the end of 2020, Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司), Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司), Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司), Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) and Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司) may appoint Directors and supervisors of the Bank, and hold 443,100,000 shares, 200,000,000 shares, 186,449,225 shares, 150,549,000 shares and 150,000,000 shares of the Bank, respectively, representing 3.90%, 1.76%, 1.64%, 1.33% and 1.32% of total share capital of the Bank respectively, and are also substantial shareholders of the Bank.

- (1) Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司), which was established in 1997, currently has a registered capital of RMB1.116 billion. It is a group company relating to diversified industries and investment. Its major investment sectors include: construction and operation of infrastructure, environmental protection, real estate development and provision of investment services. It is a group that won “Enterprise with AAA Corporate Credit Rating”, “Top 500 Service Industry Enterprises in China” and “Outstanding Private Enterprise in Chongqing”.
- (2) Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司) (formerly known as “Xiamen Lailerfu Trading Co., Ltd.” (廈門來爾富貿易有限責任公司)) was established in May 2001 with a current registered capital of RMB0.1 billion, and is engaged in non-securities equity investment and advising on equity investment.
- (3) Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司) was established in April 1997 with a current registered capital of RMB0.1 billion. It is engaged in real estate development and sale of commodity housing; residential leasing; interior decoration; real estate consultation; technology consultation, technical service, etc.
- (4) Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) was established in 25 November 1987 with a registered capital of RMB3.884 billion. It is an A-share listed company. Its business segments include: culture-commerce projects and smart retail, jewellery and fashion, cultural catering, food and beverage, Chinese fashion watches, beauty and health, and real estates with composite functions.

Changes in Shares and Particulars of Shareholders

- (5) Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司) was established in December 2003, and currently has a registered capital of RMB0.1 billion. The company successively received the titles of “Reliable and Credible Enterprise in Chongqing” and “Property Developer with AAA Credit Rating in Chongqing” and other awards.

Name of shareholder	Controlling shareholder	Actual controller	Parties acting in concert	Ultimate beneficiary
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司)	Chongqing State-owned Assets Supervision and Administration Commission	Nil	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Chongqing State-owned Assets Supervision and Administration Commission	Chongqing State-owned Assets Supervision and Administration Commission	Nil	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	The Finance Bureau of Chongqing City	Nil	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	Loncin Group Co., Ltd. (隆鑫集團有限公司)	Tu Jianhua	Nil	Loncin Holdings Co., Ltd. (隆鑫控股有限公司)
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	Lu Shengju	Lu Shengju	Nil	Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)

Changes in Shares and Particulars of Shareholders

Name of shareholder	Controlling shareholder	Actual controller	Parties acting in concert	Ultimate beneficiary
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	Huaxin Century Investment Group Co., Ltd. (華新世紀投資集團有限公司)	Zhao Yanguang	Nil	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Xiamen Sifang Jiasheng Trade Co., Ltd. (廈門四方嘉盛貿易有限公司)	Zhou Zehui	Nil	Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	Chongqing Huayu Group Co., Ltd. (重慶華宇集團有限公司)	Jiang Yehua	Nil	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)	Shanghai Fosun High Technology (Group) Co., Ltd. (上海複星高科技(集團)有限公司)	Guo Guangchang	Nil	Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)

Notes:

1. At the end of 2020, there were no substantial Shareholders holding 10% or more of the shares (as defined under the Listing Rules) of the Bank.
2. For definitions of controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiary of major Shareholders of the Bank, please refer to the relevant requirements under Provisional Regulation Governing Equity Interest of Commercial Banks by the CBIRC.

(5) Substantial Interests and Short Positions

As at the end of 2020, to the knowledge of the Bank, the following individuals (other than the directors, supervisors and chief executives) had an interest and short position in the shares of the Bank which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank under Section 336 of the SFO were as follows:

A Shares

Unit: share, %

Name of shareholder	Capacity	Number of A shares held	% of the total share capital of issued A shares of the Bank	% of the total share capital of the Bank
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	Beneficial Owner	988,000,000	11.17	8.70
Chongqing City Construction Investment (Group) Company Limited(重慶市城市建設投資(集團)有限公司)	Beneficial Owner	797,087,430	9.01	7.02
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Beneficial Owner	589,084,181	6.66	5.19
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	Beneficial Owner	570,000,000	6.45	5.02
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	Beneficial Owner	443,100,000	5.01	3.90
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Beneficial Owner	200,000,000	2.26	1.76
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	Beneficial Owner	186,449,225	2.11	1.64
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	Beneficial Owner	150,000,000	1.70	1.32

Changes in Shares and Particulars of Shareholders

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held ⁽³⁾	% of the H shares	% of the total share capital of the Bank
BlackRock, Inc. ⁽¹⁾	Interest of controlled corporations	148,289,223 (L)	5.90	1.31
		3,762,000 (S)	0.15	0.03
BlackRock Global Funds	Beneficial Owner	132,885,000 (L)	5.29	1.17
Citigroup Inc.	Interest of controlled corporations/approved lending agent	150,580,859 (L)	5.99	1.33
	Interest of controlled corporations	1,107,100 (S)	0.04	0.01
	Approved lending Agent	147,927,708 (P)	5.88	1.30
Guo Guangchang ⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun International Holdings Ltd. ⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun Holdings Limited ⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun International Limited ⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)	Beneficial Owner	150,549,000 (L)	5.99	1.33

Notes:

- (1) According to BlackRock, Inc.'s Notice of Disclosure of Corporate Major Shareholders' Interests filed on 14 September 2020, BlackRock, Inc. is deemed to hold a long position of 148,289,223 H shares and a short position of 3,762,000 H shares. These shares are held jointly by Trident Merger, LLC, BlackRock Holdco 2, Inc. that are directly or indirectly controlled by BlackRock, Inc., and other controlled corporations. In accordance with the SFO, BlackRock, Inc. is deemed to have interests in the shares held by such companies.
- (2) Guo Guangchang holds 85.29% equity interests in Fosun International Holdings Ltd. Fosun International Holdings Ltd. holds 100% equity interests in Fosun Holdings Limited. Fosun Holdings Limited holds 71.05% equity interests in Fosun International Limited. Therefore, Guo Guangchang, Fosun International Holdings Ltd. and Fosun Holdings Limited are all deemed to be interested in the shares of the Bank held by Fosun International Limited and various corporations controlled by it. Guo Guangchang holds jointly a long position in 340,719,000 H shares of the Bank through Fosun International Limited and other corporations controlled by it.
- (3) (L) – Long position, (S) – Short position, (P) – Lending pool.

Information on Directors, Supervisors, Senior Management, Employee and Institutes

I. Basic Information on Directors, Supervisors and Senior Management

(1) Information on Directors, Supervisors and Senior Management

Existing Directors

Name	Position	Gender	Age	Term of office ¹
Liu Jianzhong	Chairman and Executive Director	Male	57	June 2008–
Xie Wenhui	Executive Director and President	Male	48	August 2014–
Zhang Peizong	Executive Director, Vice President, Secretary to the Board	Male	46	December 2018–
Zhang Peng	Non-executive Director	Male	46	August 2019–
Yin Xianglin	Non-executive Director	Male	39	December 2020–
Gu Xiaoxu	Non-executive Director	Female	50	December 2020–
Wen Honghai	Non-executive Director	Male	55	June 2008–
Song Qinghua	Independent Non-executive Director	Male	55	September 2017–
Zhang Qiaoyun	Independent Non-executive Director	Male	58	December 2018–
Lee Ming Hau	Independent Non-executive Director	Male	43	June 2019–
Li Jiaming	Independent Non-executive Director	Male	55	December 2020–
Bi Qian	Independent Non-executive Director	Female	52	December 2020–

¹ The term of office shown in this table was the term approved by the CBIRC Chongqing Office.

Information on Directors, Supervisors, Senior Management, Employee and Institutes

Outgoing Directors

Name	Position	Gender	Age	Term of office
Chen Xiaoyan	Non-executive Director	Female	48	November 2015 – June 2020
Luo Yuxing	Non-executive Director	Male	58	January 2018 – January 2021
Yuan Zengting ¹	Independent Non-executive Director	Male	45	November 2014 – December 2020
Cao Guohua ¹	Independent Non-executive Director	Male	53	November 2014 – December 2020

Existing Supervisors

Name	Position	Gender	Age	Term of office
Zuo Ruilan	Shareholder Representative Supervisor	Female	45	June 2008–
Huang Qingqing	Shareholder Representative Supervisor	Female	36	October 2020–
Zhang Jinruo	External Supervisor	Male	40	October 2020–
Hu Yuancong	External Supervisor	Male	46	October 2020–
Zhang Yingyi	External Supervisor	Male	47	October 2020–
Zheng Yi	Employee Representative Supervisor	Male	55	November 2011–
Zhu Yuzhou	Employee Representative Supervisor	Male	55	November 2011–
Le Xiaoming	Employee Representative Supervisor	Male	44	June 2019–

¹ The term of office of Mr. Yuan Zengting and Mr. Cao Guohua expired in November 2020. Pursuant to the “Guiding Opinions on Establishing the Independent Director System in Listed Companies” (《關於在上市公司建立獨立董事制度的指導意見》) and the Article of Association, the number of independent directors shall not less than one third of the members of the Board. Therefore, Mr. Yuan Zengting and Mr. Cao Guohua will continue to fulfill their duties until the new independent director take office.

Information on Directors, Supervisors, Senior Management, Employee and Institutes

Outgoing Supervisors

Name	Position	Gender	Age	Term of office
Zeng Jianwu	Shareholder Representative Supervisor	Male	45	June 2008-October 2020
Wang Hong	External Supervisor	Male	54	October 2014-October 2020
Hu Shuchun	External Supervisor	Male	51	October 2014-October 2020
Pan Like	External Supervisor	Male	47	October 2014-October 2020

Existing Senior Management

Name	Position	Gender	Age	Term of office ¹
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	Male	48	December 2013–
Wang Min	Member of the Party Committee, Vice President	Male	57	July 2015–
Dong Lu	Member of the Party Committee, Vice President	Female	45	May 2011–
Shu Jing	Member of the Party Committee, Vice President	Female	48	October 2015–
Zhang Peizong	Member of the Party Committee, Vice President Secretary to the Board Executive Director Secretary to the Party Committee and Chairman of the Board of Directors of CQRC Financial Leasing	Male	46	September 2016–
Gao Song	Member of the Party Committee, Vice President Co., Ltd.	Male	41	September 2016–

¹ The term of office shown this table was the time appointed, removal or nominated by superior department."

Information on Directors, Supervisors, Senior Management, Employee and Institutes

Outgoing Senior Management

Name	Position	Gender	Age	Term of office
Liu Jiangqiao	Member of the Party Committee, Vice President Secretary to the Board	Male	50	October 2015 – June 2020 September 2016 – June 2020

(2) Changes in Directors, Supervisors and Senior Management

Upon the expiration of their term of office, Mr. Yuan Zengting and Mr. Cao Guohua ceased to serve as the Independent Non-executive Director and the member of relevant committees of the Board of the Bank since 7 December 2020. Due to their work requirements, Ms. Chen Xiaoyan and Mr. Luo Yuxing have resigned as the Non-executive Director and the member of relevant committees of the Board of the Bank on 23 June 2020 and 20 January 2021, respectively.

Mr. Yin Xianglin obtained the qualification approval for appointment from the CBIRC Chongqing Office on 7 December 2020 and Ms. Gu Xiaoxu obtained the qualification approval for appointment from the CBIRC Chongqing Office on 22 December 2020 and became the Non-executive Director of the fourth session of the Board. Mr. Li Jiaming and Ms. Bi Qian obtained the qualification approval for appointment from the CBIRC Chongqing Office on 7 December 2020 and became the Independent Non-executive Director of the fourth session of the Board.

Since 20 October 2020, Mr. Zeng Jianwu ceased to serve as the Shareholder Representative Supervisor due to personal reasons. Since 20 October 2020, Mr. Wang Hong, Mr. Hu Shuchun and Mr. Pan Like ceased to serve as the External Supervisor upon the expiration of their term of office.

On 20 October 2020, Ms. Huang Qingqing became the Shareholder Representative Supervisor of the fourth session of the Board of Supervisors upon the passing of relevant consideration at the general meeting of the Bank. On 20 October 2020, Mr. Zhang Jinruo, Mr. Hu Yuancong and Mr. Zhang Yingyi became the External Supervisor of the fourth session of the Board of Supervisors upon the passing of relevant consideration at the general meeting of the Bank.

Due to work reallocation, Mr. Liu Jiangqiao ceased to serve as the member of the Party Committee of the Bank and the Vice President of the Bank on 22 May 2020 and 4 June 2020, respectively, and resigned as the Secretary to the Board of the Bank in June 2020.

Mr. Zhang Peizong concurrently served as the Secretary to the Party Committee and Chairman of the Board of Directors of CQRC Financial Leasing Co., Ltd. since May 2020, and performed the duties of the Secretary to the Board of the Bank since June 2020, and served as the Secretary to the Board of the Bank since September 2020.

Information on Directors, Supervisors, Senior Management, Employee and Institutes

(3) Particulars of Changes in Shareholdings of Directors, Supervisors and Senior Management

Shareholdings of Existing Directors, Supervisors and Senior Management

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/ (Decrease)	
				in the number of shares during the Reporting Period	Reasons for Increase/ (Decrease)
Directors					
Liu Jianzhong	Secretary to the Party Committee, Chairman and Executive Director	0	23,500	23,500	Share price stabilization measures for 2019 and 2020
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	0	23,500	23,500	Share price stabilization measures for 2019 and 2020
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary to the Board	0	18,300	18,300	Share price stabilization measures for 2019 and 2020
Zhang Peng	Non-executive Director	0	1,000	1,000	Share price stabilization measures for 2020
Wen Honghai	Non-executive Director	10,000	13,000	3,000	Share price stabilization measures for 2020
Supervisors					
Zuo Ruilan	Shareholder Representative Supervisor	11,900	11,900	0	-
Zhu Yuzhou	Employee Representative Supervisor	37,600	37,600	0	-
Senior Management					
Wang Min	Member of the Party Committee, Vice President	0	20,000	20,000	Share price stabilization measures for 2019 and 2020
Dong Lu	Member of the Party Committee, Vice President	0	18,000	18,000	Share price stabilization measures for 2019 and 2020
Shu Jing	Member of the Party Committee, Vice President	300	18,300	18,000	Share price stabilization measures for 2019 and 2020
Gao Song	Member of the Party Committee, Vice President	100	17,700	17,600	Share price stabilization measures for 2019 and 2020

Information on Directors, Supervisors, Senior Management, Employee and Institutes

Shareholdings of Outgoing Directors, Supervisors and Senior Management

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/ (Decrease) in the number of shares during the Reporting Period	Reasons for Increase/ (Decrease)
Directors					
Chen Xiaoyan	Non-executive Director	1,500	3,800	2,300	Share price stabilization measures for 2020
Luo Yuxing	Non-executive Director	10,000	15,000	5,000	Share price stabilization measures for 2020
Senior Management					
Liu Jiangqiao	Member of the Party Committee, Vice President, Secretary to the Board	0	10,000	10,000	Share price stabilization measures for 2019

II. Major Work Experience of Existing Directors, Supervisors and Senior management

(1) Directors of the Bank

LIU Jianzhong

Secretary to the Party Committee, Chairman of the Board of Directors, Executive Director

Mr. Liu Jianzhong has been the secretary to the party committee, chairman of the Board of Directors and executive director of the Bank since June 2008 (currently as the chairman of the strategic development committee, the chairman of Sannong financial service committee and a member of the nomination committee). Mr. Liu received a master's degree in Industrial Engineering from Chongqing University in 2005. He received a doctorate degree in economics of finance major from Southwestern University of Finance and Economics in 2015. He is currently a senior economist accredited by Chongqing Municipal Government. Between December 2014 and March 2016, Mr. Liu served as the Secretary to the Party Committee and the Chairman to the Board of CQRC Financial Leasing. Between November 2002 and June 2008, Mr. Liu held a number of positions at the Chongqing Rural Credit Cooperative Union, including secretary and deputy secretary to the Party committee, director-general, director and deputy director. Prior to joining the Bank and between September 1992 and November 2002, Mr. Liu held several positions at the Chongqing business management department of the PBOC Chongqing Operations Office, including division director and deputy division director of the Cooperative Financial Institution Regulatory Division, a director and deputy director of the logistics services center and deputy division director of the Administration Office, office cadre and principal staff member. Mr. Liu worked for the frontier inspection station at the Chongqing Airport between February 1985 and September 1992.

XIE Wenhui

Deputy Secretary to the Party Committee, President, Executive Director

Mr. Xie Wenhui has been the deputy secretary to the party committee and the president of the Bank since December 2013. He has been served as an executive Director of the Bank since August 2014. He currently serves as the chairman of the risk management committee, the chairman of the consumer rights protection committee, the member of the strategic development committee, the member of the nomination committee, the member of the remuneration committee, the member of the related party transaction supervision committee and the member of Sannong financial service committee. Mr. Xie obtained a bachelor's Degree of Engineering in precision instrument and mechanism from Chongqing University in 1994 and obtained a master's degree in precision instrument and machinery engineering from Chongqing University in 1997 and is currently a senior economist and engineer. Mr. Xie had been a member of the Party committee and a deputy president of the Bank from May 2011 to December 2013. Mr. Xie served as the general manager and the deputy general manager (in charge of work) of the Technology Department at the headquarters of the Bank from August 2008 to May 2011. Mr. Xie also served as the deputy general manager and assistant to general manager at the Technology Department in Chongqing Rural Credit Cooperative Union from January 2007 to August 2008. Prior to joining the Bank, Mr. Xie served as a deputy director of the Technology Division at the Chongqing Branch of Industrial and Commercial Bank of China from March 1998 to January 2007. Mr. Xie worked in Zhuhai Software Development Centre of Industrial and Commercial Bank of China from July 1997 to March 1998.

ZHANG Peizong

Member of the Party Committee, Vice President, Executive Director, Secretary to the Board

Mr. Zhang Peizong has served as the member of the party committee and vice president of the Bank since September 2016 and a Director of CQRC Financial Leasing Co., Ltd. since July 2018, as well as an executive director of the Bank since December 2018. He has served as the Secretary to the Party Committee and Chairman of CQRC Financial Leasing Co., Ltd. since May 2020, as well as the secretary to the Board of the Bank since September 2020. He currently serves as the member of the risk management committee, the member of the related party transaction supervision committee and the member of the Sannong financial service committee. Mr. Zhang obtained a Bachelor of Arts in Chinese language and literature from Chongqing Normal Academy (重慶師範學院) in July 1998 and a Master's Degree in project management from Chongqing University in December 2008. He is currently a senior economist. Mr. Zhang served as the secretary to the Party Committee and the chairman of CQRC Financial Leasing Co., Ltd. from March 2016 to January 2017, deputy secretary to the party committee and the president of CQRC Financial Leasing Co., Ltd. from November 2014 to March 2016. He assumed various positions in the Bank from August 2008 to November 2014, including secretary to the party committee and the person in charge of Beibei Branch, secretary to the party committee, the person in charge, general manager of Development Research Department and general manager of Development Planning Department of Tongliang Branch. He served various positions in Chongqing Rural Credit Cooperative Union, including general manager of department of investigation and statistics, council secretary (general manager level), deputy head of the general office from June 2004 to August 2008 and secretary to the general office of Chongqing Rural Credit Cooperative Union from February 2001 to June 2004. He served as secretary to the general office of Chongqing Bishan Rural Credit Cooperative Union from February 1999 to February 2001, and worked at the Hebian Rural Credit Cooperative of Chongqing Bishan Rural Credit Cooperative Union from July 1998 to February 1999.

ZHANG Peng

Non-executive director

Mr. Zhang Peng has served as a non-executive director of the Bank since August 2019. He currently serves as the member of the strategic development committee and the member of consumer rights protection committee. He studied at the Accounting School of the Southwestern University of Finance and Economics majoring in CPA from September 1994 to July 1998 and obtained a bachelor's degree of economics; and served as the vice secretary of the Party Committee, general manager and director of Chongqing City Construction Investment Group Co., Ltd. (重慶市城市建設投資(集團)有限公司) since August 2019 (During which, he concurrently served as a member of the investment decision committee and a member of the fund management committee of Chongqing Huaben Electronic Information Venture Capital Center (重慶華奔電子信息創業投資中心) in January 2014, as well as the secretary of Party Branch and the chairman of the board of directors of Chongqing City Investment Gold Card Information Industry Co., Ltd. (重慶市城投金卡信息產業股份有限公司) in July 2015; concurrently served as a director of the Group in July 2016; and continued served as the secretary of Party Branch and the chairman of the board of directors of Gold Card Company in December 2019 after re-election; and ceased to serve as the secretary of Party Branch of Gold Card Company since May 2020). He served as a member of the Party Committee and deputy general manager of Chongqing City Construction Investment Group Co., Ltd. from July 2015 to August 2019 (During which, he concurrently served as a member of the investment decision committee and a member of the fund management committee of Chongqing Huaben Electronic Information Venture Capital Center (重慶華奔電子信息創業投資中心) in January 2014; concurrently served as a director of Chongqing Gangjiu Co., Ltd (重慶港九股份有限公司) in April 2015; concurrently served as the chairman and the secretary of Party Branch of Chongqing City Investment Gold Card Information Industry Co., Ltd. in July 2015; served as a director of the Group in July 2016; served as a director of Chongqing Yu Kang Company (重慶渝康公司) in July 2016, and re-elected to be removed as a director of Chongqing Gangjiu Co., Ltd (重慶港九股份有限公司) in March 2018; served as a director of Chongqing Rural Commercial Bank in September 2018 and nominated to remove as a director of Chongqing Yu Kang Company in April 2019); served as deputy chief accountant and the manager of the planning and finance department of Chongqing City Construction Investment Group Co., Ltd. from October 2014 to July 2015 (During which, he served as a member of the investment decision committee and a member of the fund management committee of Chongqing Huaben Electronic Information Venture Capital Center in January 2014; and concurrently served as a director of Chongqing Gangjiu Co., Ltd. in April 2015). He served as the deputy chief accountant and the manager of the planning and finance department of Chongqing City Construction Investment Group Co., Ltd. and director of Chongqing Gangjiu Co., Ltd from August 2012 to October 2014. He served as the deputy chief accountant and the manager of the planning and finance department of Chongqing City Construction Investment Group Co., Ltd., chairman of the board of supervisors of Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司) and director of Chongqing Gangjiu Co., Ltd from December 2011 to August 2012. He served as the manager of the planning and finance department of Chongqing City Construction Investment Group Co., Ltd., chairman of the board of supervisors of Chongqing Yukaifa Co., Ltd. and director of Chongqing Gangjiu Co., Ltd from January 2011 to December 2011. He served as the head of the finance department of Chongqing City Construction Investment Company (重慶市城市建設投資公司), chairman of the board of supervisors of Chongqing Yukaifa Co., Ltd. and director of Chongqing Gangjiu Co., Ltd. from December 2008 to January 2011. He served as the deputy manager of the finance department of Chongqing City Construction Investment Company from September 2002 to December 2008, and served as the chairman of the board of supervisors of Chongqing Yukaifa Co., Ltd. since March 2006. He served as the officer of the finance department of Chongqing City Construction Investment Company from July 1998 to September 2002 (During which, he obtained an on-job postgraduate in applied mathematics through the program for research on system engineering and financial management of Southwest China Normal University (西南師範大學) from September 2000 to July 2002).

Information on Directors, Supervisors, Senior Management, Employee and Institutes

YIN Xianglin

Non-executive Director

Mr. Yin Xianglin has served as a non-executive director of the Bank since December 2020. He currently serves as the member of the risk management committee of the Bank. Mr. Yin studied at Sichuan Agricultural University, majoring in land resource management, from September 1999 to June 2003. Since April 2020, he has been the general manager of Chongqing Development and Real Estate Management Co., Ltd. (重慶發展置業管理有限公司) (Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) has renamed as Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)). From April 2016 to April 2020, he served as the general manager of Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) (during which, he has also served as the chairman of Chongqing Cairong Housing Leasing Co., Ltd. (重慶財融住房租賃有限公司) since February 2020). From September 2012 to March 2016, he served as the deputy general manager of Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司). From September 2011 to June 2014, he studied at Chongqing Municipal Party Committee School, majoring in public administration, and obtained a postgraduate diploma in June 2014. From May 2009 to September 2012, he served as the deputy director of the Land Reserve and Renovation Division 2 of Chongqing Land Group. From September 2007 to June 2009, he concurrently served as the chief of the Engineering Construction Division of the Administrative Committee of Chongqing Central Business (Southern) Development Zone); from July 2003 to April 2009, he worked at the Land Reserve and Renovation Division 1 of Chongqing Land Group (重慶市地產集團) (during which, from March 2005 to August 2007, he also served as the head of the Engineering Section under the Engineering Construction Office for the Phase III of Nanbin Road in Chongqing Central Business (Southern) Development Zone (重慶市中央商務(南部)開發區).

GU Xiaoxu

Non-executive Director

Ms. Gu Xiaoxu has served as the Non-executive Director of the Bank since December 2020. Ms. Gu studied business administration at the East China Normal University from September 1997 to July 2000 and obtained a master's degree. From July 2018 to present, she has served as the vice president of Shanghai Fosun High Technology (Group) Co., Ltd. and the chairman of Fosun Financial Services Group. From March 2017 to July 2018, she served as the vice president of Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技集團有限公司) and the president of Fosun Financial Services Group. From April 2014 to March 2017, she served as the senior assistant to president of the group of Shanghai Fosun High Technology (Group) Co., Ltd. and the president of Bank Group. From September 2013 to April 2014, she was the managing director of the financial group of Shanghai Fosun High Technology (Group) Co., Ltd. From the beginning of January 2013 to September 2013, she was the deputy general manager of the financial group banking business of Shanghai Fosun High Technology (Group) Co., Ltd. From September 2011 to the end of December 2012, she was the assistant to the general manager of the finance division of Shanghai Fosun High Technology (Group) Co., Ltd.. From March 2010 to September 2011, she served as the managing director and general manager of marketing services division of Shanghai Tonglian Financial Services Co., Ltd. (上海通聯金融服務有限公司). From the beginning of September 2009 to March 2010, she served as the assistant director of the financial services division of Allinpay Network Services Co., Ltd. (通聯支付網路服務股份有限公司). From August 2008 to the end of August 2009, she served as the deputy general manager of the interbank department (presiding over work) and concurrently served as the director of the fund custodian division of Hua Xia Bank CO., Limited (a company listed on the Shanghai Stock Exchange, stock code:600015) ("Huaxia Bank") Shanghai Branch. From February 2006 to August 2008, she served as the deputy general manager of the corporate business department and concurrently served as the director of the fund custodian division of Huaxia Bank Shanghai Branch (concurrently served as the director of the wealth management center and the general manager of the No. 3 marketing department division since March 2008). From May 2005 to February 2006, she concurrently served as the deputy director of the bills center (affiliation financing plan department) of Huaxia Bank. From June 2004 to February 2006, she served as the deputy general manager of the corporate business department of Huaxia Bank Shanghai Branch (concurrently served as the director of the fund custodian division since February 2005). From December 2002 to June 2004, she served as the deputy chief of the corporate finance division of Huaxia Bank Shanghai Branch. From October 2000 to December 2002, she served as the deputy director of Huaxia Bank Shanghai Branch Office. From the beginning of March 2000 to October 2000, she served as the assistant to the director of Shanghai Branch Office of Hua Xia Bank. From November 1998 to the end of February 2000, she served as the chief director and department head of the office/research department of the government office of Putuo District, Shanghai. From the beginning of March 1997 to November 1998, she served as the chief director of the Standing Committee Office of the People's Congress of Putuo District, Shanghai. She served as a member of the Communist Youth League Committee of the Shanghai Railway University (a lecturer in November 1996, and section head level in February 1997), and assistant to the director (temporary post for training, section head level) of Shanghai Putuo District Civil Affairs Bureau, from March 1996 to the end of February 1997. She served as a member of the Communist Youth League Committee of the Shanghai Railway University (deputy section head level in March 1996) from July 1992 to March 1996.

Information on Directors, Supervisors, Senior Management, Employee and Institutes

WEN Honghai

Non-Executive Director

Mr. Wen Honghai has been a non-executive director of the Bank since June 2008. He is also a member of the related party transaction supervision committee and Consumer Rights Protection Committee of the Bank. Mr. Wen obtained a bachelor's degree in Economics and Finance from Renmin University of China (中國人民大學) in 1988. Mr. Wen has also been the director and vice president of the Huaxin Century Investment Group Co., Ltd. since March 2001 and served as deputy finance manager and finance manager of Huaxin Century Investment Group Co., Ltd. from June 2000 to March 2001. From November 1996 to June 2000, Mr. Wen was the finance manager of China Enterprise International Investment Co. Ltd. From April 1992 to November 1996, Mr. Wen worked as the manager of the China Rural Development Trust and Investment Company and lectured in Renmin University of China (中國人民大學) during the period from September 1988 to April 1992.

SONG Qinghua

Independent Non-Executive Director

Mr. Song Qinghua has served as an independent non-executive director of the Bank since September 2017. He is the chairman of the remuneration committee, a member of the audit committee, the related party transaction supervision committee and the consumer rights protection committee of the Bank. Mr. Song graduated from Zhongnan University of Finance and Economics (majoring in finance) in June 1985, obtained a Master's Degree in economics from Zhongnan University of Finance and Economics in June 1988, a Doctor's Degree in economics from Zhongnan University of Finance and Economics in June 2000 and quit the Postdoctoral Research Station in applied economics from Renmin University of China in January 2003. Mr. Song has been teaching in Zhongnan University of Finance and Economics (which merged with Central South Institute of Law (中南政法學院) to form Zhongnan University of Economics and Law in May 2000) since July 1988, and is now an expert entitled to special government subsidies granted by the State Council, a professor and a tutor of doctorate candidate of School of Finance of Zhongnan University of Economics and Law. Mr. Song has served as the chairman of the board of supervisors of Zhongnan Jing Ying (Wuhan) Enterprise Management Consulting Co., Ltd. (中南菁英(武漢)企業管理諮詢有限公司) since May 2018. He was a senior research scholar of University of Cincinnati in the United States from August 2018 to February 2019. Mr. Song served as the president of School of Finance of Zhongnan University of Economics and Law from August 2008 to November 2016. He was an independent director of Hubei Financial Leasing Co., Ltd. (湖北金融租賃股份有限公司) from June 2015 to October 2015; and an independent director of Wuhan Keqian Biological Co., Ltd. (武漢科前生物股份有限公司) from September 2014 to October 2015. He was an independent director of Hubei Huanggang Rural Commercial Bank (湖北黃岡農村商業銀行) from September 2014 to October 2015; an external supervisor of Hankou Bank Co., Ltd. (漢口銀行股份有限公司) from July 2011 to October 2015; an independent director of Zhejiang Ningbo Yuyao Rural Cooperative Bank (浙江寧波餘姚農村合作銀行) from April 2011 to April 2014; an independent director of Huangshi Commercial Bank (黃石市商業銀行) (later renamed Huangshi Bank (黃石銀行)) from April 2007 to April 2010; a visiting scholar of University of Rhode Island in the United States from August 2007 to August 2008 and an independent director of Wuhan Urban Commercial Bank (武漢市商業銀行) from February 2004 to April 2007. Mr. Song was a visiting scholar of Saint Mary's University in Canada from June 2004 to December 2004.

ZHANG Qiaoyun

Independent Non-Executive Director

Mr. Zhang Qiaoyun has served as an independent non-executive director of the Bank since December 2018. He is the chairman of the nomination committee, a member of the strategic development committee, the audit committee and the consumer rights protection committee of the Bank. Mr. Zhang was admitted to the Department of Mathematics of Yibin Normal College in September 1980. He was admitted to the Finance Department of Southwestern University of Finance and Economics in 1991 to pursue a master's degree in currency banking, completed a doctoral degree at the School of Finance, Southwestern University of Finance and Economics from 1999 to 2002. Mr. Zhang has served as a professor and doctoral advisor in School of Finance of Southwestern University of Finance and Economics since January 2017. Mr. Zhang concurrently serves as a committee member of the advisory committee of Sichuan Province, the counselor of Chengdu Municipal People's Government and a committee member of the National Financial Professional Degree Steering Committee. Mr. Zhang has served as an independent director of each of Chengdu Wisdom World Technology Co., Ltd. and HAUXI Securities Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code:002926) since November 2020. Mr. Zhang served as an independent director of Luzhou Laojiao Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000568) from July 2013 to November 2015; Mr. Zhang served as the Executive Dean of the School of Finance of Southwestern University of Finance and Economics from May 2007 to January 2017. He served as an independent director of Chengdu Xingrong Investment Co., Ltd. (a company listed on the Shenzhen Stock Exchange and currently known as Chengdu Xingrong Environmental Co., Ltd., stock code: 000598) from October 2010 to March 2015. He served as an independent director of Guangxi Beibu Gulf Bank from January 2015 to November 2015. He served as an independent director of Yibin Tianyuan Group Co., Ltd. from May 2013 to February 2015. He served as the deputy director and director of the Graduate School of Southwestern University of Finance and Economics from October 2000 to May 2007, during which he served as a visiting scholar of University of California, San Diego from December 2006 to May 2007. He served as a teacher in School of Finance of Southwestern University of Finance and Economics from July 1994 to October 2000, during which he served as a visiting scholar of Duquense University in the United States from November 1998 to May 1999. He served as a teacher in Dagan Vocational High School in Nanxi County, Sichuan Province from July 1983 to September 1991.

LEE Ming Hau

Independent Non-Executive Director

Mr. Lee Ming Hau has served as an independent non-executive director of the Bank since June 2019. He is currently a committee member of the nomination committee, the audit committee and the remuneration committee. Mr. Lee Ming Hau is a Singaporean. He obtained an LLB (Hons) degree from the National University of Singapore in June 2003 and a master's degree in business administration from the Wharton School of the University of Pennsylvania in July 2009. Mr. Lee served as a managing director of The Carlyle Group since July 2020, where he was responsible for the credit investment business of The Carlyle Group in China. He served as an investment director of Clearwater Capital Partners from April 2011 to June 2020, in which he leads the China team of Clearwater and is responsible for the investment business in China, and simultaneously engages in other secondary market investments, overseas high-interest debt and bond investments, and non-performing asset investment businesses. From September 2003 to February 2011, Mr. Lee was a project manager of The Boston Consulting Group, where he was responsible for assisting in the Sovereign Wealth Fund, Private Equity Fund and analyzing enterprises who have been listed on the Fortune 500 and carrying out large-scale mergers and acquisitions strategies and transactions.

Li Jiaming

Independent Non-executive Director

Mr. Li Jiaming has served as the Independent Non-executive Director of the Bank since December 2020. He currently serves as the chairman of the audit committee, the member of the nomination committee, the member of the remuneration committee and the member of the Sannong financial services committee. From September 1982 to July 1986, Mr. Li studied at the economics department of Southwestern University of Finance and Economics, majoring in political economy, and obtained a bachelor's degree in economics. From July 1986 to July 1989, he studied at the Institute of Regional Economics and Urban Management, Renmin University of China, majoring in economic geography, and obtained a master's degree in economics. From September 1999 to June 2006, he studied at Chongqing University while working and obtained a doctoral degree in management. He served as the professor of School of Economics and Business Administration, Chongqing University since October 2005 and served as the doctoral tutor of School of Economics and Business Administration, Chongqing University since September 2014. He currently is a member of Chongqing Senior Accountant and Senior Auditor Qualification Evaluation Committee (重慶市高級會計師、高級審計師資格評審委員會), vice chairman of Chongqing Internal Audit Association (重慶市內部審計協會), executive director of Chongqing Audit Society (重慶市審計學會), and executive director of China Education Audit Society (中國教育審計學會). Since May 2020, he has served as an independent director of Chongqing Jianshe Vehicle System Co., Ltd. (重慶建設汽車系統股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 200054). From March 2012 to September 2019, he served as the chief of the Audit Division of Chongqing University. From December 2011 to March 2013, he served as the executive deputy dean and the chief of the Audit Division of City College of Science and Technology, Chongqing University. From April 2011 to December 2011, he served as the executive deputy dean (at division-director level) of City College of Science and Technology, Chongqing University. From September 2009 to April 2011, he served as the executive deputy dean (at deputy division-director level) of City College of Science and Technology, Chongqing University. From January 2008 to August 2009, he was a teacher of Chongqing University. From August 2005 to January 2008, he served as the general manager of Chongqing University Science and Technology Enterprise Group (重慶大學科技企業集團) (during which, he was evaluated and employed as a professor in October 2005; served as the general manager of Chongqing University Asset Management Co., Ltd. (重慶大學資產經營有限責任公司) from November 2006 to November 2008; and served as the chairman of Chongqing University Asset Management Co., Ltd. (重慶大學資產經營有限責任公司) since July 2019). From July 2002 to August 2005, he served as the chief of the Audit Division of Chongqing University (during which, from September 1999 to June 2004, he studied at the School of Economics and Business Administration, Chongqing University in part time, majoring in technical economics and management, and obtained a doctoral degree in management). From June 2000 to July 2002, he served as the deputy chief (presiding over the work) of the Audit Division of Chongqing University. From July 1999 to June 2000, he served as the deputy director of the Disciplinary Supervision and Review Office and the deputy chief of the Audit Division of Chongqing University. From January 1995 to June 1999, he served as a teacher in the School of Management of Chongqing University (during which, he was evaluated and employed as an associate professor in July 1998). Mr. Li Jiaming served as a teacher of economics department in former Yuzhou University from March 1990 to December 1994.

Bi Qian

Independent Non-executive Director

Ms. Bi Qian has served as the independent non-executive director of the Bank since December 2020. She currently serves as the member of the related party transaction supervision committee, the member of the strategic development committee, the member of the audit committee, the member of the risk management committee and the member of the Sannong financial services committee. From September 1986 to July 1990, Ms. Bi Qian studied at the department of mathematics of Southwest Normal University, majoring in mathematics, and obtained a bachelor's degree in science. Since September 2005, she has worked at Southwestern University and has successively served as associate professor, professor, doctoral tutor, and head of the accounting department of the College of Economics and Management (during which, from September 2015 to September 2016, she was awarded a scholarship by the China Scholarship Council to visit and study in Oregon State University in the United States). Since March 2019, she has served as an independent director of Senci Mechatronic Co., Ltd. (神馳機電股份有限公司) (a company listed on the SSE, stock code: 603109). From September 2001 to June 2010, she studied at the College of Economics and Management, Southwest University, majoring in agricultural economics and management, and obtained a doctoral degree in management (during which she studied at the School of Accounting, Southwestern University of Finance and Economics from September 2001 to July 2002). From September 1997 to June 2000, she studied at the College of Economics and Management, Southwest Agricultural University, majoring in accounting, and obtained a master's degree in accounting (during which, from July 1999 to March 2000, she studied with an agricultural regional planning project at Israel DSC Center and obtained a postgraduate diploma). From September 1997 to July 2005, she worked at Southwest Agricultural University and successively served as a lecturer and associate professor at the College of Economics and Management. From July 1990 to July 1997, Ms. Bi Qian served as a lecturer at the College of Basic Science and Technology, Southwest Agricultural University.

(2) Supervisors of the Bank

ZUO Ruilan

Shareholder Representative Supervisor

Ms. Zuo Ruilan has served as the shareholder representative supervisor of the Bank since June 2008. She is also a member of the nomination committee under the board of supervisors of the Bank. Since May 2018, Ms. Zuo has served as the director of Yeru Financial Holdings Limited (業如金融控股有限公司). Ms. Zuo served as the chairman of Chongqing Huayu Property Services Co., Ltd. (重慶華宇物業服務有限公司), the chairman of Chongqing Yerui Real Estate Development Co., Ltd. (重慶業瑞房地產開發有限公司) and the executive director of Sichuan Huayuyehao Real Estate Development Co., Ltd. (四川華宇業昊房地產開發有限公司). Ms. Zuo worked at the Chongqing Jiangjin Branch office of the Construction Bank of China (中國建設銀行重慶江津支行辦公室) from February 1998 to July 2000 and worked at the Saving Agency of Chongqing Jiangjin Branch of the Construction Bank of China (中國建設銀行重慶江津支行東門儲蓄所) from July 1995 to February 1998. Ms. Zuo graduated from Southwest University majoring in Economics Management in December 1999.

HUANG Qingqing

Shareholder Representative Supervisor

Ms. Huang Qingqing has served as the shareholder representative supervisor of the Bank since October 2020. Ms. Huang currently serves as a member of the audit committee under the board of supervisors of the Bank. Ms. Huang has served as a supervisor of Zhongshan Securities Co., Ltd. (中山證券有限責任公司) since January 2016 and the investment director of Xiamen Gaoxinhong Equity Investment Co., Ltd. since September 2014. From January 2013 to August 2014, she served as the investment manager of Xiamen Gaoxinhong Equity Investment Co., Ltd. From September 2011 to December 2012, she served as the senior analyst of Xiamen Gaoxinhong Equity Investment Co., Ltd., and from July 2010 to September 2011, she served as the analyst of Xiamen Gaoxinhong Equity Investment Co., Ltd. Ms. Huang obtained a master's degree in Finance from the School of Economics, Xiamen University in July 2010. She is currently an economist.

ZHANG Jinruo

External Supervisor

Mr. Zhang Jinruo has served as the external supervisor of the Bank since October 2020. He currently serves as the member of nomination committee under the Board of Supervisors. Mr. Zhang currently serves as the professor and head of accounting department of the School of Economics and Business Administration, Chongqing University, and concurrently serves as the part-time professor of Center for Accounting Studies of Xiamen University and the consulting experts on accounting of Chongqing Finance Bureau. Mr. Zhang has served as the director of accounting department and party branch secretary of the School of Economics and Business Administration, Chongqing University since November 2018. He was employed as the doctoral tutor in June 2015, was promoted to full professor in September 2014 as an exceptional case, and was promoted to the deputy professor in September 2010. Mr. Zhang graduated from the accounting department of the School of Management, Xiamen University in June 2008 where he obtained doctoral degrees and was a student of Professor Ge Jiashu, an accounting expert. He is currently an Academic Pioneer of Accounting of the Ministry of Finance and a certified public accountant.

HU Yuancong

External Supervisor

Mr. Hu Yuancong has served as the external supervisor of the Bank since October 2020. He currently serves as the chairman of the internal control review committee and the due diligence supervisory committee under the Board of Supervisors of the Bank. Mr. Hu is currently a professor, doctoral tutor, and postdoctoral co-tutor of Southwest University of Political Science and Law. Mr. Hu was employed as the postdoctoral co-tutor, doctoral tutor and master tutor in 2018, 2015 and 2009, respectively. Since 2006, he has successively served as a lecturer, associate professor and professor at the Economic Law School of Southwest University of Political Science and Law. From 1998 to 2006, Mr. Hu concurrently served as a propaganda officer, newspaper and magazine editor, teacher, etc. at the propaganda department of the Party Committee of Chongqing Education College. Mr. Hu graduated from Southwest University of Political Science and Law in 2009, and obtained a doctoral degree.

ZHANG Yingyi

External Supervisor

Mr. Zhang Yingyi has served as the external supervisor of the Bank since October 2020. He currently serves as the chairman of the audit committee under the Board of Supervisors of the Bank. Mr. Zhang currently serves as the deputy director of Chongqing Zhongding Certified Public Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司). Since May 2016, he has served as an external supervisor of Chongqing Light Industry & Textile Holding (Group) Company Limited (重慶輕紡控股(集團)公司). Since July 2015, he has been a member of the Disciplinary Committee of the Chongqing Institute of Certified Public Accountants. Since September 2014, he has been an off-campus tutor for the master of accounting in Chongqing University of Technology. Since March 2012, he has served as the deputy director of Chongqing Zhongding Certified Public Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司). From September 1999 to February 2012, he served as the manager of the audit department of Chongqing Zhongding Certified Public Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司). From March 1997 to August 1999, he served as a certified public accountant and manager of the audit department of Chongqing Yuzhong Certified Public Accountants (重慶渝中會計師事務所). Mr. Zhang Yingyi served as the chief accountant of Chongqing Automobile Standard Parts Factory (重慶汽車標準件廠) from July 1994 to February 1997. Mr. Zhang graduated from Southwest University of Finance and Economics in June 1995 with a major in accounting. He is a Certified Public Accountant, lawyer and asset appraiser.

ZHENG Yi

Employee Representative Supervisor

Mr. Zheng Yi has been an employee representative supervisor of the Bank since November 2011. He currently serves as a member of the audit committee and the internal control review committee under the Board of Supervisors of the Bank. Mr. Zheng currently serves as the chief credit approval officer of the Bank. Mr. Zheng served as a chief credit approval officer and general manager of the credit approval department of the Bank from June 2019 to August 2019, a general manager of the credit approval department of the Bank from May 2016 to June 2019, a general manager of the credit management department of the Bank from April 2011 to May 2016, a general manager of the compliance management department of the Bank from August 2008 to April 2011, a general manager of the operation management department of Chongqing Rural Credit Cooperative Union from July 2007 to August 2008, a vice general manager of the operation management department of Chongqing Rural Credit Cooperative Union from January 2007 to July 2007, a vice general manager of the risk management department of Chongqing Rural Credit Cooperative Union from December 2006 to January 2007, a deputy director of the credit management division of Chongqing Rural Credit Cooperative Union from June 2004 to December 2006. He worked at Chongqing Rural Credit Cooperative Union from May 2000 to June 2004, worked at the Leading Group for Reform of Chongqing Rural Financial System from August 1998 to May 2000, and worked at Chongqing Hechuan Rural Credit Cooperative Union (重慶市合川農村信用聯社) from April 1984 to August 1998. Mr. Zheng graduated from the Correspondence College of Chongqing Municipal Party Committee in December 1999, majoring in Economics and Management, and is currently an economist.

ZHU Yuzhou

Employee Representative Supervisor

Mr. Zhu Yuzhou has been an employee representative supervisor of the Bank since November 2011. He currently serves as a member of the due diligence supervisory committee and the internal control review committee under the Board of Supervisors of the Bank, as well as the head of the Community Union Working Department of the Bank. Mr. Zhu worked as the director of disciplinary inspection and supervision department of the Bank from April 2017 to May 2020. He worked as a director of security monitoring department of the Bank from October 2011 to April 2017, a general manager of small enterprise business department of the Bank from April 2011 to October 2011, a general manager of small enterprise credit department of the Bank from January 2010 to April 2011 and a general manager of real estate business department of the Bank from August 2008 to January 2010. Mr. Zhu was fully in charge of work at Chongqing Fuling District Credit Union (重慶涪陵區信用聯社) from June 2002 to July 2002, and was fully in charge of work and served as a secretary to the Party committee of Chongqing Fuling District Credit Union from July 2002 to December 2002. Moreover, he served as a chairman and secretary to the Party committee of Chongqing Fuling District Credit Union from December 2002 to August 2008. Mr. Zhu successively served as a director, chairman and secretary to the Party committee of Fengdu County Rural Credit Cooperative Union (豐都縣農村信用合作聯社) from June 1998 to June 2002. Mr. Zhu successively served as an accountant, auditor, a head of credit group and deputy director and director of business department of Fuling Rural Credit Cooperative Union (涪陵農村信用合作聯社) from July 1983 to June 1998. Mr. Zhu graduated from College of Chongqing Municipal Party Committee in June 2001, majoring in Regional Economics, and is currently an economist.

LE Xiaoming

Employee Representative Supervisor

Mr. Le Xiaoming has been an employee representative supervisor of the Bank since June 2019. He is also a member of the due diligence supervisory committee and the nomination committee under the Board of Supervisors of the Bank. Mr. Le is currently the Deputy Chief of the Discipline Inspection and Supervision Team of Municipal Commission for Discipline Inspection and Supervision stationed in the Bank. Mr. Le Xiaoming served as a director of the party committee office of the Bank from November 2019 to May 2020 and served as the director of the party-masses work department of the Bank from December 2013 to May 2020. He served as a director of the security department of the Bank from April 2017 to August 2018. Mr. Le served in various positions in the Research Office of Chongqing Municipal People's Government from July 2007 to December 2013, including the division chief of the Personnel Secretariat, deputy division chief of the Personnel Secretariat, deputy division chief of the General Division, principal staff member of the General Division and principal staff member of the Industrial Division. He served in various positions in the Office of People's Government of Liangping County, Chongqing from March 2003 to July 2007, including principal staff member, deputy principal staff member and staff member, during the period from March 2007 to May 2007, he was seconded to the Industrial Division of the Research Office of Chongqing Municipal People's Government; He served as the Rural Land Management Position of the Agricultural and Economic Station of the Agricultural Bureau of Zhong County, Chongqing from January 2000 to March 2003. Mr. Le graduated from Sichuan Agricultural University, majoring in Agricultural Economic Management, and obtained a bachelor's degree in management in July 1999; he undertook the master's degree majoring in Agricultural Promotion in Southwest University from January 2009 to June 2012, and obtained a master's degree in Agricultural Extension.

(3) Senior Management of the Bank

XIE Wenhui

Deputy Secretary to the Party Committee, President, Executive Director

Please refer to the section headed "Directors of the Bank" above of this annual report for biographic details of Mr. Xie Wenhui.

WANG Min

Member of the Party Committee, Vice President

Since July 2015, Mr. Wang Min has served as member of the party committee and Vice President of the Bank. Before joining the Bank, Mr. Wang served as member of the Party Committee and deputy president of Bank of Chongqing Co., Ltd. (H Share stock code: 1963) from July 2006 to July 2015; held a number of positions in the Chongqing Branch of the National Development Bank from July 2000 to July 2006, including director of the second Customer Department, director of Audit Supervision Department, director of Discipline Inspection Office and director of Audit; held a number of positions in the National Development Bank from December 1994 to July 2000, including deputy director of the Second Credit Audit Department of the Audit Council and deputy director of the Second Credit Audit Department and auditor at section level in the General Office of the Audit Bureau; served in the National Transportation Investment Office from June 1988 to December 1994; served in the general office of the State Economic Commission from July 1986 to June 1988. Mr. Wang obtained a bachelor's degree in history of the Archival Science in Renmin University of China in July 1986 and obtained an EMBA degree from Sichuan University in June 2013, now known as senior economist and Librarian.

DONG Lu

Member of the Party Committee, Vice President

Ms. Dong Lu has been the member of the party committee and the vice president of the Bank since May 2011. Ms. Dong was the general manager of the Treasury Operation Department at headquarters of the Bank from August 2008 to May 2011 and assumed a number of positions in Chongqing Rural Credit Cooperative Union from October 2004 to August 2008 including general manager and deputy general manager of the Business Department and deputy head of the Financial Planning Division. Prior to joining the Bank, Ms. Dong worked in the Financial Planning Department at Chongqing Branch of the China Everbright Bank from March 2002 to October 2004, business manager of the Customer Manager Department at Yuzhong Sub-branch of Chongqing Branch of China Everbright Bank from April 2001 to March 2002 and worked in Business Department at Yuzhong Sub-branch of Chongqing Branch of China Everbright Bank from June 1997 to April 2001. Ms. Dong obtained a master's degree in Project Management from Chongqing University in December 2011 and is currently an economist.

SHU Jing

Member of the Party Committee, Vice President

Ms. Shu Jing has served as member of the party committee and vice president of the Bank since October 2015. Ms. Shu held a number of positions in the Bank from August 2008 to October 2015, including general manager of Credit Approval Department, general manager of Service Department of the company, general manager and deputy general manager in the Business Department. Before joining the Bank, Ms. Shu served as assistant president (in charge of work), assistant president and deputy president of High Technology Development Zone Branch of Chongqing Branch of China Everbright Bank from August 2005 to August 2008; held multiple positions in the Beibei Branch of Chongqing Branch of China Construction Bank from January 1998 to August 2005, including manager and deputy general manager (conducting work) in the Business Department, deputy director of Huaguang Branch and secretary of the League of Branch, secretary of the League of Branch and audit supervisor of Finance Department, served as accounting of Business Department and accounting supervisor in Beibei Branch of Chongqing Branch of China Construction Bank from November 1992 to January 1998. Ms. Shu graduated from Economics and Management Major of the Correspondence School of the CPC Chongqing Municipal Party School in December 1997 and now is a senior economist.

ZHANG Peizong

Member of the Party Committee, Vice President, Executive Director, Secretary to the Board

Please refer to the section headed “Directors of the Bank” of this annual report for biographic details of Mr. Zhang Peizong.

GAO Song

Member of the Party Committee, Vice President

Mr. Gao Song served as the vice president and member of the party committee of the Bank since September 2016. Since July 2020, Mr. Gao served as the deputy director of the Bureau of Policies, Laws and Regulations of SASAC for one and a half years. Mr. Gao served various positions in the Bank from May 2010 to September 2016, including general manager of the Human Resources Department, secretary to the Party committee and president of Changshou Branch, general manager of the Channel Management Department and deputy general manager of the Asset Preservation Department. Prior to joining the Bank, Mr. Gao served as deputy president of Xinpaifang Branch in Chongqing Branch of Bank of Communications from April 2009 to May 2010 and assumed various positions in Chongqing Branch of Bank of Communications from March 2002 to April 2009, including legal compliance management officer of legal compliance department, assets preservation officer of assets preservation department and clerk of risk management division. He worked at the Shapingba Branch in Chongqing Branch of Bank of Communications from July 2001 to March 2002. Mr. Gao obtained a Bachelor Degree in law from Southwest University of Political Science & Law in July 2001 and obtained a Master’s Degree in law from Southwest University of Political Science & Law in January 2005 and is currently a senior economist and an administration engineer.

Information on Directors, Supervisors, Senior Management, Employee and Institutes

3. Remuneration of Directors, Supervisors and Senior Management in 2020

Existing

Unit: ten thousands

Name	Position	Paid Remuneration (before tax)	Social Insurance/ Housing Provident Fund/Supplementary Medical Insurance/ Corporate Annuity Unit Payment Part	Other Monetary Income	Part-time Fee	Total Salary Before Tax in 2020	Whether to get paid from Associated Company
Liu Jianzhong	Secretary to the Party Committee, Chairman and Executive Director	37.02	7.56	-	-	44.58	No
Xie Wenhui	Vice Secretary to the Party Committee, President, Executive Director	37.02	7.56	-	-	44.58	No
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary to the Board	29.62	7.56	3.84	-	41.02	No
Zhangpeng	Non-executive Director	-	-	-	9.00	9.00	Yes
Yin Xianglin	Non-executive Director	-	-	-	0.00	0.00	Yes
Gu Xiaoxu	Non-executive Director	-	-	-	0.00	0.00	Yes
Wen Honghai	Non-executive Director	-	-	-	9.00	9.00	Yes
Song Qinghua	Independent Non-executive Director	-	-	-	18.00	18.00	No
Zhang Qiaoyun	Independent Non-executive Director	-	-	-	18.00	18.00	Yes
Lee Ming Hau	Independent Non-executive Director	-	-	-	18.00	18.00	Yes
Li Jiaming	Independent Non-executive Director	-	-	-	0.00	0.00	Yes
Bi Qian	Independent Non-executive Director	-	-	-	0.00	0.00	Yes
Zuo Ruilan	Shareholder Representative Supervisor	-	-	-	7.50	7.50	Yes
Huang Qingqing	Shareholder Representative Supervisor	-	-	-	0.00	0.00	Yes
Zhang Jinruo	External Supervisor	-	-	-	0.00	0.00	No
Hu Yuancong	External Supervisor	-	-	-	0.00	0.00	No
Zhang Yingyi	External Supervisor	-	-	-	0.00	0.00	No
Zheng Yi	Employee Representative Supervisor	-	-	-	-	-	No
Zhu Yuzhou	Employee Representative Supervisor	-	-	-	-	-	No
Le Xiaoming	Employee Representative Supervisor	-	-	-	-	-	No
Wang Min	Member of the Party Committee, Vice President	29.62	7.56	3.84	-	41.02	No
Dong Lu	Member of the Party Committee, Vice President	29.62	7.56	3.84	-	41.02	No
Shu Jing	Member of the Party Committee, Vice President	29.62	7.56	3.84	-	41.02	No
Gao Song	Member of the Party Committee, Vice President	29.62	7.56	3.84	-	41.02	No

Information on Directors, Supervisors, Senior Management, Employee and Institutes

Resignation

Unit: ten thousands

Name	Position	Paid Remuneration (before tax)	Social Insurance/ Housing Provident Fund/Supplementary Medical Insurance/ Corporate Annuity Unit Payment Part	Other Monetary Income	Part-time Fee	Total Salary Before Tax in 2020	Whether to get paid from Associated Company
Chen Xiaoyan	Non-executive Director	-	-	-	4.50	4.50	Yes
Luo Yuxing	Non-executive Director	-	-	-	9.00	9.00	Yes
Yuan Zengting	Independent Non-executive Director	-	-	-	16.5	16.50	No
Cao Guohua	Independent Non-executive Director	-	-	-	16.5	16.50	Yes
Zeng Jianwu	Shareholder Representative Supervisor	-	-	-	6.25	6.25	Yes
Wang Hong	External Supervisor	-	-	-	10.00	10.00	Yes
Hu Shuchun	External Supervisor	-	-	-	10.00	10.00	No
Pan Like	External Supervisor	-	-	-	10.00	10.00	No
Liu Jiangqiao	Member of the Party Committee, Vice President, Secretary to the Board	12.34	3.69	1.60	-	17.63	No

Notes:

1. According to relevant regulations, from 1 January 2015, the remuneration of the Chairman, President, Head of Supervisor and other responsible persons of the Bank will be implemented in accordance with the opinions on the supervision of the remuneration system reform of the responsible persons of relevant enterprises.
2. Some directors, supervisors and senior management of the Bank are still in the process of confirming their final assessment of remuneration in 2020. The Bank will issue a separate announcement.
3. Paid remuneration refers to paid remuneration to directors, supervisors, and senior management in the current year approved by the regulatory body in accordance with internal and external regulatory requirements, including the basic annual salary and advance performance salary for 2020 that was issued in accordance with external regulatory requirements.
4. The Bank also provides remuneration for directors, supervisors and senior management, including wages, bonuses, social insurance, corporate annual bonus, supplementary medical insurance and the department contribution of housing provident fund, and other monetary income.
5. The employee representative supervisors of the Bank do not receive remuneration as employee representative supervisors.
6. Other monetary income is the business transportation subsidy issued in the form of currency for senior management in accordance with the regulations of the management.

IV. Basic Information of Employees and Institutions

(1) Employees

As of the end of 2020, the Bank had 15,088 regular employees, 11,294 of whom held bachelor's degree or above, representing 75% of all the Bank's regular employees. In addition, the Bank had 436 dispatch workers, 589 internally retired employees and 6,392 retired employees, and the major subsidiaries have 343 regular employees.

Number of regular employees of the Bank	15,088
Position Structure	
Management	2,942
Business Personnel	9,015
Risk Control	1,009
General Management	1,263
Supporting	859
Age Structure	
Below 30	2,305
31-40	6,955
41-50	3,657
Above 51	2,171
Academic Background Structure	
Master's degree and above	819
Bachelor's degree	10,453
College's degree and below	3,816

(2) Overview of Human Resources Management

During 2020, the Bank adhered to the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, closely followed the “four structural adjustments” of assets, liabilities, earnings, and management personnel, and actively explored new mechanisms and initiatives for recruiting, training, deploying, motivating, and disciplining human resources of the Bank under the new situation, the talent mechanism has been gradually improved, the talent structure has been continuously optimized, and the quality of talent has been significantly improved.

Promote the leading project of management talents. The Bank has implemented the standards of good cadres in the new era, revised the management measures of middle-level leaders and grass-roots managers, formulated the management measures of leaders of holding subsidiaries, promoted the posting system and contractual reform of leaders of holding subsidiaries on a pilot basis, and implemented the plan of “notification, public announcement and sanction of a number of defaulters who have evaded bank debts”, and the structure of the management team has become increasingly optimized.

Promote the development project of professional talents. To give full play to the decisive role of the market in the allocation of talent resources, adhered to the “school recruitment + social recruitment”, “open recruitment + headhunting search”, adhered to the agreement salary, annual contract, individual assessment, housing subsidies and other measures, market-oriented introduction of financial technology, risk, audit and other professionals, so as to play the effect of “introducing a talent, driving a team”.

Promote the growth project of practical talents. The Bank set up asset and liability management department, adjusted and optimized the responsibilities of finance, accounting, operation and other departments, and continuously optimized the environment for talent growth. The Bank also optimized the staff structure, with undergraduate and above education increasing by 2 percentage points compared with the end of the pervious year. The Bank coordinated the promotion of pandemic prevention and control and education and training, and conducted 2,624 training sessions of various types with 512,825 participants throughout the year.

Promote the talent development service project. The Bank has improved the salary system. The basic salary consists of base salary and position salary, among which, base salary is determined by the length of service, education and other factors to match the corresponding standards at different levels; the position salary is linked to the rank, and the positions are divided into management, professional and technical, managerial and operational positions, and the salary standards for non-management positions are determined according to the ranks of employees.

(3) Training Plan for 2021

The Bank insists on building the CPC ideologically, strengthening the CPC theoretically, and governing the CPC strictly, with the theme of “celebrating the 100th anniversary of the founding of the CPC”, focusing on study of CPC history, it runs through the education of CPC spirit and ideals and beliefs. The Bank insists on “inviting in + going out”, “head office + business lines + branches”, and coordinates the induction training programs for managers, business leaders and new employees. The Bank adheres to the development mode of “online + offline” and “on-site + video”, implements the requirements of education and training under the normal pandemic prevention and control situation, increases online training efforts, further optimizes M-learning, becoming a “handheld training school” as well as a “mobile training school”.

Information on Directors, Supervisors, Senior Management, Employee and Institutes

(4) The distribution of Branches

Name	address	Number of Outlet	Number of staff
The headquarter and its business department	No. 36 Jinshamen Road, Jiangbei District, Chongqing City	2	1,485
Yuzhong Branch	No. 142 Xinhua Road, Yuzhong District, Chongqing City	8	151
Dadukou Branch	1-3, 1-4-1-1, Block 1, 1-4-1-2, 1-4-2-2, Block 1,11 Tianchenhuafu, Chunhui Road Street, Dadukou District, Chongqing City	14	173
Jiangbei Branch	1-1, No. 10, Yanghe Road East, Jiangbei District, Chongqing City	29	303
Shapingba Branch	Annex 37, 38, 39, No. 118 Xiaoyanggong Bridge, Shapingba District, Chongqing City	36	337
Jiulongpo Branch	Annex 1, No. 2 Xijiao Road, Yang Jia Ping, Jiulongpo District, Chongqing City	51	427
Nan'an Branch	No. 24 Jiangnan Avenue, Nanping, Nan'an District, Chongqing City	30	355
Beibei Branch	No. 20 Beixia West Road, Beibei District, Chongqing City	27	265
Yubei Branch	1-1, Block 1, No. 91 Shuanglong Avenue, Shuanglonghu Street, Yubei District, Chongqing City	38	314
Liangjiang Branch	No. 21, 23, 25 Jintong Road, New North Zone, Chongqing City	18	239
Ba'nan Branch	No. 145 Longzhou Avenue, Ba'nan District, Chongqing City	56	394
Wansheng Branch	No. 36 Wandong North Road, Wansheng District, Chongqing City	13	124
Fuling Branch	Block 1, Hongfu Building No. 55 Xinghua Middle Road, Fuling District, Chongqing City	77	488
Changshou Branch	No. 13 Xiangyang Road, Fengcheng Street Office, Changshou District, Chongqing City	49	344
Jiangjin Branch	Block E, Jinhui Garden, Binjiang West Road, Jijiang Street Office, Jiangjin District, Chongqing City	83	520
Hechuan Branch	No. 2 Jiuchang Road, Hechuan District, Chongqing City	89	618
Yongchuan Branch	No. 399, Honghe Middle Road, Yongchuan District, Chongqing City	56	407
Nanchuan Branch	No. 24 Jinfo Avenue, Nanchuan District, Chongqing City	40	298
Qijiang Branch	No. 34 Jiulong Avenue, Wenlong Street, Qijiang District, Chongqing City	43	344
Tongnan Branch	No. 4, Xingtong Avenue, Guilin Street Office, Tongnan County, Chongqing City	40	288
Tongliang Branch	No. 102 Zhongxing Road, Bachuan Street, Tongliang County, Chongqing City	50	367

Information on Directors, Supervisors, Senior Management, Employee and Institutes

Name	address	Number of Outlet	Number of staff
Dazu Branch	Annex 2 No.390 Wuxing Avenue, Tangxiang Street Office, Dazu County, Chongqing City	39	301
Rongchang Branch	No. 106 Haitang Avenue, Changzhou Street Office, Rongchang District, Chongqing City	36	290
Bishan Branch	No. 4 Bitong Road, Bicheng Street Office, Bishan District, Chongqing City	40	336
Wanzhou Branch	No. 91 Taibai Road, Wanzhou District, Chongqing City	96	679
Liangping Branch	No. 1, Block 26, Minghao Commercial Area, Liangshan Town, Liangping County, Chongqing City	46	374
Chengkou Branch	No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City	25	169
Fengdu Branch	No. 187 2nd Shangye Road, Sanhe Town, Fengdu County, Chongqing City	47	335
Dianjiang Branch	No. 371 Renmin East Road, Guixi Town, Dianjiang County, Chongqing City	48	321
Zhong County Branch	No. 49 Ba Wang Road, Zhongzhou Town, Zhong County, Chongqing City	60	416
Kai County Branch	(Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kai County, Chongqing City	64	489
Yunyang Branch	No. 1335 Yunjiang Avenue, Qinglong Road, Yunyang County, Chongqing City	69	472
Fengjie Branch	No. 32 Gongping Lane, Yufujie Road, Fengjie County, Chongqing City	46	356
Wushan Branch	No. 258 Guangdong Middle Road, Wushan County, Chongqing City	31	258
Wuxi Branch	Unit 1-1, No.7 Yanghe Garden, No.25, Binhe Zhilu, Boyang Street, Wuxi County, Chongqing City	38	304
Qianjiang Branch	No. 217 Jiefang Road, Chengdong Street, Qianjiang District, Chongqing City	34	279
Wulong Branch	No. 36 Furong Middle Road, Furong Street, Wulong County, Chongqing City	35	289
Shizhu Branch	No. 41 Xinkai Road, Nanbin Town, Shizhu Tujia Autonomous County, Chongqing City	32	231
Xiushan Branch	Shizi Street, Yuxiu Avenue, Zhonghe Town, Xiushan Tujia and Miao Autonomous County, Chongqing City	36	259
Youyang Branch	No. 5, Taohuayuan Middle Road, Taohuayuan Town, Youyang Tujia and Miao Autonomous County, Chongqing City	46	311
Pengshui Branch	Annex 4, No.2 Shizui Street, Hanjia Street, Pengshui Miao and Tujia Autonomous County, Chongqing City	46	323
Qujing Branch	Block 2 and 3, "Renhe Garden, Yunding Town Center" Dahua Bridge, Qilin West Road, Qilin District, Qujing City	2	55
Total		1,765	15,088

Corporate Governance Report

I. Corporate Governance Structure

For the details of the corporate governance structure of the Bank, please see the “Organization Chart” set out in the Form of this annual report.

II. Overview of Corporate Governance

During the Reporting Period, the Bank convened a total of 101 important meetings, at which 281 proposals were considered and approved and 136 reports were heard and reviewed. Among which, there were 4 general meetings (35 proposals were considered and approved), 23 meetings of the Board of Directors (111 proposals were considered and approved and 48 reports were heard and reviewed), 9 meetings of the Board of Supervisors (23 proposals were considered and approved and a total of 15 reports were heard), 56 meetings of the specialised committees of the Board of Directors (89 proposals were considered and approved and 73 reports were heard and reviewed), 9 meetings of the specialised committees of the Board of Supervisors (23 proposals were considered and approved). In addition, 1 survey and research of projects were organized by the Board of Directors, and 1 survey and research of projects was organized by the Board of Supervisors.

The Bank continued to improve the transparency of its corporate governance, ensuring high standard of corporate governance level practices to safeguard the interests of shareholders and to enhance corporate value.

The Bank has strictly complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Hong Kong Listing Rules and also in the most recommended best practices therein. The Bank also strictly complied with the requirements under the relevant laws and regulations, and the Hong Kong Listing Rules in respect of management of inside information. There is no significant difference between the corporate governance of the Bank and Company Law and the relevant requirements to the corporate governance for listed company of CSRC and Hong Kong Stock Exchange.

To the best of the directors’ of the Bank knowledge, there is no reasonable statistic indicating that the Bank is or was in violation of the code provisions as set out in the CG Code during the year ended 31 December 2020.

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

III. General Meetings

During the year of 2020, the Bank held four general meetings, being the 2019 general meeting, 2020 first extraordinary general meeting, 2020 second extraordinary general meeting and 2020 third extraordinary general meeting of the Bank. Details are as follows:

(1) 2019 general meeting

On 20 May 2020, the Bank held the 2019 annual general meeting. At the 2019 general meeting, 17 resolutions mainly regarding 2019 work report of the Board of Directors, the 2019 work report of the Board of Supervisors, the 2019 annual financial final proposal, the 2019 profit distribution plan, the 2020 financial budget, the 2020 annual report and the appointment of the external auditors for 2020 and determination of their remuneration were considered and approved. The general meeting was held in compliance with relevant legal procedures. 4 existing directors of the Bank, namely executive director Mr. Liu Jianzhong and Mr. Xie Wenhui, non-executive director Mr. Zhang Peng, and independent non-executive director Mr. Cao Guohua, attended this meeting in person.

(2) 2020 first extraordinary general meeting

On 29 June 2020, the Bank held the 2020 first extraordinary general meeting. At the 2020 first extraordinary general meeting, 2 resolutions regarding the related party transaction of Loncin Holdings Co., Ltd. (隆鑫控股有限公司) and issuance of capital bonds with no fixed term were considered and approved. The extraordinary general meeting was held in compliance with relevant legal procedures. 5 existing directors of the Bank, namely executive directors Mr. Liu Jianzhong, Mr. Xie Wenhui and Mr. Zhang Peizong, non-executive director Mr. Luo Yuxin, and independent non-executive director Mr. Cao Guohua, attended this meeting in person.

(3) 2020 second extraordinary general meeting

On 20 October 2020, the Bank held the 2020 second extraordinary general meeting. 15 resolutions regarding the election of Yin Xianglin as a non-executive director of the Bank, the election of Li Jiaming and Bi Qian as independent non-executive directors of the Bank, the election of Huang Qingqing as a shareholder representative supervisor of the Bank, the election of Zhang Jinruo, Hu Yuancong and Zhang Yingyi as external supervisors of the Bank, the related party transaction regarding group credit limits of Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司), the related party transaction regarding group credit limits of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), the related party transaction of Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司), the related party transaction regarding credit limits of Chongqing Huayu Group Co., Ltd. (重慶華宇集團有限公司), the related party transaction regarding group credit limits of Loncin Holding Co., Ltd. (隆鑫控股有限公司) and the issuance of Singapore green financial bonds were considered and approved. The general meeting was held in compliance with relevant legal procedures. 3 existing directors of the Bank, namely executive director Mr. Zhang Peizong, independent non-executive Director Mr. Cao Guohua, and independent non-executive director Mr. Zhang Qiaoyun, attended this meeting in person.

(4) 2020 third extraordinary general meeting

On 30 November 2020, the Bank held the 2020 third extraordinary general meeting. 1 resolution regarding the election of Gu Xiaoxu as a non-executive director of the Bank was considered and approved. The extraordinary general meeting was held in compliance with relevant legal procedures. 4 existing directors of the Bank, namely executive directors Mr. Liu Jianzhong and Mr. Zhang Peizong, independent non-executive Director Mr. Cao Guohua, and independent non-executive director Mr. Zhang Qiaoyun, attended this meeting in person.

In 2020, the Bank convened 4 general meetings. The attendance of the directors at the meeting are set out below:

Directors	Attendance required	Actual Attendance	Attendance rate
Liu Jianzhong	4	3	75%
Xie Wenhui	4	2	50%
Zhang Peizong	4	3	75%
Zhang Peng	4	1	25%
Yin Xianglin	–	–	–
Chen Xiaoyan	1	0	0
Luo Yuxing	4	1	25%
Gu Xiaoxu	–	–	–
Wen Honghai	4	0	0
Yuan Zengting	4	0	0
Cao Guohua	4	4	100%
Song Qinghua	4	0	0
Zhang Qiaoyun	4	2	50%
Lee Ming Hau	4	0	0
Li Jiaming	–	–	–
Bi Qian	–	–	–

Note: The non-executive director Mr. Yin Xianglin, independent non-executive director Mr. Li Jiaming and Ms. Bi Qian obtained the qualification approval for appointment from the CBIRC Chongqing Office on 7 December 2020, and the non-executive director Ms. Gu Xiaoxu obtained the qualification approval for appointment from the CBIRC Chongqing Office on 22 December 2020.

IV. Board of Directors and Special Committees

(1) The Board of Directors' Implementation of Resolutions of the General Meeting

In 2020, the Board of Directors strictly implemented the resolutions passed at the 2019 general meeting, 2020 first extraordinary general meeting, 2020 second extraordinary general meeting and 2020 third extraordinary general meeting, earnestly implemented the resolutions regarding the 2019 profit distribution plan, the 2020 financial budget, the appointment of 2020 external auditor and determination of their remuneration, the issuance of capital bonds with no fixed term, the related party transaction regarding group credit limits of Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司), Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司), the related party transaction regarding group credit limits of Chongqing Huayu Group Co., Ltd. (重慶華宇集團有限公司), the amendments to the Articles of Association, the Rules of Procedure of General Meeting and The Rules of Procedure of Board Meeting, the election of Mr. Yin Xianglin and Ms. Gu Xiaoxu as the non-executive Directors of the Bank, and the election of Mr. Li Jiaming and Ms. Bi Qian as the independent non-executive directors of the Bank.

(2) Composition of the Board of Directors

As of the date of this Annual Report, the Board of Directors of the Bank comprised 12 directors, including 3 executive directors, namely, Mr. Liu Jianzhong (chairman of the Board), Mr. Xie Wenhui (president) and Mr. Zhang Peizong (vice president and secretary to the Board); 4 non-executive directors, namely, Mr. Zhang Peng, Mr. Yin Xianglin, Ms. Gu Xiaoxu and Mr. Wen Honghai; 5 independent non-executive directors, namely, Mr. Song Qinghua, Mr. Zhang Qiaoyun, Mr. Lee Ming Hau, Mr. Li Jiaming and Ms. Bi Qian.

During the Reporting Period, the non-executive director Mr. Yin Xianglin, and the independent non-executive director Mr. Li Jiaming and Ms. Bi Qian obtained the qualification approval for appointment from the CBIRC Chongqing Office on 7 December 2020; and the non-executive director Ms. Gu Xiaoxu obtained the qualification approval for appointment from the CBIRC Chongqing Office on 22 December 2020.

The list of directors (by category) is disclosed in all corporate communications issued by the Bank pursuant to the Hong Kong Listing Rules.

The Board of Directors is responsible for establishing the corporate management system, monitoring the Group's decision-making regarding business activities, financial strategies and business performance, as well as reporting them to shareholders at the general meeting. The Board of Directors has delegated the management with the power and responsibilities to manage the Group. In addition, the Board of Directors has designated the audit committee, nomination committee and remuneration committee to perform their respective responsibilities. Details of the aforesaid committees are further described in this report.

The Board of Directors is also responsible for the performance of the functions of corporate governance. As of 31 December 2020, the Board of Directors performed the functions of corporate governance as set out in code provision D.3.1 in the CG Code.

(3) Operation of the Board of Directors

The Board of Directors convenes meetings on a regular basis, generally not less than 4 times a year, and holds extraordinary meetings when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for regular board meetings are scheduled upon consultation with directors. Board papers and relevant materials are usually circulated to all directors and supervisors 14 days in advance of the board meetings.

All directors maintain communication with the secretary to the Board of Directors so as to ensure the compliance with board procedures and all applicable rules and regulations.

Detailed minutes of the board meetings are kept, and minutes are circulated to all attending directors for review after the meeting. Directors that have attended the meetings will provide comments for modification after receiving the minutes. The minutes will be circulated to all directors as soon as it is finalised. Minutes of the board meetings are kept according to the requirements of documents management stipulated by the Bank, and are available for inspection by directors at any time.

Communication and reporting mechanism has been established between the Board of Directors, directors and senior management. The president of the Bank reports his work to the Board of Directors on a regular basis, and under its supervision. Relevant senior management are invited to attend board meetings from time to time to give explanations or reply to enquiries.

At Board meetings, directors can put forward their opinions freely, and major decisions are made after detailed discussions. If any director has material interests in a proposal to be reviewed by the Board of Directors, the director concerned must abstain from discussion and voting on the relevant proposal, and is not counted in the quorum of the relevant proposal.

The Board of Directors has set up a Board office as its acting agency, which is responsible for preparation of the general meetings, board meetings, and meetings of the special committees under the Board of Directors, information disclosure and other daily work.

(4) Board Meetings

According to the Corporate Governance Code ("CG Code"), the Board of Directors should meet regularly and board meetings should be held at least 4 times a year at approximately quarterly intervals. A regular meeting does not include obtaining board consent by way of written resolutions.

Corporate Governance Report

During the Reporting Period, the Bank convened a total of 23 Board meetings including written resolutions. 159 resolutions were considered and passed at such meetings included those regarding 2019 annual report, 2020 interim report and the 2019 work report of the Board of Directors.

The Board of Directors examined and approved 2019 Report on Social Responsibilities of Chongqing Rural Commercial Bank Co., Ltd., and had no objection on the report content. During the Reporting Period, the Bank bore the economic development responsibility, served the real economy, and made the positive contributions in terms of agricultural loans, green credit and community activities, etc.

During the Reporting Period, the Bank convened 23 Board meetings, including 8 on-site conferences and 15 meetings by a written resolution. The attendance of the directors at the Board meetings (directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present) are set out below:

Directors	Attendance required	Actual attendance	Attendance by proxy	Attendance rate
Liu Jianzhong	23	23	0	100%
Xie Wenhui	23	19	4	100%
Zhang Peizong	23	22	1	100%
Zhang Peng	23	22	1	100%
Yin Xianglin	3	3	0	100%
Chen Xiaoyan	10	9	1	100%
Luo Yuxing	23	20	3	100%
Gu Xiaoxu	1	1	0	100%
Wen Honghai	23	21	2	100%
Yuan Zengting	20	20	0	100%
Cao Guohua	20	20	0	100%
Song Qinghua	23	23	0	100%
Zhang Qiaoyun	23	23	0	100%
Lee Ming Hau	23	21	2	100%
Li Jiaming	3	3	0	100%
Bi Qian	3	3	0	100%

Notes:

1. The Bank received the qualification approval for appointment as a non-executive director of the CBIRC Chongqing Office for Mr. Yin Xianglin on 7 December 2020; the Bank received the qualification approval for appointment as an independent non-executive director of the CBIRC Chongqing Office for Mr. Li Jiaming and Ms. Bi Qian on 7 December 2020; and the Bank received the qualification approval for appointment a non-executive director of the CBIRC Chongqing Office for Ms. Gu Xiaoxu on 22 December 2020. Meanwhile, according to the qualification approval obtained from the CBIRC Chongqing Office for Mr. Li Jiaming and Ms. Bi Qian, the Bank has published the announcement, pursuant to which, Mr. Yuan Zengting and Mr. Cao Guohua ceased to perform their duties as independent non-executive directors.

2. The Bank received a letter of resignation from Ms. Chen Xiaoyan on 23 June 2020. The Bank made an announcement and reported to CBIRC Chongqing Office in written form in accordance with relevant regulations. Ms. Chen Xiaoyan ceased to serve as a non-executive director since the date of receiving the letter of resignation from her by the Bank.
3. The Bank received a letter of resignation from Mr. Luo Yuxing on 20 January 2021. The Bank made an announcement and reported to CBIRC Chongqing Office in written form in accordance with relevant regulations. Mr. Luo Yuxing ceased to serve as a non-executive director since the date of receiving the letter of resignation from him by the Bank.
4. In 2020, due to the impact of the COVID-19 pandemic and the need for pandemic prevention and control, Mr. Wen Honghai, Mr. Yuan Zengting, Mr. Song Qinghua, Mr. Zhang Qiaoyun and Mr. Lee Ming Hau, the off-site directors of the Bank, were unable to attend all or part of the on-site Board meetings in person and they attended the meetings by telephone or by proxy.

During the Reporting Period, the attendance records of each of the directors at meetings of the Board of Directors and the special committee under the Board of Directors (directors who involved in connected transactions and required to be abstained from the meeting are also deemed as attending directors) in 2020 are set out as follows:

The Names of Directors	Actual attendance/meetings required to attend during the term of office Board								
	Special Committee under the Board of Directors							Sannong Financial Services Committee	Consumer Rights Protection Committee
	Board of Directors	Strategic Development Committee	Risk Management Committee	Related Party Transaction Supervision Committee	Nomination Committee	Remuneration Committee	Audit Committee		
Liu Jianzhong	23/23	7/7	-	-	3/3	-	-	2/2	-
Xie Wenhui	23/23	7/7	13/13	1/1	3/3	2/2	-	2/2	4/4
Zhang Peizong	23/23	-	13/13	14/14	-	1/1	-	-	-
Zhang Peng	23/23	2/2	-	-	-	-	-	-	-
Yin Xianglin	3/3	-	1/1	-	-	-	-	-	-
Gu Xiaoxu	1/1	-	-	-	-	-	-	-	-
Chen Xiaoyan	10/10	-	6/6	8/8	-	-	-	-	-
Luo Yuxing	23/23	-	13/13	-	-	3/3	-	-	-
Wen Honghai	23/23	-	-	14/14	-	-	-	-	4/4
Yuan Zengting	20/20	6/6	10/10	13/13	-	-	-	2/2	-
Cao Guohua	20/20	-	-	-	3/3	2/2	9/9	2/2	-
Song Qinghua	23/23	-	-	14/14	-	3/3	10/10	-	4/4
Zhang Qiaoyun	23/23	7/7	-	-	3/3	-	10/10	-	4/4
Lee Ming Hau	23/23	-	-	-	3/3	3/3	10/10	-	-
Li Jiaming	3/3	-	-	-	-	1/1	1/1	-	-
Bi Qian	3/3	1/1	1/1	1/1	-	-	1/1	-	-

Notes:

1. The Bank received the qualification approval for appointment of the CBIRC Chongqing Office for Mr. Zhang Peng on 29 August 2019. The Board appointed him to perform relevant duties as a member of the strategic development committee and the consumer rights protection committee under the Board on 29 October 2020.
2. The Bank received the qualification approval for appointment of the CBIRC Chongqing Office for Mr. Yin Xianglin, Mr. Li Jiaming and Ms. Bi Qian on 7 December 2020. The Board appointed Mr. Yin Xianglin to perform relevant duties as a member of risk management committee, Mr. Li Jiaming to perform relevant duties as a member of the audit committee, the nomination committee, the remuneration committee and the Sannong financial services committee, and Ms. Bi Qian to perform relevant duties as a member of the related party transaction supervision committee, the strategic development committee, the risk management committee, the audit committee, and the Sannong financial services committee on 7 December 2020.
3. The Bank received the qualification approval for appointment of the CBIRC Chongqing Office for Ms. Gu Xiaoxu on 22 December 2020. As of the end of 2020, the Board did not appoint this director to perform relevant duties as a member of the special committee of the Board.
4. According to the relevant requirements, due to the expiration of their terms of office as the independent directors, Mr. Yuan Zengting and Mr. Cao Guohua ceased to perform their duties as independent non-executive director and member of the special committee of the Board since 7 December 2020.
5. Due to personal work reasons, Mr. Luo Yuxing resigned as the non-executive director of the fourth session of the Board of the Bank on 20 January 2021, and ceased to perform his duties as a member of the risk management committee and the remuneration committee under the Board.
6. Due to work requirements, Ms. Chen Xiaoyan resigned as the non-executive director of the fourth session of the Board of the Bank on 23 June 2020, and ceased to perform her duties as a member of the risk management committee and the related party transaction supervision committee under the Board.

(5) Independent Non-executive Directors

During the Reporting Period, the Board of Directors at all times met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the Board of Directors, with at least one independent nonexecutive director possessing appropriate professional qualifications of accounting or related financial management expertise.

The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, nor do they hold any management positions in the Bank. All of the existing independent non-executive directors of the Bank are elected for a term of three years. They are eligible for re-election as the Bank's independent non-executive directors upon expiry of the three-year term of office, provided that their terms of office shall not exceed six consecutive years.

(6) Directors' Responsibility for the Preparation of Financial Reports

The directors acknowledge their responsibility for preparing the financial statements of the Bank for the year ended 31 December 2020. Directors are responsible for monitoring financial reports of each accounting or fiscal period to make sure such financial reports give a true and fair view of the Bank's financial conditions, operation results and cash flows. The directors adopted and implemented the applicable accounting policies and exercised prudent and reasonable judgment when preparing financial reports for the year ended 31 December 2020.

(7) Continuous Professional Development Programme for Directors

Each newly appointed director should be given official, comprehensive and tailor-made information for his respective appointment upon his first appointment for the assurance of his appropriate understanding on the business and operation of the Bank and sufficient knowledge of the duties and responsibilities under the Hong Kong Listing Rules, laws and relevant regulatory requirements.

The training for directors shall be carried out on an on-going basis. The Bank encourages directors to participate in continuous professional development for developing and updating their knowledge and skills. During the Reporting Period, 16 directors of the Bank, namely executive directors Mr. Liu Jianzhong, Mr. Xie Wenhui and Mr. Zhang Peizong, non-executive directors Mr. Zhang Peng, Ms. Chen Xiaoyan, Mr. Yin Xianglin, Mr. Luo Yuxing, Ms. Gu Xiaoxu and Mr. Wen Honghai, independent non-executive directors Mr. Yuan Zengting, Mr. Cao Guohua, Mr. Song Qinghua, Mr. Zhang Qiaoyun, Mr. Lee Ming Hau, Mr. Li Jiaming and Ms. Bi Qian, all received relevant trainings on the Guidelines for the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), directors' duties, accountability for violations and requirements regarding inside information organized by the Bank. The Bank also from time to time provided information to the directors on the latest development of the Hong Kong Listing Rules and the other applicable regulatory requirements, so as to ensure the directors are equipped with comprehensive information and are in line with the actual needs for their contribution to the Board of Directors and satisfactorily comply with the CG Code, as well as to enhance their sense of the corporate governance practices.

(8) Special Committees of the Board

As of the end of 2020, there are eight committees established under the Board of Directors of the Bank, namely the strategic development committee, risk management committee, related party transaction supervision committee, nomination committee, remuneration committee, audit committee, Sannong financial services committee and consumer rights protection committee. Compositions of these committees are set out as follows:

1. *Strategic Development Committee*

During the Reporting Period, the strategic development committee comprised 5 directors with Mr. Liu Jianzhong as the chairman, and Mr. Xie Wenhui, Mr. Zhang Peng, Mr. Zhang Qiaoyun and Ms. Bi Qian being its committee members.

The main responsibilities of the strategic development committee include:

- (1) to review the strategies and development plans of the Bank and give advice to the Board of Directors;
- (2) to review the annual operation plans and financial budgets of the Bank and submit the same to the Board of Directors for consideration;
- (3) to review significant reorganizations and agency arrangement of the Bank as well as the structure plan for its controlled subsidiaries, and give advice to the Board of Directors;
- (4) to review significant investment and financing projects and give advice to the Board of Directors;
- (5) to review the acquisition and merger plans of the Bank and give advice to the Board of Directors;
- (6) to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed;
- (7) to perform such other duties and powers as authorized by the Board of Directors.

During the Reporting Period, the strategic development committee of the Board convened 7 meetings in total at which 13 proposals regarding the 2020-2022 organizational network planning, 2020 implementation planning and 2020 financial budgets, 2020-2022 mid-term capital planning, "14th Five -Year" strategic plan and issuance of capital bonds with no fixed term were considered. Except Mr. Zhang Peng and Ms. Bi Qian, all the then members of the strategic development committee were present at the 7 meetings mentioned above. Mr. Zhang Peng attended 2 meetings mentioned above since he obtained the qualification approval for appointment on 29 October 2020. Ms. Bi Qian attended 1 meeting mentioned above since she obtained the qualification approval for appointment on 7 December 2020.

2. Risk Management Committee

The risk management committee of the Bank currently comprises 5 directors, with Mr. Xie Wenhui as the chairman, and Mr. Zhang Peizong, Mr. Luo Yuxing, Mr. Yin Xianglin and Ms. Bi Qian being its committee members.

The main responsibilities of the risk management committee include:

- (1) to review the risk management policy, risk preference and overall structure of risk management of the Bank based on the overall strategy of the Bank, and give advice to the Board of Directors;
- (2) to guide the construction of risk management and compliance management system;
- (3) to monitor and evaluate the legal construction, risk management, risk resistance and anti-money laundering of the Bank, and provide advice on improvement;
- (4) to review the risk management and compliance management reports of the Bank, carry out regular assessment on the risks and compliance of the Bank, and provide advice on improvement of the risk and compliance management of the Bank;
- (5) to put forward the overall requirements for risk prevention, review the general precaution policy on risky cases and work report on risk prevention of the Bank, carry forward the construction of risky case management system, and ensure that necessary measures are adopted by senior management to effectively supervise, warn and deal with risky cases, make assessment on the effectiveness of risky cases management of the Bank and ensure that effective inspection and supervision are conducted on risky case management by internal audit;
- (6) to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed;
- (7) to assess and supervise the development of new products, major change to existing products, expansion in new business sectors, establishment of new institutions, entering into material acquisition and investment and other risky matters of the Bank; to review our annual financial innovation plan/review our annual financial innovation project implementation report and submit the same to the Board of Directors for consideration/review; to consider and approve single innovative financial productions and improved financial products that require approval from or filing with external regulatory authorities. The above major change to existing products is considered to be improved financial products that require approval from or filing with external regulatory authorities; and

(8) to perform such other duties and powers as authorized by the Board of Directors.

During the Reporting Period, the risk management committee convened 13 meetings in total at when 27 proposals including Risk Appetite Statement of the Bank (Revised in 2020), 2019 report on write-off of doubtful debts, 2019 risk management evaluation report, 2019 compliance management evaluation report, 2019 report on anti-money laundering works. Except Mr. Yin Xianglin and Ms. Bi Qian, all the members of the risk management committee were present at the 13 meetings mentioned above. Mr. Yin Xianglin and Ms. Bi Qian attended 1 meeting mentioned above since they obtained the qualification approval for appointment on 7 December 2020.

3. *Related Party Transaction Supervision Committee*

The related party transaction supervision committee of the Bank currently comprises 5 directors, with Ms. Bi Qian (independent non-executive director) as the chairman, Mr. Xie Wenhui, Mr. Zhang Peizong, Mr. Wen Honghai and Mr. Song Qinghua being its committee members.

The primary responsibilities of the related party transaction supervision committee include:

- (1) to review the fundamental system of related transaction management and give advice to the Board of Directors;
- (2) to identify the related parties of the Bank and report to the Board of Directors and the Board of Supervisors;
- (3) to conduct preliminary examination on major related party transactions of the Bank and submit the same to the Board of Directors for approval, and to the Board of Supervisors in a timely manner after obtaining the approval from the Board of Directors;
- (4) to receive filings of general related party transactions;
- (5) to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed;
- (6) to perform such other duties and powers as authorized by the Board of Directors.

During the Reporting Period, the related party transaction supervision committee convened 14 meetings in total. 30 proposals regarding the major related party transactions of financial institution credit of RMB8,000 million of CQRC Financial Leasing Co., Ltd., (渝農商金融租賃有限責任公司), the related party transactions in relation to the grant of credit of RMB 300 million of Chongqing Gas Group Corporation Ltd. (重慶燃氣集團股份有限公司), the major related party transactions in relation to the extension of loans of RMB 231.18 million of Dazu Rock Carving Movie & TV Culture Co., Ltd.(大足石刻影視文化有限責任公司) and the major related party transactions of the facility limits of Chongqing City Construction Investment (Group) Company Limited(重慶市城市建設投資(集團)有限公司) and other relevant matters were reviewed. Various reports on filing of general related party transactions such as the credit of Chongqing Zheng Chuan Medicine Packaging Materials Co., Ltd. (重慶正川醫藥包裝材料股份有限公司) and Chongqign Yonglianghong Ecological Agriculture Co., Ltd. (重慶永梁宏生態農業有限公司) were reviewed. Except Mr. Xie Wenhui and Ms. Bi Qian, all the then members of the related party transaction supervision committee were present at the 14 meetings mentioned above. Mr. Xie Wenhui attended 2 meetings mentioned above since he obtained the qualification approval for appointment on 29 October 2020. Ms. Bi Qian attended 1 meeting mentioned above since she obtained the qualification approval for appointment on 7 December 2020.

4. *Nomination Committee*

The nomination committee currently comprises 5 directors, with Mr. Zhang Qiaoyun (independent non-executive director) as the chairman, and Mr. Liu Jianzhong, Mr. Xie Wenhui, Mr. Lee Ming Hau and Mr. Li Jiaming being its committee members. Majority of the members are independent non-executive directors.

The main responsibilities of the nomination committee include:

- (1) to assess the structure, size and composition of the Board of Directors and make recommendations on any proposed changes to the Board of Directors to complement the Bank's corporate strategies;
- (2) to formulate the standard and procedures for the selection of directors and senior management members of the Bank, as well as submit the same to the Board of Directors for consideration;
- (3) to select suitable candidates with relevant qualifications for directors and senior management members;
- (4) to review and make recommendations candidates on the candidates for directors and senior management members;
- (5) to formulate, review and discuss the diversity policy of the Board of Directors, make recommendations to the Board of Directors on the necessary amendments, and supervise the implementation of the diversity policy of the Board of Directors;

- (6) to assess the independence of independent directors;
- (7) to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
- (8) to perform such other duties and powers as authorized by the Board of Directors.

Diversity Policy on the Composition of the Board of Directors:

On 27 August 2013, the Bank adopted the Diversity Policy on the Composition of the Board of Directors, the details of which are set out as follows:

(1) Purpose

In accordance with the amendments to the CG Code as set out in Appendix 14 to the Hong Kong Listing Rules, to achieve objectives of diversity of the composition of the Board of Directors, the policy was thereby formulated.

(2) Vision

The Bank adhered to the Diversity Policy on the Composition of the Board of Directors, which was beneficial to the improvement of the good level of corporate governance of the Bank.

(3) Policy statement

- ① With a view to achieve the development strategy of operating with characteristics, management refinement and cultivating a good corporate culture, the Bank regarded the Diversity Policy on the Composition of the Board of Directors as a key factor to support strategic objectives and maintain sustainable development. In determining the composition of members, the Board of Directors considers the diversity of members from various aspects, including but not limited to gender, age, cultural and educational background, nation, professional experience, skills and knowledge.
- ② The Board of Directors consists of executive directors, non-executive directors and independent non-executive directors, proportion of which shall satisfy domestic laws and regulations, administrative rules and the requirements of the Hong Kong Listing Rules.
- ③ The qualifications, standards and terms of the Board of Directors shall be in accordance with the requirements of regulatory authorities and regulations of the Articles of Association and take effect upon the qualification approval by the supervisory organization(s) of the banking industry.

(4) Measurable Objectives

- ① Based on a range of diversified categories, selection of board candidates shall be carried out from various perspectives such as gender, age, cultural and educational background, professional experience, skills, knowledge and so forth, pursuant to nomination ways and procedures of directors specified in the Articles of Association. The final decision of selection will be made according to advantages of candidates and contributions one can bring to the Board of Directors as well as the regulations of the Articles of Association.
- ② The composition of the Board of Directors (including gender, age and service tenure) will be disclosed in the corporate governance report each year.

(5) Monitoring and Reporting of the Policy

The nomination committee will report the composition of the Board of Directors on diversity level in the corporate governance report and supervise the implementation of the policy.

(6) Review and Revision of the Policy

The nomination committee will examine and review the policy to ensure the effectiveness of the policy. The nomination committee will discuss any necessary revisions and propose such revisions to the Board of Directors for consideration and approval.

(7) Policy to Take Effect

- ① The policy will take effect from the date of approval by the Board of Directors and the Board of Directors reserves the right of interpretation under the policy.
- ② The summary of the policy and the measurable objectives for implementation of such policy will be disclosed in the corporate governance report each year.

The Board of Directors will review such measurable objectives from time to time if necessary to ensure their suitability and confirm the progress towards achieving such objectives.

Working procedures of the nomination committee:

The nomination committee shall, in accordance with relevant laws, regulations, administrative rules, and provisions of the Articles of Association, and in consideration of the Bank's actual conditions, review the procedures and criteria for electing the Bank's directors and senior management members, and their terms of office; and shall submit to the Board of Directors the resolution thereof; and implement such resolution if it is passed by the Board of Directors.

Procedures for electing directors and senior management members:

- (1) the nomination committee shall, in consideration of the Bank's actual conditions, present the Bank's requirements for new directors and senior management members;
- (2) the nomination committee shall collect the information about the candidates' occupations, education backgrounds, professional titles, work experiences and their part-time jobs, etc.;
- (3) the nomination committee shall seek the nominated persons' agreement of the nomination, or they may not be selected as candidates for directors or senior management members;
- (4) the nomination committee shall call a meeting of the nomination committee to review the qualifications of the preliminary elected candidates for the positions of directors and senior management members according to their credentials, and make recommendation to the Board of Directors;
- (5) the nomination committee shall carry out other subsequent work according to the Board of Directors' decision and feedback.

During the Reporting Period, the nomination committee convened 3 meetings. The third meeting of fourth session of the nomination committee under the Board considered and approved the resolution regarding the appointment of secretary to the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd. The fourth meeting of fourth session of the nomination committee under the Board considered and approved the resolution regarding the nomination of Yin Xianglin as a candidate for non-executive director of Chongqing Rural Commercial Bank Co., Ltd., the nomination of Li Jiaming as an independent non-executive director of Chongqing Rural Commercial Bank Co., Ltd., and the resolution regarding the nomination of Bi Qian as an independent non-executive director of Chongqing Rural Commercial Bank Co., Ltd. The fifth meeting of fourth session of the nomination committee under the Board considered and approved the resolution regarding the nomination of Gu Xiaoxu as a candidate for non-executive director of Chongqing Rural Commercial Bank Co., Ltd.

Except Mr. Li Jiaming, all the then members of the nomination committee were present in person at the 3 meetings mentioned above.

5. *Remuneration Committee*

The remuneration committee currently comprises 5 directors, with Mr. Song Qinghua (independent non-executive director) as the chairman and Mr. Xie Wenhui, Mr. Luo Yuxing, Mr. Lee Ming Hau and Mr. Li Jiaming being its committee members. Majority of the members are independent non-executive directors.

The main responsibilities of the remuneration committee include:

- (1) to review and consider the Bank's fundamental system and policy of remuneration management and submit the same to the Board of Directors for consideration;
- (2) to study and review the remuneration policies for the directors and senior management and submit to the Board of Directors for consideration;
- (3) to prepare, study and review the remuneration plans for directors and senior management, submit the same to the Board of Directors for consideration and supervise their implementation;
- (4) to review the appraisal of performance of duties of directors and senior management, make recommendation on remuneration allocation of directors and senior management according to the appraisal of performance of duties and remuneration allocation policy and submit the same to the Board of Directors for approval;
- (5) to perform relevant responsibilities and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
- (6) to perform such other duties and powers as authorized by the Board of Directors.

During the Reporting Period, the remuneration committee convened 3 meetings in total at which 6 proposals including 2019 report on appraisal of directors and mutual evaluation of independent directors by the Board of Directors and evaluation on the head of the headquarters of the Bank in 2019 were considered and reviewed. Except Mr. Li Jiaming, all the then members of the remuneration committee were present at the 3 meetings above. Mr. Li Jiaming attended 1 meeting mentioned above since he obtained the qualification approval for appointment on 7 December 2020.

Working procedures of the remuneration committee:

The office of the Board of Directors shall be responsible for the preparation for the remuneration committee's decision-making, and shall prepare the following materials:

- (1) the key financial indicators and progress in reaching the business objectives of the Bank;
- (2) the information about the extent to which the objectives of the work performance appraisal system are reached by the directors and the senior management;
- (3) the information about the directors' and senior management's business innovation ability and operation performance based on such ability; and
- (4) the basis of calculation in the formulation of the remuneration allocation plans and method in accordance with the performance of the Bank.

The procedures for evaluation by the remuneration committee on the directors and the senior management:

To consider and examine the information submitted by the office of the Board one by one; to submit to the Board of Directors for consideration the recommendation on the remuneration for the directors and senior management, and the rewarding method in accordance with the result of appraisal of performance of duties and the remuneration allocation policy, after it is passed by voting.

6. *Audit Committee*

The audit committee currently comprises 5 directors, with Mr. Li Jiaming (independent non-executive director) as the chairman, and Mr. Song Qinghua, Mr. Zhang Qiaoyun, Mr. Lee Ming Hau and Ms. Bi Qian being its committee members and majority of the members are independent non-executive directors, which is in compliance with the requirements under Rule 3.21 of the Hong Kong Listing Rules.

The main responsibilities of the audit committee include:

- (1) to supervise the internal control of the Bank, and examine and evaluate the compliance of significant operating activities of the Bank;
- (2) to review the major financial policies of the Bank and their implementation, supervise the financial operation, monitor the truthfulness of financial reports and the effectiveness of implementing the financial report procedure by the management;
- (3) to supervise and evaluate the internal audit work of the Bank as well as the internal audit system of the Bank and its implementation;

- (4) to propose to appoint or change the external auditor, adopt appropriate measures to supervise the performance of the external auditor and ensure the independence of the audit work;
- (5) to review the annual audit report, interim report on financial review and other financial and accounting reports of the Bank and other disclosable financial information prepared by the external auditor, and make a judgment report on the truthfulness, accuracy and completeness of such reports and information and submit such judgment report to the Board of Directors for consideration;
- (6) to review important regulations and reports such as the internal audit charter, medium and long-term audit plans and annual audit plans, and submit to the Board of Directors for consideration;
- (7) to coordinate between the internal audit department and the external auditor;
- (8) to ensure that attention will be drawn to the improprieties of the employees of the Bank that may occur in financial reporting, internal control or other areas, and procure the Bank to carry out fair and independent investigation and take appropriate actions in respect of such matters;
- (9) to review the financial information of the Bank and its disclosure;
- (10) to supervise and evaluate the internal control of the Bank;
- (11) to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
- (12) to perform such other duties and powers as authorized by the Board of Directors.

During the Reporting Period, the audit committee held 10 meetings in total, at which 31 proposals including 2020 internal audit work plan, report on 2019 internal audit work, 2019 annual report and results announcement were considered and reviewed. Except Mr. Li Jiaming and Ms. Bi Qian, all the then members of the audit committee were present at the 10 meetings mentioned above. Mr. Li Jiaming and Ms. Bi Qian attended 1 meeting since they obtained the qualification approval for appointment on 7 December 2020. In addition, the Bank also convened 2 meetings for audit committee and auditors in accordance with the provisions of CG Code during the Reporting Period.

7. *Sannong Financial Services Committee*

The Sannong financial services committee currently consists of 5 directors, with Mr. Liu Jianzhong as the chairman, and Mr. Xie Wenhui, Mr. Zhang Peizong, Mr. Li Jiaming and Ms. Bi Qian being the committee members.

The main responsibilities of Sannong financial services committee are:

- (1) To examine and approve the Bank's Sannong financial services development strategy planning;
- (2) To examine and approve the Bank's annual Sannong financial services development goal;
- (3) To examine and approve the Bank's Sannong financial services resource allocation plan;
- (4) To supervise and evaluate the implementation situation of Sannong financial services by the Bank's operation and management layer, and report to the Board of Directors;
- (5) The relevant functions and powers stipulated by securities regulatory authority and the relevant laws and regulations in the place where the Bank's shares were listed;
- (6) Other functions and powers conferred by the Board of Directors.

During the Reporting Period, Sannong financial service committee convened 2 meetings to consider the 2019 Work Report on Sannong Financial Services of Chongqing Rural Commercial Bank Co., Ltd. and the first half of 2020 Work Report on Sannong Financial Services of Chongqing Rural Commercial Bank Co., Ltd., respectively. Except Mr. Li Jiaming and Ms. Bi Qian, all the then members of Sannong Financial Services Committee attended the 2 meetings mentioned above.

8. *Consumer Rights Protection Committee*

The consumer rights protection committee currently comprises 5 directors, with Mr. Xie Wenhui as the chairman, and Mr. Zhang Peng, Mr. Wen Honghai, Mr. Song Qinghua and Mr. Zhang Qiaoyun being the committee members.

The main responsibilities of Consumer Rights Protection Committee are:

- (1) To review the administrative measures for the consumer rights protection of the Bank according to the general plan of the Bank and make recommendations to the Board of Directors;
- (2) To review the Bank's plan on consumer rights protection, evaluate the Bank's consumer rights protection work and provide comments on enhancing the Bank's consumer rights protection work;
- (3) To review the audit of consumer rights protection according to the annual audit plan for consumer rights protection;

- (4) To review the Bank's report on consumer rights protection and the rectification report on consumer rights protection; and
- (5) Other functions and powers conferred by the Board of Directors.

During the Reporting Period, the consumer rights protection committee convened 4 meetings to review and consider 4 resolutions regarding special audit on consumer rights protection work for 2019, opinion on financial consumer rights protection work for 2020, first half of 2020 report on consumer rights protection work and administrative measures for the consumer rights protection of Chongqing Rural Commercial Bank. Except Mr. Zhang Peng, all the then members of the consumer rights protection committee were present at the 4 meetings mentioned above.

V. Board of Supervisors

(1) Composition of the Board of Supervisors

As of the end of 2020, the Board of Supervisors comprised 8 supervisors, including 2 shareholder representative supervisors, namely Ms. Zuo Ruilan and Ms. Huang Qingqing, 3 external supervisors, namely Mr. Zhang Jinruo, Mr. Hu Yuancong and Mr. Zhang Yingyi; 3 employee representative supervisors, namely Mr. Zheng Yi, Mr. Zhu Yuzhou and Mr. Le Xiaoming. Ms. Zuo Ruilan and Ms. Huang Qingqing were nominated by Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司) and Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門高鑫泓股權投資有限公司), respectively.

Our supervisors are elected for a term of three years and may be subject to re-election upon expiration of their terms of office. Our external supervisor are elected for a term of three years and are eligible for re-election, provided that their terms of office shall not exceed six consecutive years.

(2) Meetings of the Board of Supervisors

As of the end of 2020, the Board of Supervisors held 9 meetings at which 38 proposals mainly including annual conclusion of the Board of Supervisors, report on centralized supervision and inspection, special investigation reports on core business, financial budgets and accounts, profit distribution and report on internal control evaluation were considered and heard.

Corporate Governance Report

Attendance records of the supervisors at meetings of the Board of Supervisors during the Reporting Period are set out as follows:

Supervisors	Actual attendance/meetings required to attend during the term of office
Zeng Jianwu	6/6
Zuo Ruilan	9/9
Huang Qingqing	3/3
Wang Hong	6/6
Hu Shuchun	6/6
Pan Like	6/6
Zhang Jinruo	3/3
Hu Yuancong	3/3
Zhang Yingyi	3/3
Zheng Yi	8/9
Zhu Yuzhou	9/9
Le Xiaoming	8/9

Notes:

1. Mr. Zheng Yi, due to his normal annual leave, authorized supervisor Zhu Yuzhou to take one vote on behalf of him in the meeting.
2. Mr. Le Xiaoming, due to his attending of the Party School, authorized supervisor Zhu Yuzhou to take one vote on behalf of him in the meeting.

VI. Chairman and President

The roles and functions of the chairman and the president of the Bank are carried out by different individuals. The chairman of the Board of Directors is the legal representative of the Bank, and is responsible for planning the overall strategies of the Bank and leading the Board of Directors so as to ensure that it functions efficiently and discusses all material matters in a timely manner.

The president of the Bank is responsible for the Bank's business development and the management and operation of overall business. The president is appointed by and is accountable to the Board of Directors and discharges his duties in accordance with the Articles of Association and the authorization of the Board of Directors.

The roles of the chairman and the president are separate and their duties are clearly defined. The senior management takes charge of the daily operation and management.

VII. Appointment of Directors

The term of office of directors of the Bank (including non-executive directors) is three years, and directors may be re-elected upon expiration of their term of office. The term of office of independent non-executive directors is three years, and they are eligible for serving as independent non-executive directors of the Bank upon expiration of their term of office, provided that their terms of office shall not exceed six consecutive years.

VIII. Securities Transactions by Directors and Supervisors

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

IX. External Auditors’ and Auditors’ Remuneration

It was considered and approved at the 2019 general meeting of the Bank that the Bank continued to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Bank for 2020. The above two accounting firms have served the Bank continuously for 7 years.

The Bank’s 2020 financial statements and internal control in 2020 prepared by the Bank in accordance with the Chinese Accounting Standards has been audited by PricewaterhouseCoopers Zhong Tian LLP, and signed by certified public accountants Li Tieying and Feng Ye, of which Li Tieying and Feng Ye have two years and one year of continuous service as signing certified accountant, respectively. The 2020 financial statements prepared in accordance with the International Financial Reporting Standards have been audited by PricewaterhouseCoopers, and signed by accountant Leung Kwok Wai, with a continuous service life of two years.

During the Reporting Period, the total tax-inclusive price paid by the Bank to the auditors was RMB7.65 million, including internal control audit expenses of RMB800,000.

X. Sponsor and Remuneration

In 2019, the Group hired China International Capital Corporation Limited as the sponsor for the public offering of new shares, and the period for its continuous supervision on the Bank ended on 31 December 2021, and its remuneration was fully paid in 2019.

XI. Risk Management and Internal Control

With a sound organizational structure and clear levels of responsibilities and reporting procedures, the Bank has established a risk management and internal control framework. Among them, the Board of Directors is responsible for the establishment, improvement and effective implementation of the risk management and internal control system. The Board of Supervisors supervises the establishment and implementation of risk management and internal control by the Board of Directors and senior management. The senior management is responsible for the ordinary operation of risk management and internal control of the Bank. In addition, the Board of Directors established Audit Committee, Risk Management Committee and Related Party Transaction Supervision Committee to assist the Board of Directors in performing its supervisory and corporate governance duties, covering the Group's financial, operational, compliance, risk management and internal control, as well as financial resources and internal audit functions.

The Board of Directors placed utmost emphasis on the establishment of internal control. The Bank adhered to internal control rules such as the Basic Rules of Enterprise Internal Control (企業內部控制基本規範) promulgated by five ministries and commissions including the Ministry of Finance, the Guidelines for Internal Control of Commercial Banks (商業銀行內部控制指引) issued by the CBIRC, together with the Outline of Internal Control Management (內部控制管理大綱) (the "Outline") formulated by the Bank itself as the underlying basis and framework for effecting internal control across the Bank, as well as the guiding principles for carrying out various kinds of businesses and managerial activities. The Outline clearly defines internal control responsibilities, measures, guarantees, evaluation and supervision; important internal control measures are fully covered from system specifications, business processes, risk assessment, information system control, post powers and responsibilities, authorization approval, accounting, property protection, budget management, business analysis, new organization establishment, business innovation, business outsourcing, contract management, seal management, anti-money laundering management, etc; In terms of level of important business lines, basic requirements are set for major business lines such as credit business, deposit business, intermediary business, financial market business, international business, electronic banking business, bank card business and financial accounting management.

During the Reporting Period, the Bank evaluated the internal control status of the whole bank in 2020, and no major defects were found in the internal control of the Bank after review by the Board of Directors of the Bank. For details, please refer to the 2020 Internal Control Evaluation Report of Chongqing Rural Commercial Bank Co., Ltd. issued by the Bank and the Internal Control Audit Report issued by PricewaterhouseCoopers Zhong Tian LLP.

The Bank has implemented a risk management system in its core business operations, conducts regular risk management evaluations, and routinely reports the relevant evaluation results to the Bank's senior management and Board of Directors. The evaluation mainly covers the internal risk level, comprehensive risk management capability, internal and external risk trends and the next step of risk management plan. Please refer to the "Management Discussion and Analysis – Risk Management" section of the Annual Report for more information on the Group's risk management in 2020.

At the same time, the Bank has adopted procedures to regulate the handling and dissemination of insider information, ensuring the confidentiality before the disclosure of such information is properly approved and an effective and consistent manner in which such information is to be disclosed. While actively pushing ahead with restructuring, optimization of system, procedures and IT system, the Board of Directors, the Board of Supervisors and the senior management will maintain its ongoing focus on the efficiency of internal control to enhance capabilities of its functional departments, branches and sub-branches in terms of risk aversion and control, whereby boosting operation effectiveness and results.

During the Reporting Period, the Board of Directors of the Bank have completed the semi-annual and annual assessment on the effectiveness of the risk management systems of the Bank (twice per year on a regular basis). The Board of Directors believes that, the overall operation of the Bank's risk management and internal control systems is sufficient and effective. No major issues should be concerned with during the year.

XII. Company Secretary

Ms. Chu Wai Ha resigned as the joint company secretary of the Bank on 26 August 2020, and Ms. Wong Sau Ping was appointed as the joint company secretary of the Bank on 26 August 2020. Ms. Wong is engaged from external service provider and has complied with the requirements of Rule 3.29 of the Hong Kong Listing Rules of receiving relevant professional training for not less than 15 hours during the Reporting Period.

The main contact person in the Bank to liaise with Ms. Wong was Mr. Hou Cheng, head of the office of the Board of Directors for the year of 2020.

The Bank convened the 38th meeting of the fourth session of the Board of Directors on 26 August 2020 and appointed Mr. Zhang Peizong as the Secretary to the Board of the Bank. Mr. Zhang Peizong had obtained the qualification certificate of board secretary after receiving the 132 th board secretary training organized by the SSE in July 2020. On 11 September 2020, the Bank received the Reply of the CBIRC Chongqing Office on the Qualification for Appointment of Zhang Peizong of Chongqing Rural Commercial Bank Co., Ltd. (Yu Yin Bao Jian Fu [2020] No.197), and the CBIRC Chongqing Regulatory Bureau has approved the qualification for appointment of Mr. Zhang Peizong as the Secretary to the Board of the Bank. Mr. Zhang Peizong has officially appointed as the Secretary to the Board of the Bank since 11 September 2020.

XIII. Rights of Shareholders

Rights of shareholders to request the convening of an extraordinary general meeting

Upon the requisition in writing of shareholders holding 10% or more of the Company's issued shares carrying the voting rights, the Bank shall convene an extraordinary general meeting within 2 months.

Rights of shareholders to make provisional proposals for the general meeting

As for the general meeting in the Bank, the shareholders individually or jointly holding more than 3% of the total voting shares in the Bank, shall all have the right to present new proposals in writing to the Bank, and the Bank shall place into the agenda of the meeting the matters in such proposals falling within the functions of the general meeting.

The shareholders individually or jointly holding more than 3% of the total voting shares in the Bank, may make written provisional proposals to the Bank ten (10) days before the meeting, and submit such proposals to the convener. The convener shall, within two (2) days after receiving such proposals, issue a supplementary notice to the general meeting, stating such provisional proposals.

Shareholder's inquiry right

After a shareholder provides the Bank with written documents certifying the class and number of shares of the Bank him/her held and verifying him/her identity, he/she shall have the right to inspect the relevant information of the Bank in accordance with the Articles of Association of the Bank, including the Articles of Association, the minutes or resolutions of the general meeting, the resolutions of the Board of Directors, the resolutions of the Board of Supervisors, and the periodic reports announced by the Bank.

XIV. Information Disclosure

The Bank places great emphasis on the communications with its shareholders and strives to enhance understanding and communication through many channels such as general meetings, results announcement meetings, roadshows, receiving visitors and answering telephone enquiries.

XV. Investor Relations

(1) Amendments to the Articles of Association

At the 2019 General Meeting of the Bank held on 20 May 2020, the resolutions on amendments to the Articles of Association, among others, were considered and approved by the Bank. The Approval of Amendments to the Articles of Association of Chongqing Rural Commercial Bank Co., Ltd. by Chongqing Rural Commercial Bank (Yu Yin Bao Jian Fu [2020] No. 184) (《中國銀保監會重慶監管局關於同意重慶農村商業銀行股份有限公司修改章程的批覆》(渝銀保監覆[2020]184號)) was approved and issued subsequently by the CBIRC Chongqing Office on 2 September 2020, approving the amendment of the Articles of Association passed at the 2019 general meeting of the Bank. The amended Articles of Association has become effective since the date of the approval from the CBIRC Chongqing Office. The amendments

to the Articles of Association of the Bank mainly include: (1) the time for the written notice of convening the general meetings was revised in accordance with the Reply of the State Council on the Adjustment of the Notice Period of Convening the General Meeting and Other Matters Applicable to the Overseas Listed Companies: 20 days in advance for annual general meetings, and 10 business days or 15 days in advance (whichever is earlier) for extraordinary general meetings; H-share shareholders and shareholders attending the general meeting through the Internet do not need to submit the reply slip; where the number of voting shares of the shareholder representatives attending the meeting does not reach more than 1/2 of the total number of voting shares of the Bank, it is not required to resend the notice and publish the same in newspapers. (2) According to the relevant requirements of the SSE, the senior managers of the Bank shall undertake the corresponding responsibilities and obligations of the listed company upon the listing of A-shares of the Bank, while the heads of business department, branch and sub-branch presidents are unqualified. However, the exclusion of the heads of business department, branch and sub-branch presidents from other senior managers shall not mean the revocation of the qualification approval by the banking and insurance regulatory institution, nor avoidance of the liabilities and obligations authorized by the banking regulatory institution. Therefore, the Bank revised the scope of other senior management and deleted “the heads of business department, branch and sub-branch presidents” in the Articles of Association according to the definition of senior management stipulated in the Company Law. (3) In accordance with Articles 23-25 of the Guidelines for the Articles of Association of Listed Companies (2019), relevant requirements on the repurchase of shares outstanding have been revised. (4) In accordance with the relevant provisions of the Guidance for the Articles of Association of Listed Companies issued by CSRC, the Bank is intended to amend the article 201 of the original Articles of Association and add relevant provisions regarding “the independent directors are the majority and act as conveners of the audit committee, nomination committee and remuneration committee, and the convener of the audit committee are accounting professionals. The Board is responsible for the formulation of the working rules and procedures of each special committee to regulate the operation of the special committees.” (5) The Bank added relevant provisions regarding the right to propose held by the Party Committee and the municipal SASAC which can be exercised at the interim board meetings, the management of the working funds for the Party organisation, the leadership system of “Dual Entry and Cross Appointment” implemented by the Bank; and amended relevant contents about the Party Committee’s meeting convening, voting and participation in decision-making process. (6) According to regulatory requirements and the actual situation of the Bank, the Bank deleted the requirement in the Articles of Association that the chief supervisors of the Bank “shall start to perform its duties after being approved by banking regulatory authorities in China.” (7) The Bank added relevant provisions regarding the scope of independent directors’ independent opinions to the Board or general meetings on major matters of the Bank and the qualifications for appointment as an independent director.

(2) Shareholders' Enquiries

Any enquiries related to the shareholding, including the transfer of shares, change of address, loss of share certificates and dividend warrants, should be sent in writing to the following address:

A Shares:

Shanghai branch of China Securities Depository and Clearing Company Limited
No.188, Yanggao South Road, Pudong New District, Shanghai
Tel: 4008058058 (customer service center)

H Shares:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862 2863
Facsimile: (852) 2865 0990/(852) 2529 6087

(3) Investor Relations Contact Information

Shareholders and investors may send enquiries to the Board of Directors to the following:

Office of the Board of Directors of the Bank
No. 36 Jinshamen Road, Jiangbei District, Chongqing, China
Telephone: (8623) 6111 1637
Facsimile: (8623) 6111 0844
Email: ir@cqrcb.com

Principal Place of Business in Hong Kong of the Bank:

31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

This annual report is available on the websites of the Bank (www.cqrcb.com), Hong Kong Stock Exchange (www.hkexnews.hk) and Shanghai Stock Exchange (<http://www.sse.com.cn>).

XVI. Other Information

The Bank holds a financial license number B0335H250000001 approved by the CBIRC, and was authorized by the Market Supervision Administration of Chongqing Municipality to obtain a corporate legal person business license with a unified social credit code 91500000676129728J. The Bank is not an authorized institution in accordance with the Hong Kong 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 deposit-taking business in Hong Kong.

Report of the Board of Directors

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

1. Principal Activities

The Group is principally engaged in a range of banking services and related financial services in China.

2. Profit and Dividends

(1) Formulation and implementation of the cash dividend policy

According to the Articles of Association of Chongqing Rural Commercial Bank Co., Ltd., the Bank may distribute dividend in the form of cash, share, or a combination of cash and share. The dividend distribution policy of the Bank shall be focused on generating reasonable return for investors. The dividend distribution policy shall maintain its continuity and stability and, meanwhile, give consideration to the long-term interests of the Bank, the interests of the shareholders as a whole and the sustainable development of the Bank. Cash shall be the main form of dividend distributed by the Bank. If required under the regulatory requirements of the securities regulatory authorities at the places where the shares of the Bank are listed, the Bank shall provide online voting platform when the profit distribution plan is considered and deliberated. Except under special circumstances, the Bank shall distribute dividend to shareholders of ordinary shares in the form of cash every year with an aggregate amount not less than 10% of the net value attributed to shareholders of the Bank.

During the Reporting Period, the implementation of the Bank's profit distribution plan for 2019 was strictly implemented in accordance with the relevant provisions of the Articles of Association of the Company, and the standard and proportion for dividend distribution were clear and distinct. According to the resolution passed at the 2019 Annual General Meeting of the Bank held on 20 May 2020, a cash dividend of RMB0.23 per Share (tax inclusive) for 2019 will be distributed to all shareholders with a total of RMB2.612 billion (tax inclusive) distributed, based on the total share capital of 11.357 billion Shares. Specifically: cash dividend of RMB2.034 billion (tax inclusive) will be distributed for A Shares on 19 June 2020; cash dividend of RMB578 million (tax inclusive) will be distributed for H shares in HKD for H Shares on 13 July 2020.

The Bank's profit distribution plan for 2020 will also be implemented in strict accordance with the relevant provisions of the Articles of Association of the Bank and will be submitted to the Bank's 2020 Annual General Meeting for consideration upon consideration and approval by the Bank's Board of Directors. The independent directors of the Bank have issued independent opinions on the profit distribution plans for 2019 and 2020, and the Bank has fully protected the legitimate rights and interests of small and medium-sized investors during the process of equity distribution plans and implementation of plans.

(2) 2020 Profit Distribution Plan

On the basis of the audited after tax profit of the Bank for 2020 in the amount of RMB7,863 million, 10% of such profit (being RMB786 million) be appropriated for statutory surplus reserve and on the basis of a margin of 1.5% of the remaining amount of risk assets, RMB1.702 billion be provided for the general risk reserve. The Board of Directors recommended a distribution of cash dividends in an aggregate amount of RMB2.521 billion (tax inclusive) for 2020 to all the Shareholders at a par value of RMB0.222 per share (tax inclusive). The Bank is in the stage of strategic transformation and development, the reserved undistributed profits will be used to replenish capital, support the implementation of the development strategies of the Bank, optimise and adjust business structure, improve its own profitability and enhance resistance to risks. The dividend distribution plan will be submitted to the annual general meeting of 2020 for consideration and approval. If such proposal obtains approval from the annual general meeting of 2020, the A share dividend is expected to be paid on 29 June 2021, and H share dividend is expected to be paid on 9 July 2021. Such proposed dividends will be denominated in RMB. Dividends payable to holders of A shares shall be paid in RMB, whereas dividends payable to holders of H shares shall be paid in HKD. The applicable exchange rate for dividends payable in HKD shall be the average of the central parity rates of RMB to HKD of the five business days preceding the date of declaration (including first date) of such dividends at the 2020 annual general meeting of the Bank as announced by the Central Bank.

(3) Profit distribution in the past three years

The distribution of cash dividends of the Bank in the past three years are as follows:

RMB: in million	2020	2019	2018
Cash dividends	2,521	2,612	2,000
As a percentage of profit for the year	29.44%	26.15%	21.82%
As a percentage of net profit attributable to ordinary shareholders	30.01%	26.76%	22.08%

Note: Implementation of the 2020 profit distribution plan is subject to the consideration and approval at the 2020 annual general meeting.

III. Annual General Meeting and Closure of Register of Transfer of H Shares

The annual general meeting of the Bank for the year 2020 will be held on Friday, 28 May 2021. In order to determine the holders of shares who are eligible to attend and vote at the annual general meeting, the register of transfers of H shares of the Bank will be closed from Wednesday, 28 April 2021 to Friday, 28 May 2021, both days inclusive, during which period no transfer of shares will be registered. For holders of H shares of the Bank who wish to attend and vote at the annual general meeting for 2020, all transfer documents and the relevant share certificates must be lodged with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 27 April 2021.

IV. Reserves

Please refer to the section headed "Consolidated Statement of Changes in Equity" for details of the movements in the reserves available for distribution to shareholders of the Group for the year ended 31 December 2020.

V. Summary of Financial Information

Please refer to the section headed "Financial Summary" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2020.

VI. Donations

During the year ended 31 December 2020, the Group made charitable and other donations amounting to approximately RMB25.90 million.

VII. Property and Equipment

Please refer to "Notes to the Consolidated Financial Statement: 23. Property and Equipment" of this annual report for details of movements in the property and equipment of the Group during the year ended 31 December 2020.

VIII. Retirement Benefits

Please refer to “Notes to the Consolidated Financial Statement: 32. Accrued staff costs” of this annual report for details of the retirement benefits provided to employees of the Group.

IX. Ultimate Parent Company and Subsidiaries

As of 31 December 2020, the Bank did not have any ultimate parent companies. For details of the subsidiaries, please refer to the “Notes to the Consolidated Financial Statement: 22 Investments in Subsidiaries and Structured Entities” of this annual report.

X. Purchase, Sale and Redemption of Shares of the Bank

Neither the Bank nor its subsidiaries had purchased, sold or redeemed any shares of the Bank during the Reporting Period.

XI. Pre-emptive Rights

Neither the Articles of Association nor the relevant PRC laws have such provisions under which the Bank’s shareholders have pre-emptive rights. The Articles of Association provides that if the Bank wishes to increase its capital, it may issue new shares to non-specified investors, place or allot new shares to existing shareholders, issue new shares to targeted investors, convert new shares from capital reserve, or through other means as permitted by laws or administrative regulations.

XII. Major Customers

During the Reporting Period, the aggregate amount of interest income and other operating income generated from the five largest customers of the Bank represented an amount not exceeding 30% of the total interest income and other operating income of the Bank.

XIII. Equity-linked Agreement

As of 31 December 2020, the Banks has not entered into any equity-linked agreement.

XIV. Share Capital

There has been no change in the share capital of the Bank during the Reporting Period.

XV. Top Ten Shareholders and Their Shareholdings

For the details of the top ten shareholders and their shareholdings of the Bank as of 31 December 2020, please refer to the section headed “Changes in Shares and Particulars of Shareholders” of this Annual Report.

XVI. Directors, Supervisors and Senior Management

As of the date of this annual report, the Board of Directors comprised 12 directors in total, including three executive directors, namely Mr. Liu Jianzhong (chairman), Mr. Xie Wenhui (president) and Mr. Zhang Peizong (vice president); four non-executive directors, namely Mr. Zhang Peng, Mr. Yin Xianglin, Ms. Gu Xiaoxu and Mr. Wen Honghai; five independent non-executive directors, namely Mr. Song Qinghua, Mr. Zhang Qiaoyun and Mr. Lee Ming Hau, Mr. Li Jiaming and Ms. Bi Qian.

As of the date of this annual report, the Board of Supervisors comprised eight supervisors in total, including two shareholder representative supervisors, namely Ms. Zuo Ruilan and Ms. Huang Qingqing; three external supervisors, namely Mr. Zhang Jinruo, Mr. Hu Yuancong and Mr. Zhang Yingyi; three employee representative supervisors, namely Mr. Zheng Yi, Mr. Zhu Yuzhou and Mr. Le Xiaoming.

As of the date of this annual report, the Bank has 6 senior management members in total, including a president (Mr. Xie Wenhui) and 5 vice presidents (Mr. Wang Min, Ms. Dong Lu, Ms. Shu Jing, Mr. Zhang Peizong and Mr. Gao Song).

Please refer to the “Information on Directors, Supervisors, Senior Management, Employee and Institutes” of this annual report for details of directors, supervisors and senior management of the Bank.

XVII. Confirmation of Independence by the Independent Nonexecutive Directors

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

XVIII. Directors', Supervisors' and the Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

As of 31 December 2020, the interests of the directors, supervisors and the chief executive of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

<i>Unit: share. %</i>					
Name	Position	Capacity	Number of A shares held	% of the total share capital of issued A shares of the Bank	% of the total share capital of the Bank
Directors					
Liu Jianzhong	Secretary to the Party Committee, Chairman and Executive Director	Beneficial Owner	23,500	0.00027	0.00021
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	Beneficial Owner	23,500	0.00027	0.00021
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary to the Board	Beneficial Owner	18,300	0.00021	0.00016
Zhang Peng	Non-executive Director	Beneficial Owner	1,000	0.00001	0.00001
Wen Honghai	Non-executive Director	Beneficial Owner	13,000	0.00015	0.00011
Supervisors					
Zuo Ruilan	Shareholder Representative Supervisor	Beneficial Owner	11,900	0.00013	0.00010
Zhu Yuzhou	Employee Representative Supervisor	Beneficial Owner	37,600	0.00043	0.00033

Other than as disclosed above, none of the directors, supervisors or the chief executive of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as of 31 December 2020.

XIX. Directors', Supervisors' and Senior Management's Financial, Business and Family Relationships

There are no relationships among the directors, supervisors and senior management of the Bank, including financial, business, family or other material relationships.

XX. Arrangements to Purchase Shares or Debentures

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

XXI. Directors' and Supervisors' Interests in Material Transactions, Arrangements and Contracts

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

XXII. Directors' and Supervisors' Service Contracts

None of the directors and supervisors of the Bank entered into service contracts with the Bank that cannot be terminated by the Bank or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

XXIII. Management Contracts

As of 31 December 2020, there was no management and administrative contract in respect of all or any of the principal activities of the Bank being entered into by or existed in the Bank.

XXIV. Permitted Indemnity Provision

There is no permitted indemnity provision was or is in effect which benefit for the directors of the Bank (whether entered into by the Bank or otherwise) or any director of the associates of the Bank (if it is entered into by the Bank) at any time during the financial year and up to the date of the report of the Board of Directors of the Bank.

XXV. Directors' and Supervisors' Interests in Competing Businesses

None of the directors and supervisors of the Bank had any interests in businesses that constitute or may compete, directly or indirectly, with the business of the Bank.

XXVI. Substantial Shareholders

To the knowledge of the Bank, as of 31 December 2020, the interests and short positions of substantial shareholders (within the meaning of the Securities and Futures Ordinance), other than directors and supervisors, in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance were set out in the section entitled "Changes in Shares and Particulars of Shareholders" of this annual report.

XXVII. Corporate Governance

The Bank is committed to maintaining a high level of corporate governance. The manner in which the principles and code provisions in the Corporate Governance Code are applied and implemented by the Bank is set out in details in the “Corporate Governance Report” of this annual report.

XXVIII. Connected Transactions

Transactions between the Bank and the Bank’s connected persons (as defined under the Hong Kong Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules. However, the relevant connected transactions can be exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all its connected transactions and acknowledged that it had complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, “Related Party Disclosures”, and its interpretations by the International Accounting Standards Board. The related party transactions set out in Notes 44 to the Financial Statements of the annual report: Related Party Transactions did not constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

XXIX. Remuneration Policy for the Directors, Supervisors and Senior Management

The Bank has endeavored to improve its remuneration management measures and performance assessment systems for its directors, supervisors and senior management.

The Bank’s remuneration policy for directors, supervisors and senior management is based on the principle of combining incentives and disciplines, short-term incentives and long-term incentives, and market adjustment and governmental regulation, and has defined a structured remuneration system comprising basic annual salary, performance annual salary, tenure incentives, allowances and welfare income.

The Bank participates in the relevant PRC mandatory retirement schemes for its employees including directors, supervisors and senior management. The Bank does not implement mid and long-term incentive plan for directors, supervisors, senior management and other employees of the Bank.

For the remuneration of directors, supervisors and senior management of the Bank as of 31 December 2020, please refer to “Information on Directors, Supervisors, Senior Management, Employee and Institutes” of this report.

XXX. Sufficiency of Public Float

As of 31 December 2020, the total share capital of ordinary shares of the Bank was 11,357,000,000 shares (including 8,843,663,959 A shares and 2,513,336,041 H shares). Based on information that is publicly available to the Bank and to the knowledge of the directors, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange as at the date of this annual report.

XXXI. Tax

Shareholders of the Bank are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation, and shall seek professional advice from their tax and legal advisors on specific payment matters. The following cited laws, regulations and stipulations are all relevant provisions issued as of 31 December 2020.

A Share Holders

Individual shareholders and securities investment funds

In accordance with the provisions of the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the Notice on Issues concerning the Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) issued jointly by MOF, State Administration of Taxation and CSRC, for shares of listed companies obtained by individuals from public offerings and the transfer market, where the holding period is less than 1 month (inclusive), the dividends and bonuses shall be counted as taxable income in the full amount; where the holding period is more than 1 month and less than 1 year (inclusive), 50% of the dividends and bonuses shall be counted as taxable income on a provisional basis; and where the holding period exceeds 1 year, the dividends and bonuses shall be exempted from individual income tax on a provisional basis. Individual income taxes on the aforesaid incomes shall be levied at the uniform rate of 20%. Individual income taxes levied on dividends and bonuses obtained by equity investment funds from listed companies are also calculated in accordance with the aforementioned rules. The individual shareholders of restricted shares shall calculate and levy individual income tax at the applicable tax rate of 20% after deducting 50% of the dividend income obtained before the lifting of the ban on shares, and implement differential tax policies on the dividend income obtained after the lifting of the ban on shares according to the shareholding time, which shall start from the lifting of the ban.

Shareholders of resident enterprises

In accordance with the provisions of Article 26(2) of the Enterprise Income Tax Law (《企業所得稅法》), dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises are tax-exempt income. In accordance with Article 83 of the Regulation on the Implementation of the Enterprise Income Tax Law (《企業所得稅法實施條例》), dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises referred to in Article 26(2) of the Enterprise Income Tax Law mean those investment proceeds obtained from direct investment of resident enterprises into other resident enterprises. Dividends, bonuses and other equity investment proceeds referred to in Article 26(2) of the Enterprise Income Tax Law exclude those investment proceeds obtained from publicly offered and tradable stocks of resident enterprises held for less than 12 months on a continuing basis.

QFII

In accordance with the provisions of the Notice of the State Administration of Taxation on Issues Concerning Withholding of Corporate Income Tax on the Dividends, Bonus and Interest paid by Chinese Resident Enterprises to QFII (Guo Shui Han [2009]No. 47), 10% of the enterprise income tax on the dividend income derived from the territory of China by QFII shall be paid in accordance with the provisions of the Enterprise Income Tax Law, and shall be withheld and paid by the enterprises that distribute dividends. Where QFII obtains dividend income and needs to enjoy the treatment under tax agreements (arrangements), it may file an application with the competent tax authority in accordance with the requirements of the Measures for the Administration of Non-resident Taxpayers Enjoying the Treatment under Agreements (SAT Announcement [2019] No. 35, State Administration of Taxation).

Investors in Hong Kong Market

Pursuant to the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) 《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC, for dividend and bonus incomes obtained by investors (including enterprises and individuals) in the Hong Kong market from investing in A shares listed on the Shanghai Stock Exchange, the implementation of differentiated taxation is suspended before the Hong Kong Securities Clearing Company Limited meets the conditions of providing identification, term of shareholding and other specific data of investors to the CSDC; the income taxes thereof are withheld and paid by the listed company at the rate of 10%, which should be duly declared to the governing taxation authority. For Hong Kong investors who are tax residents of foreign countries that have entered into a tax treaty with the PRC specifying an income tax rate for dividend and bonus incomes below 10%, the investing enterprises or individuals may by themselves to apply to the governing tax authority of the listed company to claim the preferential treatment as stipulated in such tax treaties.

H Share Holders

Non-resident Enterprise Shareholders

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897), distributing dividends to foreign non-resident enterprise shareholders of H shares, for 2008 and for the years onwards shall be subject to the enterprise income tax withheld at a uniform rate of 10%. Upon receipt of such dividends, a non-resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements).

Non-resident Individual Shareholders

Pursuant to the regulations in respect of taxation in the PRC, the dividends received by the overseas resident individual shareholders from the shares issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax, which shall be withheld by the withholding agents. For the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply:

1. Where the individuals who receive the dividends and bonuses are residents of countries where the agreed tax rate is lower than 10%, the individuals are entitled to the relevant agreed treatment according to the requirements.
2. Where the individuals who receive the dividends are residents of countries where the agreed tax rate is higher than 10% but lower than 20%, the withholding agent shall withhold the individual income tax according to the agreed actual tax rate when paying the dividends and bonuses.
3. Where the individuals who receive the dividends and bonuses are residents of countries which have not established tax treaties with China or other circumstances exist, the withholding agent shall withhold the individual income tax based on the rate of 20% when paying dividends and bonuses.

Investors of Southbound Trading

Individual shareholders in the mainland of Southbound Trading

Shanghai-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81), for the distribution of dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect, H-share companies shall withhold an individual income tax at the rate of 20% on their behalf in accordance with the register of individual domestic investor as provided by the China Securities Depository and Clearing Corporation Limited. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements.

Shenzhen-Hong Kong Stock Connect: Pursuant to the Circular on Taxation Policies concerning the Pilot Program of the Shenzhen-Hong Kong Stock Exchange Trading Interconnection Mechanism (Cai Shui [2016] No.127), for the distribution of dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect, H-share companies shall withhold an individual income tax at the rate of 20% on their behalf in accordance with the register of individual domestic investor as provided by the China Securities Depository and Clearing Corporation Limited. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements.

Shareholders of mainland enterprises of Southbound Trading

Shanghai-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No.81), dividends received by mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax. In particular, the dividends received by resident enterprises in mainland who hold H shares for 12 consecutive months shall be exempted from enterprise income tax according to law.

Shenzhen-Hong Kong Stock Connect: Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No.127), dividends received by mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law.

XXXII. Business Review

(1) Examining the Company's business and revealing the possible future development of the Company's business

The Group is mainly engaged in banking and related financial services in mainland China, and the discussion and analysis of business review are detailed in the section head "Management Discussion and Analysis — III. Discussion and Analysis of Main Business Operations" of the annual report. The main risks of the Group and the possible future development plan for the Group's business are detailed in the section "Management Discussion and Analysis – V. Risk Management and VIII. Prospects" of the Annual Report.

(2) Compliance with Laws and Regulations

The Board of Directors paid close attention to the policies and regulations in relation to relevant laws and regulations which the Group has to comply with. The Bank has employed legal advisers for mainland China and Hong Kong laws to ensure the transactions and businesses of the Group are carried out under the applicable laws. Relevant employees and operation units will be informed by update on applicable laws and regulations from time to time. Laws and Regulations are the basis and foundation for the legal and compliant operation of the Bank, and also the guidance for the Bank to conduct operating and management activities within the regulatory framework. According to the requirements and changes of laws and regulations, the Bank evaluates the effect on operation and management and make necessary adjustments to ensure healthy business development with legal compliance.

(3) Employment Relations

The Bank placed utmost emphasis on the corporate culture construction, employee management and training, and is committed to build harmonious and stable employment relations. The Bank treasures employees as one of the most important and most valuable assets and has been always cherishing the employees' contribution and support.

In order to facilitate sound operation and sustainable development of the Bank, according to Guidelines on the Supervision of Steady Compensation of Commercial Banks (《商業銀行穩健薪酬監管指引》) of the CBIRC (the former CBRC) and other relevant requirements, the Bank has established a remuneration system consisting of basic remuneration, performance-based remuneration and welfare, which enables a compensation mechanism in which the Bank can achieve its strategic targets and enhance its competitiveness in line with the cultivation of talents and risk control.

The Bank has made great efforts to provide comfortable and harmonious working environment, sound welfare and compensation system and reasonable career planning. By means of appropriate trainings, the Bank has helped employees in career development and promotion.

(4) Relations with Clients and Suppliers

The Bank has been always perfecting the financial services to the clients for deposits and loans and clients from the banking industry to win the clients' understanding, trust and support. The Bank insists on the market principle for all clients who apply for loans, especially the related clients, and avoids special credit aid priority.

In view of the business nature of the Bank, the Bank did not have major suppliers.

(5) Environmental Protection Policy and Implementation of the Bank

For details of the Bank's compliance of laws and regulations that have a significant impact on environmental policies, please refer to the 2020 Corporate Social Responsibility Report of the Bank.

(6) Details of Major Events Subsequent to the End of Financial Year under Review with Significant Influence on the Company

The Bank conducted a comprehensive review on the financial performance of 2020 pursuant to the national laws and regulatory requirements and prepared annual report for the year of 2020. Save for the above, no major event or case having significant influence to the Bank has occurred after completion of annual financial review.

XXXIII. Auditors

It was considered and approved at the 2019 general meeting of the Bank that the Bank continued the engagement of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Bank for 2020. The Bank did not change the auditors for last three years.

On behalf of the Board

Liu Jianzhong
Chairman
30 March 2021

Report of the Board of Supervisors

The Board of Supervisors of the Bank conscientiously fulfilled the responsibility assigned by the Articles of Association. The Board of Supervisors was in line with the principles that were conducive to the sustainable and steady development of the Bank's business, the reform and innovation of the Bank, and the protection of shareholders' rights and interests, so as to carry out work with emphasis on performance supervision, financial supervision, internal control and risk supervision, continuously improve the working methods and enhance the effectiveness of supervision, promoting the steady operation and healthy development of the Bank and effectively playing a role of supervision and balance in corporate governance.

I. Major Work

(1) Supervision on Meetings

During the Reporting Period, the Board of Supervisors of the Bank convened 9 meetings in total, at which 38 resolutions including the financial budget, profit distribution, and internal control evaluation report were considered and approved. The Board of Supervisors played its role as a special committee and convened 9 related meetings, at which the Audit Committee has 4 times, the Internal Control Review Committee has 2 times, the Performance Due Diligence Supervision Committee has 1 time, and the Nomination Committee has 2 times, and a total of 23 resolutions were considered. To ensure that the meetings were effective before each meeting the issues were submitted to the reviewers as required, opinions were fully discussed at the meetings and implementation of resolutions formed after the meetings. The Board of Supervisors attended 4 general meetings and 8 on-site conferences of the Board of Directors to supervise the meeting process and give supervisory opinions on related issues.

(2) Daily Supervision

In terms of the duty performance supervision, the Board of Supervisors performed its duty to carry out supervision. The Board of Supervisors continued to pay attention to the compliance of the Board of Directors, senior management and its members with the laws and regulations and the Articles of Association, strengthened the supervision of the implementation of the development strategies, and conducted post-strategy assessment. The Bank focused on the implementation of the Bank's strategy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents", and whether the salary system is conducive to promoting the high-quality development of the Bank. In view of the shortcomings existing in the actual implementation and in combination with the current business development priorities, constructive suggestions were put forward from the perspective of the Board of Supervisors. The Board of Supervisor paid attention to the supervision of the performance of duties, and collected relevant information on corporate governance, operation and management, risk management and control, and internal supervision, and deepened the supervision of the performance of duties through measures such as attending Board meetings, accessing information, conducting performance evaluations.

Report of the Board of Supervisors

In terms of financial supervision, the Board of Supervisors focused on supervising the Bank's important financial decisions, profit distribution plan and financial budget control, and strengthened the supervision of financial compliance and authenticity, and the effectiveness of financial resources allocation. The Board of Supervisors reviewed the annual report, interim report and quarterly report on a regular basis, focusing on the operating efficiency, the main financial revenue and expenditure, the development of deposit and loan business, and the trend of changes in asset quality. The Board of Supervisors paid attention to the communication with the external auditors, and regularly debriefed the auditing reports by accountants.

In terms of internal control and risk supervision, the Board of Supervisors continued to strengthen the effectiveness of internal control and supervision over the compliance with laws and regulations. The Board of Supervisors focused on the organizational structure of internal control, system construction and implementation, quality of internal control inspection, problem rectification and accountability, etc., review the Bank's internal control evaluation report, intensified the use of internal auditing results, seriously reviewed various internal audit reports, and continued tracking the implementation of the rectification of supervision and revelation of issues, so as to promote the improvement of such rectification. The Board of Supervisors extended the chain of supervision, and strengthened the supervision of holding grassroots operation institutions. The Bank went to Nanchuan Branch to carry out research and follow up the rectification results of sub-branch level problems in centralized supervision and inspection.

(3) Concentrated Supervision

The Board of Supervisors focused on the implementation of national policies, laws and regulations and the "Three Important and One Major" system, main business indicators, strategic sustainable development capabilities, and internal control management and risk prevention, through measures such as on-site inspections, investigations on grassroots operation institutions, meetings with auditors, and reviews on relevant archives, so as to organize and implement its concentrated supervision and inspection. In general, the Board of Supervisors believes that the Bank strictly implements all national policies and laws and regulations, maintains prudent risk appetite, establishes a good sense of compliance management, and upholds the principle of strict governance. The Bank completed the annual plan relatively well in various operation indicators, and the internal control management and risk prevention level has been improved continuously.

(4) Special Inspection

The Board of Supervisors actively carried out special inspection work in accordance with the Bank's operating practices and fully performed its supervisory responsibilities. The Board of Supervisors carried out the inspection through consulting materials, department interviews and other means, and verify the rectification and implementation of the problems identified in the inspection. Judging from the verification, the Board of Directors and the management attach great importance to the rectification of the problems disclosed by the Board of Supervisors, urge relevant responsible departments to formulate effective rectification measures in terms of system process and system construction for the problems revealed in the special inspection, clarify the time limit for rectification and timely follow up the progress of rectification. Overall, the Board of Supervisors has formulated a detailed inspection plan, clarified their respective responsibilities and promoted the improvement of the Bank's comprehensive management level through special inspection.

(5) Self-establishment of the Board of Supervisors

The Board of Supervisors enhanced its system construction by establishing a comprehensive method for the duty performance evaluation on Board of Directors, senior management and its members and revising its method for the duty performance evaluation on supervisors to refine the duty performance evaluation on the supervisors. The Board of Supervisors strengthened its supervision over general duties by regularly collecting and organizing major operational data of the Bank and conducting analysis over the key financial indicators as reference for the Board of Supervisors in making comments. The Board of Supervisors refined its supervision mechanism for rectifications by establishing rectification ledger from the perspective of the Board of Supervisors to conduct targeted interviews and track the progress of rectification regularly. It will conduct comprehensive evaluation on the rectification progress for the whole year to promote the effective use of supervision results.

II. Independent Opinions on Relevant Matters of the Bank

(1) Operations in Compliance with Laws and Regulations

During the Reporting Period, the Bank had been operating in compliance with relevant laws and regulations. Its decision-making procedures complied with the provisions of laws, regulations and the Articles of Association. The directors and senior management were faithful and honest, and diligent in carrying out their duties. They were not found to have contravened any laws, regulations or the Articles of Association; neither did they commit any acts detrimental to the interests of the Bank.

(2) Financial Reporting

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have audited the financial report for the year 2020 of the Company prepared in accordance with the PRC Generally Accepted Accounting Principles and the International Financial Reporting Standards respectively, and has issued unqualified audit report respectively. The financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.

(3) Acquisition and Disposal of Assets

During the Reporting Period, the Board of Supervisors was not aware of any insider transactions or any acts in acquisition or disposal of assets that were detrimental to the interests of the shareholders or leading to a loss on the Bank's assets.

(4) Related Party Transactions

During the Reporting Period, the Bank's related party transactions had been conducted in accordance with relevant regulations and systems and the Board of Supervisors was not aware of any actions in the transactions that were detrimental to the interests of the Bank.

(5) Internal Control

The Board of Supervisors has reviewed the 2020 Annual Internal Control Evaluation Report of Chongqing Rural Commercial Bank Co., Ltd. and was not aware of any significant defect in the Bank's internal control system and its implementation.

(6) Social Responsibility

During the Reporting Period, the Bank vigorously undertook social responsibilities. The Board of Supervisors has no disagreement with the 2020 Report on Social Responsibilities of Corporate (2020年度企業社會責任報告) of the Bank.



30 March 2021

I. Performances of Undertakings

In accordance with relevant laws and regulations, the Bank's undertakings contained in the Prospectus for Initial Public Offering disclosed on 20 September 2019. The undertakings listed in the Announcement on the Listing of the Shares under Initial Public Offering disclosed on 28 October 2019 were faithfully performed.

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly Performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Rural Commercial Bank Co., Ltd.	<p>1. The Bank shall, within 5 trading days after the competent department such as the CSRC or a people's court has made a final determination thereon or a ruling thereon has become effective, initiate the procedures for share repurchase to repurchase all the new A Shares of the Bank under the public offering for any false representation, misleading statement or material omission contained in the prospectus of the Bank which will have a material and substantial effect on the judgment of ability of the Bank to satisfy the conditions of offering under law. Details of the share repurchase scheme will be subject to consideration of the internal and external review and approval of the Bank under applicable laws, regulations, regulatory documents and the Articles of Association. The repurchase price shall not be lower than the issue price thereof plus interest on such shares for such periods from issue to such repurchase at the prevailing bank demand deposit interest rate. In case of any activities such as profit distribution, capitalisation of capital reserves, secondary offering, allotment after the issuance and listing, such repurchase shall cover all the new A Shares and their derivative shares under the public offering, and the above share issue price shall be adjusted for such ex-rights and ex-dividends activities.</p> <p>2. The Bank will compensate the investors fully and promptly for any losses in securities trading suffered by them due to any false representation, misleading statement or material omission in the prospectus of the Bank in accordance with law based on the final determination or the effective ruling made by a competent department such as the CSRC or a people's court.</p>	20 September 2019- permanent	Yes

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly Performed in a timely manner
			<p>The Bank shall be liable in accordance with relevant laws, regulations, regulatory documents and the requirements of the regulatory authorities if it fails to perform the above undertakings.</p> <p>For the performance of each public undertakings made in this offering and listing, the Bank will make the following undertakings:</p> <ol style="list-style-type: none"> 1. The Bank will strictly fulfill relevant obligations and responsibilities according to the undertakings made by it in connection with the initial public offering and listing of domestic RMB ordinary shares (A shares). 2. If the Bank fails to fulfill relevant obligations and responsibilities according to the public undertakings made by it, it hereby undertakes to take the following disciplinary measures <ol style="list-style-type: none"> (1) The Bank will make public explanations for its failure in fulfilling such undertakings on the media designated by the CSRC. (2) The Bank will make compensation for the losses suffered by public investors arising from their transactions made in reliance upon the undertakings made by the Bank in such manner and amount as confirmed by securities regulatory authorities or judicial bodies. (3) Where the undertakings made by the Bank set out specific restrictive measures, the Bank will implement such restrictive measures. 		
Undertakings in relation to the initial public offer	Limited sales of shares	Zuo Ruilan and Zhu Yuzhou, supervisors who hold shares of the Bank	Zuo Ruilan and Zhu Yuzhou, supervisors who hold shares of the Bank, undertake: "The shares of Chongqing Rural Commercial Bank that I hold will not be transferred within 1 year from the stock listing date under this offering. During my term of office in Chongqing Rural Commercial Bank, I will not transfer exceed 25% of the total number of shares of Chongqing Rural Commercial Bank that I hold through concentrated bidding, block trade and share transfer by agreement every year, excluding the shareholdings change caused by judicial enforcement, inheritance, legacy and legal property division. If I resign as the supervisor of Chongqing Rural Commercial Bank, I shall not transfer any shares of Chongqing Rural Commercial Bank that I hold within half a year after the termination of my appointment."	29 October 2019 to half a year after the termination of their appointments	Yes

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly Performed in a timely manner
Undertakings in relation to the initial public offer	Limited sales of shares	149 out of 150 individuals of the Bank who hold more than 50,000 internal employee shares of the Bank	149 out of 150 individuals of the Bank who hold more than 50,000 internal employee shares of the Bank undertake: "The shares of Chongqing Rural Commercial Bank that I hold will not be transferred within 3 years from the listing date of the A shares of Chongqing Rural Commercial Bank. After the lapse of the above 3-year lock-up period, the shares of Chongqing Rural Commercial Bank sold by me in each year shall not exceed 15% of my total shareholdings of the Bank in Chongqing Rural Commercial Bank Co., Ltd.. The total number of shares of the Chongqing Rural Commercial Bank transferred by me from the lapse of the above 3-year lock-up period to 5-year shall not exceed 50% of my total shareholdings in Chongqing Rural Commercial Bank." 1 resigned employee of the Bank did not sign these letters of commitment due to personal reasons.	29 October 2019 to 29 October 2027	Yes
Undertakings in relation to the initial public offer	Limited sales of shares	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and Loncin Holdings Ltd. (隆鑫控股有限公司)	<p>Within 36 months from the listing of the shares issued by Chongqing Rural Commercial Bank, the Company shall not transfer or entrust others to manage the domestic shares issued by Chongqing Rural Commercial Bank directly and/or indirectly held by the Company before the initial public offering of A shares, and the part of those shares held by the Company will not be repurchased by Chongqing Rural Commercial Bank.</p> <p>Shareholders' intention to hold shares and undertakings in relation to reducing their holdings:</p> <p>1. Within 6 months from the listing date of shares issued by Chongqing Rural Commercial Bank, if the closing price of A shares of Chongqing Rural Commercial Bank is lower than the issue price for 20 consecutive trading days, or the closing price is lower than the issue price as at the end of the 6-month period upon the listing (if the day is not a trading day, it will be the first trading day after that day), the lock-up period of the shares of Chongqing Rural Commercial Bank held by it will be automatically extended for another 6 months on the basis of the lock-up period (hereinafter referred to as "the above lock-up period") described in "II. Restrictions on the stock circulation and shareholders' voluntary lock-up undertaking to the shares held by them" under this section. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend.</p>	29 October 2019 to 29 April 2025	Yes

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly Performed in a timely manner
			<p>2. Within 2 years after the expiry of the above lock-up period (including the extended lock-up period), if it reduces its holdings in Chongqing Rural Commercial Bank's A shares which have directly or indirectly held by it before this issuance of Chongqing Rural Commercial Bank (excluding A shares newly purchased from the public market after this issuance of Chongqing Rural Commercial Bank), the reduction price shall not be lower than the issue price of the issuance. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend.</p> <p>3. After the expiry of the lock-up period (including the extended lock-up period) of the shares of Chongqing Rural Commercial Bank held by it, when it reduces its holdings of Chongqing Rural Commercial Bank's A shares, it will notify Chongqing Rural Commercial Bank in writing of the intention to reduce its holdings and the amount of its proposed reduction and Chongqing Rural Commercial Bank shall perform the announcement obligation (if required) in accordance with the rules in force at that time. After 3 trading days from the date of the announcement of Chongqing Rural Commercial Bank, it can reduce its holdings of Chongqing Rural Commercial Bank's A shares.</p>		

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly Performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	<p>There are no false representation, misleading statement or material omission contained in the prospectus of Chongqing Rural Commercial Bank and are jointly and severally liable for its truthfulness, accuracy, completeness.</p> <p>In the event that there are any false representation, misleading statement or material omission in the prospectus for the A-share issuance and listing of Chongqing Rural Commercial Bank, which will result in material or substantial impact on assessing whether Chongqing Rural Commercial Bank satisfies the issuance conditions as required by laws, the Company will procure Chongqing Rural Commercial Bank to repurchase all the new shares under the initial public offering and all shares derived therefrom (if the Company has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the listing of the shares.)</p> <p>The Company will compensate the investors in accordance with law for any losses in securities trading suffered by them due to any false representation, misleading statement or material omission in the prospectus for this issuance and listing of Chongqing Rural Commercial Bank.</p> <p>The Company guarantees the performance of the above undertakings with the dividends that shall be enjoyed in the profit distribution plan of Chongqing Rural Commercial Bank in the year of A-share listing and subsequent years, and after the relevant obligations in the above undertakings of the Company occur and before the performance, the Company shall not transfer the then shares of Chongqing Rural Commercial Bank held by it.</p>	29 October 2019 – permanent	Yes

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly Performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Yufu Capital Opeartion Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司), Loncin Holdings Ltd. (隆鑫控股有限公司), Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司), Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司), Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司), Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司), Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司), Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司), Panhua Group Co., Ltd. (攀華集團有限公司), Chongqing Guanghua Holding (Group) Co., Ltd. 重慶光華控股(集團)有限公司) and Chongqing Jinyuan Times Shopping Mall Co. Ltd. (重慶金源時代購物廣場有限公司)	The Company will comply with Several Provisions on the Reduction of Shares Held by the Shareholders, Directors, Supervisors, and Senior Executives of the Listed Company (《上市公司股東、董監高減持股份的若干規定》) issued by the CSRC, and relevant requirements under the Rules Governing the Listing of Stocks (《股票上市規則》) and the Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies (《上海證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》) issued by the Shanghai Stock Exchange.	29 October 2019 – permanent	Yes

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly Performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Rural Commercial Bank, directors of the Bank (excluding independent directors and directors who are not receiving remuneration from the Bank) and senior management of the Bank	If, within three years after the listing of initial public offering of A Shares of the Bank, the closing prices of A Shares of the Bank remain lower than its latest audited net asset value per share for 20 consecutive trading days which is not attributable to any event of force majeure, subject to the relevant laws, regulations and regulatory documents regarding the increase in shares or repurchase requirements, the Bank and relevant entities will adopt measures, including share repurchase of the Bank and shareholding increment to the directors of the Bank (excluding independent directors and directors who are not receiving remuneration from the Bank) and senior management of the Bank, to stabilise the stock price.	29 October 2019 – 29 October 2022	Yes
Undertakings in relation to the initial public offer	Resolution of horizontal competition	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	<p>1. The existing main business of the Company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) does not involve commercial banking business, and has no horizontal competition with Chongqing Rural Commercial Bank.</p> <p>2. During the period of the Company as a substantial shareholder of Chongqing Rural Commercial Bank, the Company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) will not, directly or indirectly, engage in business activities that compete with or may compete with the main business of Chongqing Rural Commercial Bank in any way. The Company will supervise its subsidiaries in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking.</p> <p>3-5, please refer to "VII. Undertakings of Bank's largest shareholder for avoiding horizontal competition" in the "Prospectus" of the Bank.</p>	20 September 2019 – permanent	Yes

II. Matters Relating to Insolvency or Restructuring

During the Reporting Period, the Bank had no matters relating to insolvency or restructuring.

III. Material Legal Proceedings and Arbitrations

During the Reporting Period, there were no material legal proceedings or arbitrations which had substantial impact on the operating activities of the Group.

As of the end of 2020, pending legal proceedings in which the Group was a defendant or a third party involved an amount of RMB31.48 million. In the view of the Bank, these will not have any material effect on the Bank's operating activities.

IV. Penalties Imposed on the Bank and Directors, Supervisors and Senior Management of the Bank

During the Reporting Period, none of the Bank, its directors, supervisors, senior management members was imposed with mandatory measures by judiciary or disciplinary authorities, handed over to the judiciary or charged with criminal liabilities, investigated by the CSRC, subjected to administrative punishment, prohibited from securities market, deemed an inappropriate person by the CSRC, severely punished by environmental protection, safety regulation, tax and other administrative authorities, or publicly reprimanded by securities exchanges.

V. Integrity

During the Reporting Period, the Bank did not exist the situations either of refusing the execution of court orders nor unsettling significant due debts.

VI. Equity Incentive Plan, Employee Stock Ownership Plan or Other Employee Incentives

During the Reporting Period, the Bank had no equity incentive plan, employee stock ownership plan or other employee incentives.

VII. Material Related Party Transactions

During the Reporting Period, the loan balance of material related party transactions with related parties of the Bank amounted to RMB15.917 billion (excluding accrued interest), accounting for 3.15% of the total loan of the Bank (excluding accrued interest). During the Reporting Period, for details of material related party transactions of the Bank, please refer to the section headed "Management Discussion and Analysis – V. Risk Management – (12) Related Party Transactions" of this report.

VIII. Material Contracts and Their Performance

During the Reporting Period, the Bank had not entered into any material contracts nor performed such contracts.

IX. Acquisition and Disposal of Assets and Merger of Enterprises

During the Reporting Period, the Bank had no material acquisition and disposal of assets and merger of enterprises.

X. Misappropriation of the Funds by Controlling Shareholder or Other Related Parties

During the Reporting Period, the Bank had no misappropriation of the Bank's funds by controlling shareholders or other related parties for non-operating purposes.

XI. Targeted poverty alleviation

Planning on targeted poverty alleviation: the Bank will resolutely implement the decisions and deployments made by the Central Committee of the Communist Party of China and the State Council, focus on the basic strategy of poverty alleviation and the long-term mechanism of financial poverty alleviation, formulate the Notice on Further Consolidating the Responsibility of Poverty Alleviation and Promoting “Eight Actions” in the Decisive Fight Against Poverty Alleviation and the 2020 Guiding Opinions on Support for Poverty Alleviation, give full play to the “leading” role of local financial support in poverty alleviation, and effectively boost the fight against poverty alleviation in the city.

Outline of annual targeted poverty alleviation: during the Reporting Period, the Bank focused on financial targeted poverty alleviation and kept a foothold in targeted re-focusing, policy re-implementation and credit re-inclination, so as to ensure that various measures of poverty alleviation will be put into practice and become effective. Also, the Bank focused on guiding Party building, incorporated financial poverty alleviation into the main tasks of the Party committee, made it clear that the person in charge of Party branches as the first person in charge of poverty alleviation, selected a strong team of 32 first secretaries and staff stationed in villages for poverty alleviation, and trained a “Sannong” team of financial poverty alleviation that knows agriculture, loves rural areas and cares for farmers. As of the end of 2020, the balance of loans issued by the Bank to 18 poverty-stricken districts and counties amounted to RMB140.920 billion, representing a year-on-year growth of RMB28.475 billion, increased by 25.32%; the balance of loans for targeted poverty alleviation reached RMB10.187 billion, with a year-on-year growth of RMB1.258 billion, increased by 14.08%.

Major Events

The Bank's statistics in targeted poverty alleviation are set out as follows:

Indicator	Amount and progress
I. Overall situation	
Capital	The balance of loans invested in targeted poverty alleviation amounted to RMB10,186,673,900; donation of RMB3.4 million was made as poverty alleviation fund, of which RMB2.5 million was used to support the development of industrial projects in poverty-stricken districts and counties; RMB900,000 was used to aid in the construction of "Happy Home" in Pingxi Village, Qianjiang District.
II. Itemized investment	
1. Poverty alleviation by industrial development	
1.1 Type of industrial poverty alleviation project	Rural tourism, rural healthcare, country inn, agriculture, forestry, animal husbandry and fishery and cooperative, etc.
1.2 Amount of investment in industrial poverty alleviation project	RMB3,986,573,200
2. Poverty alleviation by employment transfer	
2.1 Amount of investment in vocational skill training	RMB560,000
3. Poverty alleviation by Consumption assistance	
3.1 Live-streaming e-commerce	10 live-streaming shows
3.2 Amount of special agricultural products sold from poverty-stricken areas through live-streaming e-commerce	RMB1.002 million
4. Poverty alleviation by education	
4.1 Amount of donation to improve educational resources in poverty-stricken areas	RMB2.50 million
5. Poverty alleviation by health	
5.1 Amount of investment in medical and health resources in poverty-stricken areas	RMB2,863,050,700
III. Awards	
The Bank's "Six Character Law" on Promoting Financial Services to Support Poverty Alleviation has obtained the "Typical Cases of Excellent Organizations" of poverty alleviation in the banking industry nationwide; The Bank won the "Pioneer Institution of Targeted Poverty Alleviation Times" selected by the Third Session of China.org.cn Poverty Alleviation Financial Institution Rankings in 2020.	

Planning on follow-up work: The Bank will resolutely implement the decisions and deployments made by the Central Committee of the Communist Party of China and the State Council, consolidate and expand the effective connection between the results of poverty alleviation and rural revitalization, and continue to boost the economic development of areas getting rid of poverty and help the population getting rid of poverty to increase income and become prosperous.

Independent Auditor's Report

To the shareholders of Chongqing Rural Commercial Bank Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 234 to 380, which comprise:

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

Our opinion

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

Independent Auditor's Report (Continued)

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Measurement of expected credit losses for loans and advances to customers
- Consolidation of structured entities – Non-principal Guaranteed Wealth Management Products

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses for loans and advances to customers</p> <p><i>Refer to Note 3.9(d), Note 4.1, Note 11 and Note 20 to the Consolidated Financial Statements.</i></p> <p>As at 31 December 2020, the Group's gross loans and advances to customers amounted to RMB507,886 million, and a loss allowance of RMB20,928 million was recognised in the Group's consolidated statement of financial position. The credit impairment losses on loans and advances to customers recognised in the Group's consolidated income statement for the year ended 31 December 2020 amounted to RMB9,459 million.</p> <p>The balances of loss allowance for loans and advances to customers represent the management's best estimates at the balance sheet date of expected credit losses ("ECL") under the expected credit loss models as stipulated in International Financial Reporting Standard No. 9: Financial Instruments.</p> <p>The Group assesses whether the credit risk of loans and advances to customers have increased significantly since their initial recognition, and apply a three-stage model to calculate their ECL. Management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For corporate loans and advances in stage 3, management assessed ECL by estimating the future cash flows from the loans.</p>	<p>We evaluated and tested the design and operational effectiveness of the internal controls relating to the measurement of expected credit losses for loans and advances to customers, primarily including:</p> <ul style="list-style-type: none"> – Controls over the selection, approval and application of the ECL modelling methodology; and controls relating to the ongoing monitoring and improving of the models; – Internal controls relating to significant management judgements and assumptions, including the review and approval of portfolio segmentation, model selections, parameters estimation, defining significant increase in credit risk, or of defaults or credit-impaired, and selecting forward-looking economic indicators; – Internal controls over the accuracy and completeness of key inputs used by the models. <p>The substantive procedures we performed, primarily including:</p> <ul style="list-style-type: none"> – We reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the portfolio segmentation, models selection, key parameters estimation, significant judgements and assumptions in relation to the models. We examined the coding for model measurement on a sample basis, to test whether or not the measurement models reflect the modelling methodologies documented by management.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses for loans and advances to customers <i>(continued)</i></p> <p>The measurement models ECL involves significant management judgements and assumptions, primarily including the following:</p> <ul style="list-style-type: none"> – Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters; – Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred; – Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; – Estimation of future cash flow for corporate loans and advances in stage 3. <p>For measuring ECL, the Group adopted complex models, employed numerous parameters and data inputs, and applied significant management judgements and assumptions. In addition, the loans and advances to customers and the loss allowance are significant. In view of these reasons, we identified this as a key audit matter.</p>	<ul style="list-style-type: none"> – We selected samples, including the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of management's identification of significant increase in credit risk, defaults and credit-impaired loans. – For forward-looking measurement, we reviewed management's model analysis of their selection of economic indicators; economic scenarios and weightings employed, assessed the reasonableness of the prediction of economic indicators and performed sensitivity analysis of economic indicators, economic scenarios and weightings. – We examined major data inputs to the ECL models on selected samples, including historical data and data on measurement date, to assess their accuracy and completeness. We also performed reconciliation of the major data being used to the information systems, to verify their accuracy and completeness. – For corporate loans and advances in stage 3 which are considered individually significant, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance. <p>Based on our procedures performed, the models, key parameters, significant judgement and assumptions adopted by management and the measurement results were considered acceptable.</p>

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Consolidation of Structured Entities – Non-principal Guaranteed Wealth Management Products</p> <p><i>Refer to Note 3.2, Note 4.2 and Note 45 to the Consolidated Financial Statements.</i></p> <p>As at 31 December 2020, unconsolidated structured entities included non-principal guaranteed wealth management products (“WMPs”) issued and managed by the Group, which amounted to RMB137,255 million.</p> <p>Management’s decision on whether or not to consolidate structured entities was based on an assessment of the Group’s power, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities.</p> <p>We considered the consolidation assessment and judgment made by management involving the structured entities for non-principal guaranteed WMPs should be an area of focus, as whether or not to consolidate these entities involved significant judgment.</p>	<p>Our procedures in relation to management’s assessment on consolidation of structured entities which is non-principal WMPs included:</p> <ul style="list-style-type: none"> – Understood, evaluated and tested management control process adopted on the assessment and disclosure of the consolidation of structured entities; – Read the contract terms in light of the transaction structures and evaluated the Group’s power over the structured entities; – Performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; – Assessed whether the Group acted as a principal or an agent through analysis of the scope of the Group’s decision-making authority, its remuneration entitlement, other interests the Group held, and the rights held by other parties. <p>Based on our procedures performed, we found management’s assessments in relation to the consolidation of structured entities to be acceptable.</p>

Independent Auditor's Report (Continued)

Other Information

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

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Leung Kwok Wai, Jimmy.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	2020	2019
Interest income	5	45,858,981	45,137,586
Interest expense	5	(21,610,111)	(21,763,951)
Net interest income		<u>24,248,870</u>	<u>23,373,635</u>
Fee and commission income	6	3,010,623	2,359,517
Fee and commission expense	6	(107,759)	(120,491)
Net fee and commission income		2,902,864	2,239,026
Net trading gains	7	767,456	759,758
Share of profits of associates		328	–
Other operating income, net	8	224,831	183,213
Net gains on disposal of financial assets measured at fair value through other comprehensive income		36,555	–
Net gains on disposal of financial assets measured at amortised cost		1,002	86,701
Operating income		<u>28,181,906</u>	<u>26,642,333</u>
Operating expenses	9	(7,909,433)	(7,835,915)
Credit impairment losses	11	(10,208,593)	(6,572,643)
Impairment losses on other assets		(1,087)	(847)
Profit before tax		10,062,793	12,232,928
Income tax expense	12	(1,498,020)	(2,244,818)
Profit for the year		<u>8,564,773</u>	<u>9,988,110</u>
Attributable to:			
Shareholders of the Bank		8,401,197	9,759,893
Non-controlling interests		163,576	228,217
		<u>8,564,773</u>	<u>9,988,110</u>
Earnings per share (Expressed in RMB Yuan per share)			
– Basic and Diluted	13	<u>0.74</u>	<u>0.95</u>

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	2020	2019
Profit for the year	8,564,773	9,988,110
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Changes in remeasurement of defined benefit plans	67,544	(29,866)
Changes in fair value of equity instruments measured at fair value through other comprehensive income	<u>(80,902)</u>	<u>(15,395)</u>
	<u>(13,358)</u>	<u>(45,261)</u>
Items that may be reclassified subsequently to profit or loss:		
Net loss on debt instruments measured at fair value through other comprehensive income	<u>(230,498)</u>	<u>(137,095)</u>
	<u>(230,498)</u>	<u>(137,095)</u>
Other comprehensive income for the year, net of tax	<u>(243,856)</u>	<u>(182,356)</u>
Total comprehensive income for the year	<u><u>8,320,917</u></u>	<u><u>9,805,754</u></u>
Total comprehensive income attributable to:		
Shareholders of the Bank	8,157,341	9,577,537
Non-controlling interests	<u>163,576</u>	<u>228,217</u>
Total comprehensive income for the year	<u><u>8,320,917</u></u>	<u><u>9,805,754</u></u>

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

Consolidated Statement of Financial Position

As at 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	31 December 2020	31 December 2019
ASSETS			
Cash and balances with central bank	15	65,368,923	77,413,594
Deposits with banks and other financial institutions	16	27,771,457	15,625,365
Placements with banks and other financial institutions	17	109,615,104	130,375,760
Derivative financial assets	18	58,492	92,263
Financial assets held under resale agreements	19	1,303,008	—
Loans and advances to customers	20	486,963,403	416,340,781
Financial investments	21		
Financial assets measured at fair value through profit or loss		30,164,463	23,677,991
Financial assets measured at fair value through other comprehensive income		16,625,544	7,256,842
Financial assets measured at amortised cost		383,164,489	346,418,416
Investment in associates		450,328	—
Property and equipment	23	4,920,318	4,973,884
Right-of-use assets		167,924	177,216
Goodwill	24	440,129	440,129
Deferred tax assets	34	7,538,644	5,914,297
Other assets	26	1,814,346	1,523,697
Total assets		<u>1,136,366,572</u>	<u>1,030,230,235</u>
LIABILITIES			
Borrowings from central bank	27	62,313,807	31,217,989
Deposits from banks and other financial institutions	28	35,439,301	9,493,063
Placements from banks and other financial institutions	29	26,699,999	26,075,629
Derivative financial liabilities	18	81,746	59,616
Financial assets sold under repurchase agreements	30	6,373,200	15,086,128
Deposits from customers	31	724,999,814	673,401,819
Accrued staff costs	32	4,558,014	4,467,413
Income tax payable		1,018,622	1,032,318
Lease liabilities		148,955	163,963
Debt securities issued	33	173,178,209	171,330,067
Other liabilities	35	6,482,695	8,099,903
Total liabilities		<u>1,041,294,362</u>	<u>940,427,908</u>

Consolidated Statement of Financial Position (Continued)

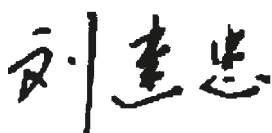
As at 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	31 December 2020	31 December 2019
EQUITY			
Share capital	36	11,357,000	11,357,000
Capital reserve	37	20,924,618	21,014,618
Investment revaluation reserve	38	(417,958)	(106,558)
Actuarial changes reserve		(268,525)	(336,069)
Surplus reserve	39	12,069,842	11,283,588
General reserve	40	14,056,058	12,635,296
Retained earnings	41	35,947,699	32,365,628
		<u>93,668,734</u>	<u>88,213,503</u>
Equity attributable to shareholders of the Bank			
Non-controlling interests		<u>1,403,476</u>	<u>1,588,824</u>
Total equity		<u>95,072,210</u>	<u>89,802,327</u>
Total equity and liabilities		<u>1,136,366,572</u>	<u>1,030,230,235</u>

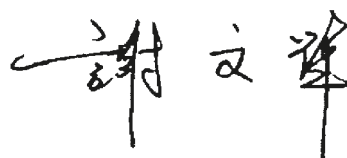
The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 30 March 2021.



LIU JIANZHONG

CHAIRMAN



XIE WENHUI

EXECUTIVE DIRECTOR AND PRESIDENT

Consolidated Statement of Changes In Equity

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Attributable to shareholders of the Bank							Non-controlling interests	Total	
		Share capital	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings			
As at 31 December 2019		11,357,000	21,014,618	(106,558)	(336,069)	11,283,588	12,635,296	32,365,628	88,213,503	1,588,824	89,802,327
Profit for the year		-	-	-	-	-	-	8,401,197	8,401,197	163,576	8,564,773
Other comprehensive income		-	-	(311,400)	67,544	-	-	-	(243,856)	-	(243,856)
Total comprehensive income for the year		-	-	(311,400)	67,544	-	-	8,401,197	8,157,341	163,576	8,320,917
Transactions with non-controlling interests		-	(90,000)	-	-	-	-	-	(90,000)	(300,000)	(390,000)
Appropriation to surplus reserve	39	-	-	-	-	786,254	-	(786,254)	-	-	-
Appropriation to general reserve	40	-	-	-	-	-	1,420,762	(1,420,762)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(2,612,110)	(2,612,110)	(48,924)	(2,661,034)
As at 31 December 2020		11,357,000	20,924,618	(417,958)	(268,525)	12,069,842	14,056,058	35,947,699	93,668,734	1,403,476	95,072,210
As at 31 December 2018		10,000,000	12,483,907	51,108	(306,203)	10,346,945	12,225,243	25,947,255	70,748,255	1,400,607	72,148,862
Profit for the year		-	-	-	-	-	-	9,759,893	9,759,893	228,217	9,988,110
Other comprehensive income		-	-	(152,490)	(29,866)	-	-	-	(182,356)	-	(182,356)
Total comprehensive income for the year		-	-	(152,490)	(29,866)	-	-	9,759,893	9,577,537	228,217	9,805,754
Contribution from shareholders		1,357,000	8,530,711	-	-	-	-	-	9,887,711	-	9,887,711
Appropriation to surplus reserve	39	-	-	-	-	936,643	-	(936,643)	-	-	-
Appropriation to general reserve	40	-	-	-	-	-	410,053	(410,053)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(2,000,000)	(2,000,000)	(40,000)	(2,040,000)
Other comprehensive income transferred to retained earnings		-	-	(5,176)	-	-	-	5,176	-	-	-
As at 31 December 2019		11,357,000	21,014,618	(106,558)	(336,069)	11,283,588	12,635,296	32,365,628	88,213,503	1,588,824	89,802,327

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	2020	2019
Cash flows from operating activities		
Profit before tax	10,062,793	12,232,928
Adjustments for:		
Depreciation and amortisation	849,703	781,961
Credit impairment losses	10,208,593	6,572,643
Impairment losses on other assets	1,087	847
Interest income arising from investment securities	(15,054,438)	(14,214,440)
Interest expense arising from debt securities issued	4,390,412	5,620,213
Net gain on disposal of investment securities	(924,811)	(641,966)
Share of result of associates	(328)	–
Dividends income from investment securities	(4,261)	(6,946)
Net gain on disposal of property and equipment and other assets	(96,336)	(45,742)
Fair value gain/(loss)	119,499	(192,393)
Exchange gain/(loss)	34,991	(64,124)
Operating cash flows before movements in working capital	<u>9,586,904</u>	<u>10,042,981</u>
(Increase)/Decrease in balances with central bank, deposits with banks and other financial institutions	(849,150)	20,508,603
Decrease in placements with banks and other financial institutions	18,024,506	4,122,143
Increase in financial assets held for trading purposes	(1,135,806)	(198,777)
Increase in loans and advances to customers	(79,903,872)	(56,609,846)
(Decrease)/Increase in financial assets sold under repurchase agreements	(8,722,336)	9,144,989
Increase in borrowings from central bank	31,067,674	896,698
Increase/(Decrease) in placements from banks and other financial institutions	624,106	(2,840,687)
Increase in deposits from customers, deposits from banks and other financial institutions	74,862,031	41,085,799
Decrease in other operating assets	2,235,395	1,224,060
Decrease in other operating liabilities	(364,394)	(12,705)
Cash from operating activities	<u>45,425,058</u>	<u>27,363,258</u>
Income tax paid	(3,054,778)	(3,511,999)
Net cash flows from operating activities	<u>42,370,280</u>	<u>23,851,259</u>

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	2020	2019
Cash flows from investing activities			
Cash received from disposal and redemption of investment securities		176,771,684	179,247,875
Interest income received from investment securities		14,232,769	12,919,489
Cash received from disposal of property and equipment and other assets		143,059	56,207
Cash paid for purchase of investment securities		(228,247,446)	(243,245,791)
Cash paid for purchase of property and equipment and other assets		(790,128)	(837,524)
Dividends income from investment securities		4,261	6,946
Net cash used in investing activities		<u>(37,885,801)</u>	<u>(51,852,798)</u>
Cash flows from financing activities			
Cash received from issuance of A-share		–	9,887,711
Transactions with non-controlling interests		(390,000)	–
Debt securities issued		225,530,930	256,640,438
Redemption of bonds issued		(227,370,000)	(249,820,000)
Dividends paid to shareholders of the Bank		(2,615,763)	(1,989,435)
Dividends paid to shareholders of non-controlling interests		(48,875)	(40,000)
Interest paid on debt securities issued		(703,200)	(720,000)
Cash paid in other financing activities		(94,014)	(73,484)
Net cash (used in)/from financing activities		<u>(5,690,922)</u>	<u>13,885,230</u>
Net decrease in cash and cash equivalents		(1,206,443)	(14,116,309)
Cash and cash equivalents as at 1 January		20,533,230	34,637,437
Effect of foreign exchange rate changes		(58,649)	12,102
Cash and cash equivalents as at 31 December	42	<u>19,268,138</u>	<u>20,533,230</u>
Net cash from operating activities include:			
Interest received		31,422,775	30,359,757
Interest paid		(14,718,834)	(14,069,264)
Net interest received from operating activities		<u>16,703,941</u>	<u>16,290,493</u>

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

Chongqing Rural Commercial Bank Co., Ltd. (the “Bank”) is a joint-stock commercial bank incorporated in the People’s Republic of China (the “PRC”) on 27 June 2008. Prior to its incorporation, the business acquired by the Bank (the “Business”) was carried out by 38 rural credit cooperative unions and Chongqing Wulong Rural Cooperative Bank in Chongqing of the PRC (collectively, the “39 Rural Credit Unions”). All of them were managed by the Chongqing Rural Credit Cooperative Union (the “CRCCU”) at the municipal level of Chongqing, the PRC.

Pursuant to the promoters’ agreement among the promoters of the Bank, the Bank acquired all the assets and liabilities of the 39 Rural Credit Unions and the CRCCU on 27 June 2008, and the Business was transferred to the Bank.

The Bank was listed on The Stock Exchange of Hong Kong Limited on 16 December 2010 and was listed on Shanghai Stock Exchange on 29 October 2019.

The Bank has financial services certificate No. B0335H250000001 issued by the China Banking Regulatory Commission (the former “CBRC”. It was renamed as “China Banking and Insurance Regulatory Commission” in 2018, hereinafter referred to as “CBIRC”), and a corporate legal person business license with a unified social credit code 91500000676129728J issued by the Chongqing Administration of Industry and Commerce.

The principal activities of the Bank and its subsidiaries (together referred to as the “Group”) comprise the provision of banking services, which includes deposit taking, loan lending, payment and settlement services, financial leasing and other services as approved by the CBIRC.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collectively include accounting standards and related interpretations issued by the International Accounting Standards Board (the “IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.2 Basis of preparation (Continued)

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based Payment”, leasing transactions that are within the scope of IAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 49.

New standards, amendments and interpretations effective in 2020 and adopted by the Group

- | | | |
|-----|--------------------------------------|--------------------------------|
| (1) | IAS 1 and IAS 8 Amendments | Definition of Material |
| (2) | IFRS 3 Amendments | Definition of a Business |
| (3) | IFRS 9, IAS 39 and IFRS 7 Amendments | Interest rate Benchmark Reform |

- (1) *Amendments to IAS 1 and IAS 8: Definition of Material*

These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

- (2) *IFRS 3 Amendments: Definition of a Business*

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.2 Basis of preparation (Continued)

(3) IFRS 9, IAS 39 and IFRS 7 Amendments: Interest rate Benchmark Reform

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate (“RFR”), the entities that apply these hedge accounting requirements can assume that the interest rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest rate benchmark reform. The amendments must be applied retrospectively.

New standards and amendments not yet effective and have not been adopted before their effective dates

		Effective for annual periods beginning on or after	
(1)	Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark (IBOR) reform	1 January 2021
(2)	Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2022.
(3)	Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
(4)	Amendments to IAS 37	Cost of Fulfilling a Contract	1 January 2022
(5)	Amendments to IAS 16	Proceeds before Intended Use	1 January 2022
(6)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	IASB Annual Improvements 2018 – 2020 cycle	1 January 2022
(7)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.2 Basis of preparation (Continued)

- (1) *Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark (IBOR) reform*

The IASB has issued IBOR Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR), including: 1. For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. 2. Require an entity to prospectively cease to apply the Phase 1 reliefs to a noncontractually specified risk component at the earlier of when changes are made to the noncontractually specified risk component, or when the hedging relationship is discontinued. 3. Additional temporary exceptions from applying specific hedge accounting requirement. 4. Additional IFRS 7 disclosure requirements related to IBOR reform. The amendments are effective for annual periods beginning on or after 1 January 2021, with early application permitted.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

- (2) *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment requires the following:

- Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional (for example, because the loan might contain covenants).
- The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect classification.
- The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.2 Basis of preparation (Continued)

(2) *Amendments to IAS 1: Classification of Liabilities as Current or Non-current (Continued)*

- ‘Settlement’ is defined as the extinguishment of a liability with cash, other economic resources or an entity’s own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The amendment changes the guidance for the classification of liabilities as current or noncurrent. It could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity. All entities should reconsider their existing classification in the light of the amendment and determine whether any changes are required. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(3) *Amendments to IFRS 3: Reference to the Conceptual Framework*

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, ‘Business combinations’, to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(4) *Amendments to IAS 37: Cost of Fulfilling a Contract*

The IASB issued amendments to IAS 37: Cost of Fulfilling a Contract. The amendments clarify the meaning of ‘costs to fulfil a contract’, they explain that the direct cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and; an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.2 Basis of preparation (Continued)

(5) *Amendments to IAS 16: Proceeds before Intended Use*

The IASB issued amendments to IAS 16: Proceeds before Intended Use. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(6) *Annual improvements 2018-2020 cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41)*

The IASB issued amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual improvements 2018-2020 cycle, which include fees included in the 10% test for derecognition of financial liabilities, illustrative examples accompanying IFRS 16, ‘Leases’, subsidiary as a first-time adopter and taxation in fair value measurements. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(7) *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture*

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.2 Basis of preparation (Continued)

- (7) *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture (Continued)*

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and subsidiaries (including structured entities) controlled by the Bank. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

3.2 Consolidated structured entities

The unguaranteed wealth management products ("WMPs") controlled by the Group are presented in the consolidated statement of financial position. In accordance with IFRS9 "Financial Instruments", the financial assets and liabilities held by WMPs are properly classified, according to the criteria, such as the objective and intention of holding, whether there is a quoted price in active market, cash flows of financial instruments, and so forth. The fair value of unguaranteed WMPs of consolidated structured entities is measured in accordance with IFRS 13 "Fair Value Measurement". Normally, the cost of initial recognition of financial instrument is not up to the requirement of subsequent measurement of fair value, unless there are sufficient evidences or reasons illustrating that the cost is still the proper estimate of fair value on the date of measurement.

On the financial reporting date, the Group assesses whether there is objective evidence of impairment of consolidated structured entities except for financial assets measured at fair value through profit and loss. The amount by which the carrying amount exceeds recoverable amount is recognised as an impairment loss. Recoverable amount of consolidated structured entities is the higher of their fair value less costs of disposal and their value in use.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting. The chief operating decision-maker allocates resources and assesses performance of the operating segments, according to the segment reporting.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Specific recognition criteria for different nature of revenue are disclosed below.

(a) Interest income

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

- (i) Purchased or Originated Credit Impaired (“POCI”) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- (ii) Financial assets that are not POCI but have subsequently become credit-impaired (or “stage 3”), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss allowance).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Revenue recognition (Continued)

(b) *Fee and commission income*

Fees and commission income is recognised at the specific point of time or for a certain period of time when the Group fulfills its performance obligations in the contract, that is, when customer obtains control of relevant services.

Fees and commissions charged for performance obligations performed at specific point of time are recognised when customer obtains control of relevant services, mainly including agency insurance, merchant receipt, clearing and settlement, bond underwriting income, etc. Fees and commissions charged for performance obligations performed during a certain period of time are recognised according to the progress of the performance during that period, mainly including consultant and consulting income, custody income, etc.

(c) *Dividend income*

Dividend income from investments is recognised when the Group's right to receive payment is established.

3.6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) *Current tax*

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Taxation (Continued)

(b) Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship, including short-term employee benefits, post-employment benefits, and early retirement benefits.

(a) *Short-term employee benefits*

Short-term employee benefits include employee wages or salaries, bonus, allowance and subsidies, staff welfare, medical insurance, maternity insurance, housing funds, union running costs, employee education costs, and so forth. Actual short-term employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in the expenses in profit or loss.

(b) *Post-employment benefits*

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution plans

Defined contribution retirement schemes

The Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes monthly at the applicable rates based on the amounts stipulated by the local government organisations. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees. During the accounting period in which the employees provide services, the amount payable in accordance with the above regulations are recognised as a liability and charged to the profit or loss

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Employee benefits (Continued)

(b) Post-employment benefits (Continued)

Defined contribution plans (Continued)

Annuity plan

In addition to the statutory provision contributions, the Group's employees retired after 1 January 2019 have voluntarily joined the annuity scheme set up in accordance with state enterprise annuity regulations. The Group contributes to the annuity plan in proportion to the total wages of employees in the previous year. For employees who would soon retire after participating in the annuity scheme, the Group will make compensatory contributions during the transition period in accordance with the policies of the relevant national authorities. After employees' retirement, the enterprise annuity pays pensions to retired employees. During the accounting period in which services are rendered, the Group recognises the calculated payable amount as a liability, and charged to the profit or loss.

Defined benefit plans

The Group pays supplementary retirement benefits for its retired employees, consisting of supplementary pension for employees retired on or before 31 December 2018 and supplementary medical benefits for all retired employees. Such supplementary retirement benefits are defined benefit plans. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income which will not be reclassified to profit or loss in subsequent accounting periods.

(c) Early retirement benefits

The Group provides early retirement benefits to those employees who accept the early retirement arrangement.

Obligations of early retirement benefits are calculated by an independent actuary using the projected unit credit method at the end of the reporting period. All resulting gains or losses are charged or credited to profit or loss immediately as "Operating expenses" when they occur.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the year in which they become receivable.

3.9 Financial instruments

(a) *Measurement method*

Amortised cost and effective interest rate

The amortised cost is determined at the financial assets or financial liabilities at initial recognition after being adjusted as follows:

- (i) deducting the principal repaid;
- (ii) adding or deducting the cumulative amortisation of any difference between the amount at initial recognition and the amount at the maturity date using the effective interest method;
- (iii) deducting any loss allowance (solely for financial assets).

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(a) Measurement method (Continued)

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments traded in active markets is based on quoted market prices (unadjusted) at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. When using valuation techniques, unobservable market inputs would not be used unless relevant observable inputs are not available or not practical to access.

(b) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets are recognised on the trade date, on which the Group commits itself to purchase or sale the asset.

Financial assets and liabilities are measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, i.e. fee and commission. Transaction costs of financial assets or financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Subsequent to initial recognition, expected credit losses of financial investments measured at amortised cost and debt instruments measured at fair value through other comprehensive income are recognised in profit or loss immediately. The difference between the transaction amount and the fair value at initial recognition is accounted for as follows:

- The difference is recognised as a gain or loss only if fair value is evidenced by a quoted price in an active market for an identical asset or liability (that is, a level 1 input) or based on a valuation technique that uses only data from observable markets.
- In other cases, the Group deferred the difference and determined the time when the profit or loss was recognised after the deferral of the first day. The difference may be amortised over the lifetime of the financial instrument or deferred until the fair value of the instrument can be determined using observable market information, or the profit or loss can be realised when the financial instrument is settled.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(c) *Classification and subsequent measurement*

The Group classifies financial assets according to the following measurement categories:

- Fair value through profit or loss (“FVPL”);
- Fair value through other comprehensive income (“FVOCI”); or
- Amortised cost (“AC”).

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

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective, such as loans, government bonds, and corporate bonds.

Classification and measurement of debt instruments depend on:

- (i) The Group’s business model for managing the financial asset; and
- (ii) The contractual cash flows characteristics of the financial asset.

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

Financial assets are classified as financial assets measured at amortised cost if the assets are managed within a business model whose objective is to hold assets in order to collect contractual cash flows; the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the assets are not designated at fair value through profit or loss. The carrying amount of the asset is adjusted in accordance with the expected credit loss allowances recognised and measured. The Group uses the effective interest method to calculate the interest income of the asset and discloses it as “interest income”.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(c) Classification and subsequent measurement (Continued)

Financial assets are classified as financial assets measured at fair value through other comprehensive income (“OCI”) if the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the assets are not designated at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument’s amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and disclosed as “Net trading gain”. Interest income from these financial assets is included in “interest income” using the effective interest method.

Financial assets are classified as financial assets measured at fair value through profit or loss if the assets do not meet the criteria for amortised cost or fair value through other comprehensive income. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within “Net trading gain” in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separated in “Net trading gain”.

The business model reflects how the Group manages financial assets to generate cash flows. That is, whether the Group’s objective is solely to collect the contractual cash flows from the asset or is to collect both the contractual cash flows and cash flows arising from the sale of financial assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of “other” business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Trading securities are primarily held for sale in the near future or as part of a portfolio of financial instruments and the portfolio has a short-term profit model. The business model of these securities is “other”, which is measured at fair value through profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(c) Classification and subsequent measurement (Continued)

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

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

The Group reclassifies it if and only if the business model of the debt instrument investment changes, and performs the reclassification at the beginning of the first reporting period after the change has occurred. The Group anticipates that such changes are very rare and did not occur during the year.

Equity Instrument

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

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy for the above-mentioned designation is to designate equity instrument investments that are not for trading purposes as financial assets measured at FVOCI. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and reversals are not presented as separate items and are included in changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as investment income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the "Net trading gain" in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(d) Impairment of financial instruments

The Group assesses on a forward-looking basis the expected credit losses (“ECL”) associated with its debt instrument assets carried at amortised cost and FVOCI and with exposure arising from some loan commitments and financial guarantee contracts. The Group recognises relevant loss allowances at each reporting date. The Group’s measurement of ECL of a financial instrument reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(e) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/ equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in;
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(e) Modification of loans (Continued)

If the terms are substantially different, the Group derecognises the original financial asset and recognises a “new” asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

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

(f) Derecognition other than on a modification

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

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

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(f) Derecognition other than on a modification (Continued)

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

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

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; when continuing involvement approach applies;
- Financial guarantee contracts and loan commitments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(g) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculation as described in note 48); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculation as described in note 48). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(g) Derecognition (Continued)

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

3.10 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress), are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognised impairment losses. Costs include professional fees and other directly attributable costs. Such properties are classified to the appropriate category of property and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continuing use of the asset. Any gain or loss arising from the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.11 Land use rights

Land use rights are classified in other assets and amortised over a straight-line basis over their authorised useful lives.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Intangible assets

(a) *Intangible assets acquired separately*

Intangible assets acquired separately with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

(b) *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3.14 Foreclosed assets

Foreclosed assets are initially recognised at fair value and subsequently measured at lower of its carrying amount and fair value less costs to sell at the end of the reporting period. When the fair value less costs to sell is lower than the foreclosed asset's carrying amount, an impairment loss is recognised in profit or loss.

Any gain or loss arising from disposal of the foreclosed asset is included in profit or loss in the year in which the item is disposed.

A foreclosed asset used by the Group is transferred to property and equipment at carrying amount.

3.15 Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Leases

(1) *Recognition of the leases*

A contract is 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.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group performed the following assessment:

- (a) Whether a contract involves the use of identified assets – the identified assets may be explicitly or implicitly specified in the contract, and are either physically distinct or represent substantially all of the capacity of the asset. A customer does not have the right to use an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use;
- (b) Whether the Group has the right to obtain substantially all of the economic benefits from use of the identified asset;
- (c) Whether the Group has the right to direct the use of the identified asset. When the Group has the decision-making rights that are most relevant to changing how and for what purpose the asset is used throughout the period of use, the Group is considered to have the right to direct the use of the identified asset. In the cases where the relevant decisions about how and for what purpose the asset is used are predetermined, if:
 - the Group has the right to operate the asset;
 - the Group designed the asset in a way that predetermines how and for what purpose the asset will be used, the Group is considered to have the right to direct the use of the asset.

When initially recognising or reassessing the lease components in a contract, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Leases (Continued)

(2) The Group as lessee

At the commencement date, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, comprising: the amount of the initial measurement of the lease liability (adjusted for any lease payments made at or before the commencement date); any initial direct costs incurred by the lessee; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequently, the Group depreciates the right-of-use asset 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 useful life of the right-of-use asset is estimated based on the same method as that of estimating the useful life of properties and equipments. Additionally, the Group regularly determines and recognises any impairment of right-of-use assets, and adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate. Generally, the Group uses incremental borrowing rate as discount rate.

The 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 by the lessee under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, the lease payments during the extension period of an extension option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Leases (Continued)

(2) The Group as lessee (Continued)

The Group remeasures the lease liability if the future lease payments change resulting from a change in the amounts expected to be payable under a residual value guarantee, an index or a rate used to determine those payments, or a change in the assessment of extension, termination or purchase options.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group will recognise any remaining amount of the remeasurement in profit or loss.

For short-term leases with a lease term of 12 month or less and leases for which the underlying asset is of low value, the Group has elected not to recognise the right-of-use assets and the lease liabilities.

The Group recognises the lease payments associated with those leases as an expense on either a straight-line basis over the lease term.

(3) The Group as lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, regardless of whether legal title transfers. Leases other than finance leases are classified as operating leases.

When the Group is the lessor in a finance lease, an amount representing the minimum lease payment receivables and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the “net lease investment”) is recorded in the consolidated statement of financial position as “Loans and Advances to Customers”. The difference between the net lease investment and the undiscounted amount is recorded as unearned finance income, and interest income over the lease term is calculated and recognised based on the interest rate implicit in the lease. Impairment losses on lease receivables are accounted for in accordance with the accounting policies as financial instruments impairment.

When the Group is the lessor in an operating lease, the assets subject to the operating lease continue to be recognised as the Group’s property and equipment. Rental income from operating leases is recognised as “Other Operating Income” in the consolidated income statement on a straight-line basis over the term of the related lease.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Fiduciary and agency activities

The fiduciary and agency activities of the Group include granting the trust loans on behalf of third-party lenders and operating non-guaranteed wealth management business. The Group only receives commissions without taking main risks related to these activities. Related assets and the obligation of returning such assets on maturity to principals should be off-balance accounted.

3.18 Provisions

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

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

The Group assesses on a forward-looking basis the expected credit losses (“ECL”) associated with exposure arising from loan commitments and financial guarantee contracts. The measurement of ECL allowance for loan commitments and financial guarantee contracts are described in Note 3.9 and 48 (3).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Foreign currency translation

(a) *Functional and presentation currency*

The consolidated financial statements are presented in Renminbi (RMB), which is the Bank's functional and the Group's presentation currency.

(b) *Transactions and balances*

Transactions in currencies other than the functional currency of the Bank (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. 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 into functional currency using the spot exchange rates at the transaction dates.

At the date of reporting, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on other monetary financial assets and liabilities are recognised in profit or loss.

Translation differences on non-monetary financial assets and liabilities measured at fair value are recognised in consolidated income statement; unless the gains and losses related to the non-monetary items are directly recognised in other comprehensive income, in which situation that translation differences are included in other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in Note 3, the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 year in which the estimate is revised if the revision affects only that period, or in the year of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key estimation uncertainty that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements and/or in the next twelve months.

4.1 Measurement of expected credit loss allowance

The measurement of the ECL 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 critical 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 ECL is further detailed in Note 48.

A number of critical judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of financial instruments with similar credit risk characteristics for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 48.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.2 Scope of consolidation

Where the Group acts as asset manager of structured entities, the Group makes judgement on whether it controls the structured entities. The principle of control includes three factors: (i) power over investees; (ii) exposure or right to the variable returns of investees, and (iii) ability to affect those returns through its power over the investees. If evidence shows that the factors of the control change, the Group shall reassess whether it has control on the investees. When performing this assessment, the Group considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from other interests (such as direct investment) that it holds in the structured entities.

4.3 Classification of financial assets

The critical judgments the Group has made in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: Whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests only included time value of money, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.4 Fair value of financial instruments

The directors of the Bank use the valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis or other valuation methods as appropriate. To the extent practical, models use only observable data, however areas such as the credit risk of the Group and counterparties, volatilities and correlations require the Group to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

4.5 Supplementary retirement benefit and early retirement benefit obligation

The Group recognises liabilities in connection with retirement benefits of employees using the projected unit credit method based on various assumptions and judgements, including the discount rate and average medical expense increase rate for early retirement and other factors. Actual results may differ from the result of the projected amount. Any difference between the actual result or changes in assumptions and judgements may affect the amount of other comprehensive income for supplementary retirement benefit obligation and expense recognised in profit or loss for early retirement benefit obligation, and the corresponding liabilities.

4.6 Taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the year during which such a determination is made.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET INTEREST INCOME

	2020	2019
Interest income		
Loans and advances to customers	24,605,938	22,402,816
Corporate loans and advances	13,186,742	12,438,030
Personal loans and advances	10,863,725	9,316,217
Discounted bills	555,471	648,569
Financial investments	15,054,438	14,214,440
Financial assets measured at amortised cost	14,648,256	14,121,542
Financial assets measured at fair value through other comprehensive income	406,182	92,898
Placements with banks and other financial institutions	4,186,420	5,859,993
Balances with central bank	932,038	1,113,344
Deposits with banks and other financial institutions	558,266	876,167
Financial assets held under resale agreements	521,881	670,826
Subtotal	<u>45,858,981</u>	<u>45,137,586</u>
Interest expense		
Deposits from customers	(13,982,411)	(12,785,088)
Debt securities issued	(4,390,412)	(5,620,213)
Borrowings from central bank	(1,197,007)	(869,351)
Placements from banks and other financial institutions	(894,619)	(1,133,149)
Financial assets sold under repurchase agreements	(692,450)	(703,416)
Deposits from banks and other financial institutions	(446,806)	(646,209)
Others	(6,406)	(6,525)
Subtotal	<u>(21,610,111)</u>	<u>(21,763,951)</u>
Net interest income	<u>24,248,870</u>	<u>23,373,635</u>
Included in interest income		
Interest income on listed investments	12,744,839	11,394,455
Interest income on unlisted investments	2,309,599	2,819,985
Total	<u>15,054,438</u>	<u>14,214,440</u>

Listed investments include debt securities traded on the China Domestic Interbank Bond Market and stock exchanges.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET FEE AND COMMISSION INCOME

	2020	2019
Fee and commission income		
Wealth management fees	1,937,020	1,314,082
Agency and fiduciary service fees	370,198	402,653
Bank card fees	164,985	180,137
Settlement and clearing fees	134,290	134,504
Others	404,130	328,141
Subtotal	<u>3,010,623</u>	<u>2,359,517</u>
Fee and commission expense		
Bank card fees	(35,545)	(50,981)
Settlement and clearing fees	(36,828)	(38,402)
Others	(35,386)	(31,108)
Subtotal	<u>(107,759)</u>	<u>(120,491)</u>
Net fee and commission income	<u>2,902,864</u>	<u>2,239,026</u>

According to the requirement of “Notice on Strictly Implementing Accounting Standards and Effectively Strengthening 2020 Annual Reports Work” issued by the Ministry of Finance (MOF), State-owned Assets Supervision and Administration Commission of the State Council, CBIRC and China Securities Regulatory Commission, the Group recognized credit card installment income, which originally accounted in fee and commission income, as interest income and restated the comparatives.

7. NET TRADING GAINS

	2020	2019
Net gains on financial assets measured at fair value through profit or loss	785,574	765,499
Others	(18,118)	(5,741)
Total	<u>767,456</u>	<u>759,758</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

8. OTHER OPERATING INCOME, NET

	2020	2019
Exchange gains/(losses)	(34,991)	64,124
Government subsidies	168,896	41,258
Rental income	10,235	10,354
Penalty and compensation income	8,598	9,021
Net gain on disposal of property and equipment	94,497	45,742
Net gain on disposal of foreclosed assets	1,839	187
Others, net	(24,243)	12,527
Total	224,831	183,213

9. OPERATING EXPENSES

	<i>Note</i>	2020	2019
Staff costs	(1)	4,841,676	4,932,765
General operating and administrative expenses		1,509,751	1,439,434
Depreciation and amortisation		849,703	781,961
Tax and surcharges		273,643	236,247
Others	(2)	434,660	445,508
Total		7,909,433	7,835,915

(1) Staff costs

	<i>Note</i>	2020	2019
Salaries, bonuses and allowances		3,532,118	3,219,354
Social insurance		303,917	722,788
Housing funds		374,301	340,577
Staff welfare		198,973	233,663
Labour union fees and staff education expenses		122,277	111,082
Supplementary retirement benefits	(i)	94,090	(661,240)
Early retirement benefits		(4,060)	40,270
Annuity		220,060	926,271
Total		4,841,676	4,932,765

(i) Details are disclosed in Note 32.

(2) The principal auditor's remuneration of RMB7.65 million for the year ended 31 December 2020 is included in other expenses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors' and supervisors' emoluments are as follows:

Name	2020					Total
	Part-time Fee	Paid Remuneration (before tax)	Medical Insurance/ Corporate Annuity Unit Payment Part	Social Insurance/ Housing Provident Fund/ Supplementary Medical Insurance/ Other Monetary Income		
Executive directors						
Liu Jianzhong	-	370	76	-	-	446
Xie Wenhui	-	370	76	-	-	446
Zhang Peizong	-	296	76	38	-	410
Non-executive directors						
Zhang Peng	90	-	-	-	-	90
Yin Xianglin ⁽²⁾	-	-	-	-	-	-
Gu Xiaoxu ⁽³⁾	-	-	-	-	-	-
Wen Honghai	90	-	-	-	-	90
Chen Xiaoyan ⁽¹⁾	45	-	-	-	-	45
Luo Yuxing ⁽¹⁾	90	-	-	-	-	90
Independent non-executive directors						
Song Qinghua	180	-	-	-	-	180
Zhang Qiaoyun	180	-	-	-	-	180
Lee Ming Hau	180	-	-	-	-	180
Li Jiaming ⁽⁴⁾	-	-	-	-	-	-
Bi Qian ⁽⁵⁾	-	-	-	-	-	-
Yuan Zengting ⁽¹⁾	165	-	-	-	-	165
Cao Guohua ⁽¹⁾	165	-	-	-	-	165
Supervisors						
Zuo Ruilan	75	-	-	-	-	75
Huang Qingqing ⁽⁶⁾	-	-	-	-	-	-
Zhang Jinruo ⁽⁷⁾	-	-	-	-	-	-
Hu Yuancong ⁽⁸⁾	-	-	-	-	-	-
Zhang Yingyi ⁽⁹⁾	-	-	-	-	-	-
Zheng Yi ⁽¹⁰⁾	-	-	-	-	-	-
Zhu Yuzhou ⁽¹⁰⁾	-	-	-	-	-	-
Le Xiaoming ⁽¹⁰⁾	-	-	-	-	-	-
Zeng Jianwu ⁽¹⁾	63	-	-	-	-	63
Wang Hong ⁽¹⁾	100	-	-	-	-	100
Hu Shuchun ⁽¹⁾	100	-	-	-	-	100
Pan Like ⁽¹⁾	100	-	-	-	-	100
Total	1,623	1,036	228	38	-	2,925

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows: (continued)

- (1) The individuals have resigned during the year ended 31 December 2020.
- (2) On 7 December 2020, Mr. Yin Xianglin was appointed as a non-executive director of the Bank.
- (3) On 22 December 2020, Ms. Gu Xiaoxu was appointed as a non-executive director of the Bank.
- (4) On 7 December 2020, Mr. Li Jiaming was appointed as an independent non-executive director of the Bank.
- (5) On 7 December 2020, Ms. Bi Qian was appointed as an independent non-executive director of the Bank.
- (6) On 20 October 2020, Ms. Huang Qingqing was appointed as a Shareholder Representative Supervisor of the Bank.
- (7) On 20 October 2020, Mr. Zhang Jinruo was appointed as a Shareholder Representative Supervisor of the Bank.
- (8) On 20 October 2020, Mr. Hu Yuancong was appointed as a Shareholder Representative Supervisor of the Bank.
- (9) On 20 October 2020, Mr. Zhang Yingyi was appointed as a Shareholder Representative Supervisor of the Bank.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows: (Continued)

Name	2019					Total
	Part-time Fee	Paid Remuneration (before tax)	Social Insurance/ Housing Provident Fund/ Supplementary Medical Insurance/ Corporate Annuity Unit Payment Part	Other Monetary Income		
Executive directors						
Liu Jianzhong	-	370	121	-		491
Xie Wenhui	-	370	121	-		491
Zhang Peizong	-	296	114	38		448
Non-executive directors						
Duan Xiaohua	38	-	-	-		38
Wen Honghai	90	-	-	-		90
Luo Yuxing	90	-	-	-		90
Chen Xiaoyan	90	-	-	-		90
Zhang Peng	30	-	-	-		30
Independent non-executive directors						
Sun Leland Li	75	-	-	-		75
Yin Mengbo	75	-	-	-		75
Cao Guohua	180	-	-	-		180
Yuan Zengting	180	-	-	-		180
Zhang Qiaoyun	180	-	-	-		180
Song Qinghua	180	-	-	-		180
Lee Ming Hau	105	-	-	-		105
Supervisors						
Ni Yuemin	-	-	-	-		-
Zeng Jianwu	75	-	-	-		75
Zuo Ruilan	75	-	-	-		75
Wang Hong	120	-	-	-		120
Pan Like	120	-	-	-		120
Hu Shuchun	120	-	-	-		120
Zheng Yi ⁽¹⁰⁾	-	-	-	-		-
Zhu Yuzhou ⁽¹⁰⁾	-	-	-	-		-
Le Xiaoming ⁽¹⁰⁾	-	-	-	-		-
Total	1,823	1,036	356	38		3,253

(10) During the years ended 31 December 2020 and 2019, the Bank's employee representatives in the Board of Supervisors did not receive remuneration as the employee representative supervisors.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows: (Continued)

The total compensation packages for the directors, supervisors and senior management are determined based on the performances.

On account of certain regulations of relevant state authorities, the total remuneration for certain directors, supervisors and senior management members in 2020 has not been finalized, but the management of the Group expects the difference between the current estimate and the final remuneration shall not have a significant impact on the 2020 consolidated financial statements. The 2020 remuneration disclosed herein includes only the basic annual salaries approved for the current year and the proposed performance-based salaries, and the actual total remuneration shall be further disclosed when the determination is finalized by the Bank and duly approved.

Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors or supervisors.

The emoluments payable to the five individuals whose emoluments were the highest in the Group during the year are as follows:

	2020	2019
Paid remuneration (before tax)	8,580	9,535
Social insurance/housing provident fund/supplementary medical insurance/corporate annuity unit payment part	366	583
Total	8,946	10,118

Emoluments of the individuals were within the following bands:

	Number of individuals	
	2020	2019
RMB0 – RMB1,000,000	–	–
RMB1,000,001 – RMB2,000,000	5	3
RMB2,000,001 – RMB3,000,000	–	2

During the years ended 31 December 2020 and 2019, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or supervisors waived any emoluments during the years ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

11. CREDIT IMPAIRMENT LOSSES

	2020	2019
Loans and advances to customers	9,459,237	4,935,060
Financial investments:		
Financial assets measured at amortised cost	828,996	1,215,032
Financial assets measured at fair value through other comprehensive income	(698)	(51,374)
Deposits with banks and other financial institutions	169,918	74,753
Financial assets held under resale agreements	1,179	(5,121)
Placements with banks and other financial institutions	(90,777)	315,200
Loan commitments	(165,137)	83,639
Impairment losses on other financial assets	5,875	5,454
Total	<u>10,208,593</u>	<u>6,572,643</u>

12. INCOME TAX EXPENSE

(1) Income tax expense

	2020	2019
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	3,041,082	3,583,645
Deferred tax (Note 34)	(1,543,062)	(1,338,827)
Total	<u>1,498,020</u>	<u>2,244,818</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

12. INCOME TAX EXPENSE (Continued)

(2) Reconciliation between income tax expense and accounting profit:

The tax charges for the year ended 31 December 2020 and 2019 can be reconciled to the profit before tax per the consolidated statement of income as follows:

	NOTE	2020	2019
Profit before tax		10,062,793	12,232,928
Tax calculated at applicable statutory tax rate of 25%		2,515,698	3,058,232
Difference of income tax calculated at subsidiaries' applicable statutory tax rate of 15%		(89,337)	(67,817)
Tax effect of expenses not deductible for tax purpose	(i)	57,781	260,607
Tax effect of non-taxable income and tax reduction	(ii)	(988,884)	(788,063)
Tax effect of supplemental medical insurance		–	(195,265)
Others		2,762	(22,876)
Income tax expense		1,498,020	2,244,818

- (i) Non-deductible expenses mainly include staff costs and entertainment expenses in excess of deduction allowed under the relevant PRC tax regulations.
- (ii) Interest income from government bonds, and local government bonds is not subject to income tax; and interest income from railway construction bonds is subject to income tax levied at half in accordance with the relevant PRC tax regulations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

13. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	2020	2019
Earnings:		
Profit for the year attributable to shareholders of the Bank	<u>8,401,197</u>	<u>9,759,893</u>
Numbers of shares:		
Weighted average number of shares in issue (<i>thousand</i>)	<u>11,357,000</u>	<u>10,278,836</u>
Basic and diluted earnings per share (<i>RMB Yuan</i>)	<u><u>0.74</u></u>	<u><u>0.95</u></u>

There were no potential dilutive ordinary shares outstanding during the current and prior year. Accordingly, diluted earnings per share were same as basic earnings per share.

14. DIVIDENDS

	2020	2019
Dividends recognised as distribution during the year		
Year 2020 – RMB22.2 cents per share	2,521,254	–
Year 2019 – RMB23 cents per share	<u>–</u>	<u>2,612,110</u>

A dividend of RMB22.2 cents per share (tax inclusive) in respect of the year ended 31 December 2020 with a total of RMB2,521 million has been proposed by the Board of Directors on 30 March 2021 and to be approved by the shareholders in the 2020 annual general meeting.

A dividend of RMB23 cents per share (tax inclusive) in respect of the year ended 31 December 2019 with a total of RMB2,612 million has been approved by the shareholders in the 2019 annual general meeting on 20 May 2020.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

15. CASH AND BALANCES WITH CENTRAL BANK

	NOTE	As at 31 December 2020	As at 31 December 2019
Cash		3,144,929	3,185,322
Mandatory reserve deposits with central bank	(1)	54,561,748	62,788,556
Surplus reserve deposits with central bank	(2)	5,702,967	9,751,213
Other deposits with central bank	(3)	<u>1,959,279</u>	<u>1,688,503</u>
Total		<u>65,368,923</u>	<u>77,413,594</u>

- (1) The Group places mandatory reserve deposits with the People's Bank of China (the "PBOC"). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group's daily operations.

As at 31 December 2020, mandatory reserve deposits with the PBOC were calculated at 7.5% (31 December 2019: 9.5%) of eligible RMB deposits for the Bank, while for the subsidiaries were at 6% or 5% (31 December 2019: 7.5%, 6.5% or 6%); and 5% for foreign currency deposits from customers (31 December 2019: 5%). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

- (2) The surplus reserve deposits maintained with the PBOC are mainly for the purpose of clearing and position transferring.
- (3) The majority of other deposits represent with central bank are required fiscal deposits placed with the PBOC, which are non-interest bearing.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Deposits with:		
Domestic banks and other financial institutions	27,172,596	15,180,913
Overseas banks	<u>856,693</u>	<u>532,366</u>
Gross amount	<u>28,029,289</u>	<u>15,713,279</u>
Expected credit losses allowances (ECL allowances)	(257,832)	(87,914)
– Stage 1	(19,131)	(5,056)
– Stage 3	<u>(238,701)</u>	<u>(82,858)</u>
Carrying amount	<u><u>27,771,457</u></u>	<u><u>15,625,365</u></u>

As at 31 December 2020, the Group's deposits with banks and other financial institutions on stage 3 amounted to RMB239 million (31 December 2019: RMB83 million).

17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Placements with:		
Other domestic financial institutions	108,628,185	107,506,403
Domestic banks	<u>1,342,724</u>	<u>23,315,939</u>
Gross amount	<u>109,970,909</u>	<u>130,822,342</u>
ECL allowances	(355,805)	(446,582)
– Stage 1	(48,983)	(73,418)
– Stage 3	<u>(306,822)</u>	<u>(373,164)</u>
Carrying amount	<u><u>109,615,104</u></u>	<u><u>130,375,760</u></u>

As at 31 December 2020, the Group's placements with banks and other financial institutions on stage 3 amounted to RMB307 million (31 December 2019: RMB373 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at 31 December 2020			As at 31 December 2019		
	Contract/ Nominal amount	Fair Value		Contract/ Nominal amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency forward	2,571,800	41,586	(35,976)	3,209,133	59,948	(49,362)
Foreign exchange swap	335,681	–	(42,593)	3,633,258	16,776	(7,645)
Interest swap	7,534,460	3,177	(3,177)	9,043,972	2,609	(2,609)
Others	<u>870,000</u>	<u>13,729</u>	<u>–</u>	<u>870,000</u>	<u>12,930</u>	<u>–</u>
Total	<u>11,311,941</u>	<u>58,492</u>	<u>(81,746)</u>	<u>16,756,363</u>	<u>92,263</u>	<u>(59,616)</u>

19. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December 2020	As at 31 December 2019
Analysed by collateral type:		
Debt securities	1,304,187	–
ECL allowances	<u>(1,179)</u>	<u>–</u>
Carrying amount	<u>1,303,008</u>	<u>–</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	As at 31 December 2020	As at 31 December 2019
Gross loans and advances measured at amortised cost	490,174,980	416,998,187
Less: ECL allowances	<u>(20,922,467)</u>	<u>(20,744,107)</u>
Carrying amount of loans and advances measured at amortised cost	<u>469,252,513</u>	<u>396,254,080</u>
Carrying amount of loans and advances measured at fair value through other comprehensive income	<u>17,710,890</u>	<u>20,086,701</u>
Carrying amount of loans and advances to customers	<u><u>486,963,403</u></u>	<u><u>416,340,781</u></u>

(2) Carrying amount of loans and advances measured at amortised cost

	As at 31 December 2020	As at 31 December 2019
Gross loans and advances to customers measured at amortised cost	490,174,980	416,998,187
Less: ECL allowances		
– Stage 1	(10,549,072)	(8,544,976)
– Stage 2	(4,246,604)	(5,205,721)
– Stage 3	<u>(6,126,791)</u>	<u>(6,993,410)</u>
Carrying amount of loans and advances measured at amortised cost	<u><u>469,252,513</u></u>	<u><u>396,254,080</u></u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(3) Analysed by assessment method of ECL allowances

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances measured at amortised cost	466,434,647	16,022,166	7,718,167	490,174,980
Less: ECL allowances	<u>(10,549,072)</u>	<u>(4,246,604)</u>	<u>(6,126,791)</u>	<u>(20,922,467)</u>
Carrying amount of loans and advances measured at amortised cost	<u>455,885,575</u>	<u>11,775,562</u>	<u>1,591,376</u>	<u>469,252,513</u>
Carrying amount of loans and advances measured at FVOCI	<u>17,709,890</u>	<u>—</u>	<u>1,000</u>	<u>17,710,890</u>
Expected credit losses of loans and advances measured at FVOCI	<u>(4,970)</u>	<u>—</u>	<u>(1,000)</u>	<u>(5,970)</u>
	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances measured at amortised cost	387,935,562	19,733,570	9,329,055	416,998,187
Less: ECL allowances	<u>(8,544,976)</u>	<u>(5,205,721)</u>	<u>(6,993,410)</u>	<u>(20,744,107)</u>
Carrying amount of loans and advances measured at amortised cost	<u>379,390,586</u>	<u>14,527,849</u>	<u>2,335,645</u>	<u>396,254,080</u>
Carrying amount of loans and advances measured at FVOCI	<u>20,073,282</u>	<u>1,469</u>	<u>11,950</u>	<u>20,086,701</u>
Expected credit losses of loans and advances measured at FVOCI	<u>(8,568)</u>	<u>(1)</u>	<u>(11,950)</u>	<u>(20,519)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(4) Movements of gross carrying amount on loans and advances to customers

Corporate loans and advances	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	228,141,507	18,443,261	8,175,637	254,760,405
Transfer:				
Transfer from stage 1 to stage 2	(9,454,520)	9,454,520	–	–
Transfer from stage 1 to stage 3	(2,192,817)	–	2,192,817	–
Transfer from stage 2 to stage 1	3,383,622	(3,383,622)	–	–
Transfer from stage 2 to stage 3	–	(6,544,866)	6,544,866	–
Transfer from stage 3 to stage 2	–	277,520	(277,520)	–
New financial assets originated or purchased	133,814,218	–	–	133,814,218
Derecognition and settlement	(101,014,846)	(4,136,899)	(1,001,551)	(106,153,296)
Write-offs and others	–	–	(9,315,863)	(9,315,863)
Others	285,652	168,474	71,697	525,823
As at 31 December 2020	<u>252,962,816</u>	<u>14,278,388</u>	<u>6,390,083</u>	<u>273,631,287</u>

Personal loans and advances	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	159,794,055	1,290,309	1,153,418	162,237,782
Transfer:				
Transfer from stage 1 to stage 2	(1,638,083)	1,638,083	–	–
Transfer from stage 1 to stage 3	(997,584)	–	997,584	–
Transfer from stage 2 to stage 1	134,644	(134,644)	–	–
Transfer from stage 2 to stage 3	–	(340,805)	340,805	–
Transfer from stage 3 to stage 1	64,550	–	(64,550)	–
Transfer from stage 3 to stage 2	–	17,712	(17,712)	–
New financial assets originated or purchased	133,878,007	–	–	133,878,007
Derecognition and settlement	(78,101,461)	(728,913)	(344,386)	(79,174,760)
Write-offs and others	–	–	(735,742)	(735,742)
Others	337,703	2,036	(1,333)	338,406
As at 31 December 2020	<u>213,471,831</u>	<u>1,743,778</u>	<u>1,328,084</u>	<u>216,543,693</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(4) Movements of gross carrying amount on loans and advances to customers (Continued)

Corporate loans and advances	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	185,788,433	34,392,561	7,506,052	227,687,046
Transfer:				
Transfer from stage 1 to stage 2	(12,470,734)	12,470,734	–	–
Transfer from stage 1 to stage 3	(1,817,680)	–	1,817,680	–
Transfer from stage 2 to stage 1	15,914,572	(15,914,572)	–	–
Transfer from stage 2 to stage 3	–	(881,808)	881,808	–
New financial assets originated or purchased	139,005,726	–	–	139,005,726
Derecognition and settlement	(98,260,517)	(11,864,256)	(916,180)	(111,040,953)
Write-offs and others	–	–	(1,129,252)	(1,129,252)
Others	(18,293)	240,602	15,529	237,838
As at 31 December 2019	<u>228,141,507</u>	<u>18,443,261</u>	<u>8,175,637</u>	<u>254,760,405</u>

Personal loans and advances	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	130,559,344	1,386,309	1,310,303	133,255,956
Transfer:				
Transfer from stage 1 to stage 2	(1,158,861)	1,158,861	–	–
Transfer from stage 1 to stage 3	(842,027)	–	842,027	–
Transfer from stage 2 to stage 1	188,005	(188,005)	–	–
Transfer from stage 2 to stage 3	–	(275,993)	275,993	–
Transfer from stage 3 to stage 1	52,287	–	(52,287)	–
Transfer from stage 3 to stage 2	–	17,010	(17,010)	–
New financial assets originated or purchased	93,313,266	–	–	93,313,266
Derecognition and settlement	(62,298,343)	(807,462)	(389,844)	(63,495,649)
Write-offs and others	–	–	(814,185)	(814,185)
Others	(19,616)	(411)	(1,579)	(21,606)
As at 31 December 2019	<u>159,794,055</u>	<u>1,290,309</u>	<u>1,153,418</u>	<u>162,237,782</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) Movements of ECL allowances on loans and advances to customers

Corporate loans and advances	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	4,804,086	4,817,852	6,062,858	15,684,796
Transfer:				
Transfer from stage 1 to stage 2	(846,576)	846,576	–	–
Transfer from stage 1 to stage 3	(571,092)	–	571,092	–
Transfer from stage 2 to stage 1	1,176,797	(1,176,797)	–	–
Transfer from stage 2 to stage 3	–	(2,242,189)	2,242,189	–
Transfer from stage 3 to stage 2	–	232,087	(232,087)	–
ECL changes arisen from stage transfer	(975,043)	1,692,842	1,921,643	2,639,442
New financial assets originated or purchased	3,837,973	–	–	3,837,973
Derecognition or settlement	(1,973,650)	(536,556)	(285,818)	(2,796,024)
Remeasurement	246,606	33,942	4,112,075	4,392,623
Write-offs and others	–	–	(9,315,863)	(9,315,863)
As at 31 December 2020	<u>5,699,101</u>	<u>3,667,757</u>	<u>5,076,089</u>	<u>14,442,947</u>

Personal loans and advances	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	3,740,890	387,869	930,552	5,059,311
Transfer:				
Transfer from stage 1 to stage 2	(251,816)	251,816	–	–
Transfer from stage 1 to stage 3	(196,142)	–	196,142	–
Transfer from stage 2 to stage 1	50,122	(50,122)	–	–
Transfer from stage 2 to stage 3	–	(121,071)	121,071	–
Transfer from stage 3 to stage 1	50,792	–	(50,792)	–
Transfer from stage 3 to stage 2	–	13,524	(13,524)	–
ECL changes arisen from stage transfer	(97,213)	256,860	456,539	616,186
New financial assets originated or purchased	3,595,160	–	–	3,595,160
Derecognition or settlement	(1,931,232)	(167,324)	(173,149)	(2,271,705)
Remeasurement	(110,590)	7,295	319,605	216,310
Write-offs and others	–	–	(735,742)	(735,742)
As at 31 December 2020	<u>4,849,971</u>	<u>578,847</u>	<u>1,050,702</u>	<u>6,479,520</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) Movements of ECL allowances on loans and advances to customers (Continued)

Corporate loans and advances	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	3,552,897	4,784,458	4,739,149	13,076,504
Transfer:				
Transfer from stage 1 to stage 2	(1,136,299)	1,136,299	–	–
Transfer from stage 1 to stage 3	(440,394)	–	440,394	–
Transfer from stage 2 to stage 1	2,397,252	(2,397,252)	–	–
Transfer from stage 2 to stage 3	–	(252,565)	252,565	–
ECL changes arisen from stage transfer	(2,144,890)	2,003,626	1,331,448	1,190,184
New financial assets originated or purchased	4,138,636	–	–	4,138,636
Derecognition or settlement	(1,317,689)	(669,470)	(305,046)	(2,292,205)
Remeasurement	(245,427)	212,756	733,600	700,929
Write-offs and others	–	–	(1,129,252)	(1,129,252)
As at 31 December 2019	<u>4,804,086</u>	<u>4,817,852</u>	<u>6,062,858</u>	<u>15,684,796</u>

Personal loans and advances	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	2,672,570	329,308	1,031,123	4,033,001
Transfer:				
Transfer from stage 1 to stage 2	(177,803)	177,803	–	–
Transfer from stage 1 to stage 3	(157,235)	–	157,235	–
Transfer from stage 2 to stage 1	65,007	(65,007)	–	–
Transfer from stage 2 to stage 3	–	(74,681)	74,681	–
Transfer from stage 3 to stage 1	40,087	–	(40,087)	–
Transfer from stage 3 to stage 2	–	12,437	(12,437)	–
ECL changes arisen from stage transfer	(100,223)	142,154	635,425	677,356
New financial assets originated or purchased	2,562,008	–	–	2,562,008
Derecognition or settlement	(1,162,498)	(140,793)	(184,916)	(1,488,207)
Remeasurement	(1,023)	6,648	83,713	89,338
Write-offs and others	–	–	(814,185)	(814,185)
As at 31 December 2019	<u>3,740,890</u>	<u>387,869</u>	<u>930,552</u>	<u>5,059,311</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS

(1) By measurement

		As at 31 December 2020	As at 31 December 2019
Financial assets measured at fair value through profit or loss (FVPL)	(a)	30,164,463	23,677,991
Financial assets measured at amortised cost	(b)	383,164,489	346,418,416
Financial assets measured at fair value through other comprehensive income	(c)	16,625,544	7,256,842
– Debt instruments		16,055,223	6,679,007
– Equity instruments		570,321	577,835
Total		<u>429,954,496</u>	<u>377,353,249</u>

(a) Financial assets measured at fair value through profit or loss

By nature

		As at 31 December 2020	As at 31 December 2019
Debt securities	(i)	6,871,036	4,960,266
Investment in wealth management products	(ii)	2,265,065	13,209,685
Funds		21,028,362	5,508,040
Total		<u>30,164,463</u>	<u>23,677,991</u>
Analysed as:			
– Listed outside Hong Kong		6,871,036	4,960,266
– Unlisted		23,293,427	18,717,725
Total		<u>30,164,463</u>	<u>23,677,991</u>

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21. FINANCIAL INVESTMENTS (Continued)

(1) By measurement (Continued)

(a) Financial assets measured at fair value through profit or loss (Continued)

By type of issuers

(i) Debt securities

	As at 31 December 2020	As at 31 December 2019
Debt securities issued by:		
Public sector and quasi-governments	1,651,528	105,451
Financial institutions	5,219,508	4,356,761
Interbank deposit certificates	—	498,054
Total	<u>6,871,036</u>	<u>4,960,266</u>

Debt securities investments measured at fair value through profit or loss are all traded on the China Domestic Interbank Bond Market.

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For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(1) By measurement (Continued)

(b) Financial assets at amortised cost

	As at 31 December 2020	As at 31 December 2019
Government bonds	113,405,955	97,418,718
Public sector and quasi-government bonds	52,024,618	50,521,058
Financial institutions bonds	54,642,698	29,134,241
Corporate bonds	62,424,815	61,420,899
Interbank deposit certificates	61,506,343	69,022,311
Trust plans	10,000,126	21,043,307
Debt financing plans	33,385,586	21,254,538
Gross balances	<u>387,390,141</u>	<u>349,815,072</u>
ECL Allowances		
– Stage 1	(1,062,189)	(1,101,930)
– Stage 2	(437,574)	(2,294,726)
– Stage 3	(2,725,889)	–
Net balances	<u>383,164,489</u>	<u>346,418,416</u>
Analysed as:		
Listed outside Hong Kong	343,763,457	307,310,004
Unlisted	39,401,032	39,108,412
Total	<u>383,164,489</u>	<u>346,418,416</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(1) By measurement (Continued)

(c) Financial investments measured at fair value through other comprehensive income

	<i>Note</i>	As at 31 December 2020	As at 31 December 2019
Debt instruments:			
Public sector and quasi-government bonds		15,755,737	6,309,267
Corporate bonds		–	369,740
Financial institution bonds		299,486	–
Subtotal		<u>16,055,223</u>	<u>6,679,007</u>
Equity instruments:			
Banks and other financial institutions		142,203	42,687
Other corporations		428,118	535,148
Subtotal		<u>570,321</u>	<u>577,835</u>
Total		<u><u>16,625,544</u></u>	<u><u>7,256,842</u></u>
Analysed as:			
Listed outside Hong Kong	(i)	16,583,697	7,214,155
Listed in Hong Kong		33,847	34,687
Unlisted		8,000	8,000
Total		<u><u>16,625,544</u></u>	<u><u>7,256,842</u></u>

(i) Financial assets measured at FVOCI included in “Listed outside Hong Kong” are traded in the China Domestic Interbank Bond Market; equity instruments presented in “Listed outside Hong Kong” are listed in mainland China.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(2) Movements of gross carrying amount on financial assets

Financial assets measured at amortised cost

	As at 31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
As at 1 January 2020	344,308,777	5,506,295	–	349,815,072
Transfer:				
Transfer from stage 2 to stage 1	326,661	(326,661)	–	–
Transfer from stage 2 to stage 3	–	(4,000,000)	4,000,000	–
New financial assets originated or purchased	155,038,582	–	60,000	155,098,582
Derecognition or settlement	(118,157,548)	(400)	–	(118,157,948)
Others	484,769	(114,267)	263,933	634,435
As at 31 December 2020	<u>382,001,241</u>	<u>1,064,967</u>	<u>4,323,933</u>	<u>387,390,141</u>
	As at 31 December 2019			Total
	Stage 1	Stage 2	Stage 3	
As at 1 January 2019	289,234,500	2,511,844	–	291,746,344
Transfer:				
Transfer from stage 1 to stage 2	(5,166,821)	5,166,821	–	–
Transfer from stage 2 to stage 1	802,745	(802,745)	–	–
New financial assets originated or purchased	164,516,638	–	–	164,516,638
Derecognition or settlement	(106,428,732)	(1,480,068)	–	(107,908,800)
Others	1,350,447	110,443	–	1,460,890
As at 31 December 2019	<u>344,308,777</u>	<u>5,506,295</u>	<u>–</u>	<u>349,815,072</u>

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(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(2) Movements of gross carrying amount on financial assets (Continued)

Debt instruments measured at fair value through other comprehensive income

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	6,679,007	–	–	6,679,007
New financial assets originated or purchased	10,580,976	–	–	10,580,976
Derecognition or settlement	(1,348,335)	–	–	(1,348,335)
Remeasurement	143,575	–	–	143,575
As at 31 December 2020	<u>16,055,223</u>	<u>–</u>	<u>–</u>	<u>16,055,223</u>
	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	7,043,931	52,808	–	7,096,739
New financial assets originated or purchased	6,210,397	–	–	6,210,397
Derecognition or settlement	(6,664,866)	(52,808)	–	(6,717,674)
Remeasurement	89,545	–	–	89,545
As at 31 December 2019	<u>6,679,007</u>	<u>–</u>	<u>–</u>	<u>6,679,007</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(3) Analysed by assessment method of ECL allowances

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	382,001,241	1,064,967	4,323,933	387,390,141
Less: ECL allowances	(1,062,189)	(437,574)	(2,725,889)	(4,225,652)
Carrying amount of financial assets measured at amortised cost	<u>380,939,052</u>	<u>627,393</u>	<u>1,598,044</u>	<u>383,164,489</u>
Carrying amount of debt instruments measured at FVOCI	<u>16,055,223</u>	<u>–</u>	<u>–</u>	<u>16,055,223</u>
Carrying amount of financial investments which recognised ECL	<u>396,994,275</u>	<u>627,393</u>	<u>1,598,044</u>	<u>399,219,712</u>
ECL allowances of financial assets measured at FVOCI	<u>(80)</u>	<u>–</u>	<u>–</u>	<u>(80)</u>
	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	344,308,777	5,506,295	–	349,815,072
Less: ECL allowances	(1,101,930)	(2,294,726)	–	(3,396,656)
Carrying amount of financial assets measured at amortised cost	<u>343,206,847</u>	<u>3,211,569</u>	<u>–</u>	<u>346,418,416</u>
Carrying amount of debt instruments measured at FVOCI	<u>6,679,007</u>	<u>–</u>	<u>–</u>	<u>6,679,007</u>
Carrying amount of financial investments which recognised ECL	<u>349,885,854</u>	<u>3,211,569</u>	<u>–</u>	<u>353,097,423</u>
ECL allowances of financial assets measured at FVOCI	<u>(778)</u>	<u>–</u>	<u>–</u>	<u>(778)</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(4) Analysed by movements of ECL allowances

Financial assets measured at amortised cost

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	1,101,930	2,294,726	–	3,396,656
Transfer:				
From stage 2 to stage 1	5,606	(5,606)	–	–
From stage 2 to stage 3	–	(1,905,711)	1,905,711	–
ECL changes arisen from stage transfer	(4,855)	–	779,549	774,694
New financial assets originated or purchased	436,907	–	40,629	477,536
Derecognition or settlement	(418,346)	(154)	–	(418,500)
Remeasurement	(59,053)	54,319	–	(4,734)
As at 31 December 2020	<u>1,062,189</u>	<u>437,574</u>	<u>2,725,889</u>	<u>4,225,652</u>
	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	1,694,617	487,007	–	2,181,624
Transfer:				
From stage 1 to stage 2	(557,148)	557,148	–	–
From stage 2 to stage 1	9,489	(9,489)	–	–
ECL changes arisen from stage transfer	(7,412)	1,354,168	–	1,346,756
New financial assets originated or purchased	1,047,606	–	–	1,047,606
Derecognition or settlement	(844,361)	(33,382)	–	(877,743)
Remeasurement	(240,861)	(60,726)	–	(301,587)
As at 31 December 2019	<u>1,101,930</u>	<u>2,294,726</u>	<u>–</u>	<u>3,396,656</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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21. FINANCIAL INVESTMENTS (Continued)

(4) Analysed by movements of ECL allowances (Continued)

Financial assets measured at fair value through other comprehensive income

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	778	–	–	778
New financial assets originated or purchased	80	–	–	80
Rerecognition or settlement	(778)	–	–	(778)
As at 31 December 2020	<u>80</u>	<u>–</u>	<u>–</u>	<u>80</u>

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	51,596	557	–	52,153
Derecognition or settlement	(50,405)	(557)	–	(50,962)
Remeasurement	(413)	–	–	(413)
As at 31 December 2019	<u>778</u>	<u>–</u>	<u>–</u>	<u>778</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

22. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES

(1) Investment in subsidiaries

As at 31 December 2020, details of the Bank's subsidiaries are set out below:

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting power in the general meeting (%)	Principal activities/ Business scope
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.	23/04/2010	Jiangsu	200	58.50	58.50	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.	12/11/2010	Sichuan	100	81.00	81.00	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd.	14/12/2010	Yunnan	200	90.00	90.00	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.	04/12/2012	Yunnan	100	100.00	100.00	Banking
Yunnan Heqing CQRC Village and Township Bank Co., Ltd.	09/01/2013	Yunnan	100	81.00	81.00	Banking
Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.	09/01/2013	Guangxi	100	90.00	90.00	Banking
Fujian Shaxian CQRC Village and Township Bank Co., Ltd.	04/02/2013	Fujian	100	93.00	93.00	Banking
Fujian Fu'an CQRC Village and Township Bank Co., Ltd.	05/02/2013	Fujian	200	85.00	85.00	Banking
Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.	23/04/2013	Yunnan	62	82.26	82.26	Banking
Fujian Pingtan CQRC Village and Township Bank Co., Ltd.	09/08/2013	Fujian	100	59.00	59.00	Banking
Fujian Shishi CQRC Village and Township Bank Co., Ltd.	02/09/2015	Fujian	200	51.00	51.00	Banking
Yunnan Xishan CQRC Village and Township Bank Co., Ltd.	05/01/2016	Yunnan	200	90.00	90.00	Banking
CQRC Financial Leasing Co., Ltd. (i)	19/12/2014	Chongqing	2,500	80.00	80.00	Financial Leasing
CQRC Wealth Management Co., Ltd. (ii)	28/06/2020	Chongqing	2,000	100.00	100.00	Wealth Management

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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22. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES (Continued)

(1) Investment in subsidiaries (Continued)

- (i) For the year ended 31 December 2020, the Bank acquired additional interests from the non-controlling shareholders of its subsidiaries CQRC Financial Leasing Co., Ltd., resulting in increases in long-term equity investment by RMB390 million. The proportion of equity and voting rights in the Board of Directors increased by 12%.
- (ii) CQRC Wealth Management Co., Ltd. was established on 28 June 2020, with a registered capital of RMB2,000 million. The Bank holds 100% of its equity. The main business scope includes providing general public with wealth management products, carrying out investment and management of properties entrusted investors, financial advising and consulting services.
- (iii) The bank's holding subsidiaries are all limited liability companies.

In addition to the above matters, the proportion of equity holding and proportion of voting rights in the board of directors remained the same as above for the year ended 31 December 2020.

All the 14 subsidiaries above were sponsored to establish by the Bank. As at 31 December 2020 and 31 December 2019, the amount of non-controlling interests of each subsidiary of the Bank was insignificant to the Group and hence not disclosed further.

There were no significant restrictions on the Bank's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

(2) Investment in associates

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting power in the general meeting (%)	Principal activities
Chongqing Xiaomi Consumer Finance Co., Ltd.	29/05/2020	Chongqing	1,500	30.00	30.00	Consumer Finance

The financial position of Chongqing Xiaomi Consumer Finance Co., Ltd. is as follows:

	As at 31 December 2020 Total assets	This period Net profit
Chongqing Xiaomi Consumer Finance Co., Ltd.	<u>1,574,275</u>	<u>1,094</u>

Notes to the Consolidated Financial Statements (Continued)

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22. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES (Continued)

(2) Investment in associates (Continued)

The investment income enjoyed by the Group according to the financial position of Chongqing Xiaomi Consumer Finance Co., Ltd. is as follows:

	As at 31 December 2020	As at 31 December 2019
Net assets of associates	1,501,094	–
Shareholding ratio of the Group	30.00%	–
Shares of net assets of the Group in associates	<u>450,328</u>	<u>–</u>

Chongqing Xiaomi Consumer Finance Co., Ltd. was established on 29 May 2020, with a registered capital of RMB1,500 million. The Bank holds 30% of its shares. The main business scope includes issuing personal consumer loans, accepting deposits from domestic shareholders and their domestic subsidiaries, lending to domestic financial institutions, authorised issuance of financial bonds, placements with-banks and other financial institutions, consumer financing advisory and agency services, agency sales of consumer loans related insurance products investment in fixed income securities and other business as approved by CBIRC.

There were no significant restriction on the bank's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

(3) The Group also consolidated structured entities as disclosed in Note 45 Structured Entities.

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(Amounts in thousands of Renminbi, unless otherwise stated)

23. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2019	6,682,326	1,240,793	108,505	760,262	402,663	9,194,549
Additions	89,941	138,361	–	60,492	516,683	805,477
Transferred in	354,368	13	–	6,158	(360,539)	–
Transferred to other assets	–	–	–	–	(6,229)	(6,229)
Disposals	(58,564)	(47,731)	(9,836)	(20,992)	–	(137,123)
As at 31 December 2019	7,068,071	1,331,436	98,669	805,920	552,578	9,856,674
Additions	107,399	211,399	280	197,401	226,805	743,284
Transferred in	214,188	28,942	1,212	50,134	(294,476)	–
Transferred to other assets	–	–	–	–	(53,153)	(53,153)
Disposals	(116,387)	(140,555)	(3,402)	(41,823)	–	(302,167)
As at 31 December 2020	<u>7,273,271</u>	<u>1,431,222</u>	<u>96,759</u>	<u>1,011,632</u>	<u>431,754</u>	<u>10,244,638</u>
Accumulated depreciation						
As at 1 January 2019	(2,819,096)	(856,528)	(95,397)	(581,935)	–	(4,352,956)
Charge for the year	(425,124)	(146,851)	(5,256)	(82,698)	–	(659,929)
Disposals	54,237	46,236	9,428	20,194	–	130,095
As at 31 December 2019	(3,189,983)	(957,143)	(91,225)	(644,439)	–	(4,882,790)
Charge for the year	(457,223)	(155,579)	(2,901)	(85,048)	–	(700,751)
Disposals	79,423	136,145	3,299	40,354	–	259,221
As at 31 December 2020	<u>(3,567,783)</u>	<u>(976,577)</u>	<u>(90,827)</u>	<u>(689,133)</u>	<u>–</u>	<u>(5,324,320)</u>
Carrying amount						
As at 31 December 2020	<u>3,705,488</u>	<u>454,645</u>	<u>5,932</u>	<u>322,499</u>	<u>431,754</u>	<u>4,920,318</u>
As at 31 December 2019	<u>3,878,088</u>	<u>374,293</u>	<u>7,444</u>	<u>161,481</u>	<u>552,578</u>	<u>4,973,884</u>

According to the relevant laws and regulations, subsequent to the Group's transformation into a joint stock company, the legal title of properties previously held by the predecessor entities are to be transferred to the Group. As at 31 December 2020, the registration transfer process of certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

Notes to the Consolidated Financial Statements (Continued)

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24. GOODWILL

	As at 31 December 2020	As at 31 December 2019
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

Particulars impairment testing on goodwill are disclosed in Note 25.

25. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out in Note 24 has been allocated to three individual cash generating units (CGUs), including corporate banking, personal banking and treasury operations. The carrying amounts of goodwill as at 31 December 2020 and 31 December 2019 allocated to these units are as follows:

	As at 31 December 2020	As at 31 December 2019
Corporate banking (Unit A)	234,934	234,934
Personal banking (Unit B)	108,019	108,019
Treasury operations (Unit C)	<u>97,176</u>	<u>97,176</u>
Total	<u>440,129</u>	<u>440,129</u>

During the years ended 31 December 2020 and 31 December 2019, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of corporate banking unit, personal banking unit and treasury operations unit has been determined based on calculation of a value in use. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 8.73% at 31 December 2020 (31 December 2019: 8.80%). The discount rate used reflects specific risks relating to the relevant CGUs. Cash flows beyond the five-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant domestic industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Notes to the Consolidated Financial Statements (Continued)

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26. OTHER ASSETS

	Note	As at 31 December 2020	As at 31 December 2019
Interest receivable	(1)	26,414	25,252
Land use rights		384,865	402,523
Pre-paid tax		61,384	93,106
Foreclosed assets	(2)	79,506	101,023
Intangible assets	(3)	157,913	121,802
Others	(4)	1,104,264	779,991
Total		1,814,346	1,523,697

(1) Interest receivable

As at 31 December 2020 and 31 December 2019, the Group included the interests on financial instruments, accrued using the effective interest rate method, in the carrying amounts of the corresponding financial instruments, and recorded the interests on related financial instruments that had become due and receivable but not yet been received at the balance sheet date in interest receivable under other assets.

(2) Foreclosed assets

Analysis by type

	As at 31 December 2020	As at 31 December 2019
Land use rights and buildings	93,098	113,528
Allowance for impairment losses	(13,592)	(12,505)
Total	79,506	101,023

(3) Intangible assets are mainly computer software which are amortised over 10 years.

(4) The amounts mainly represent receivables from suppliers, decoration fees of leased assets, temporary payments of other receivables, deferred expenditure.

Notes to the Consolidated Financial Statements (Continued)

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27. BORROWINGS FROM CENTRAL BANK

As at 31 December 2020, borrowings from central bank mainly contain the Medium-term Lending Facilities from PBOC, PBOC special refinancing and refinancing for supporting agricultural and small companies. The Medium-term Lending Facilities from PBOC amounted to RMB42,300 million (31 December 2019: RMB27,500 million).

28. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Deposits from domestic banks	32,979,174	8,100,393
Deposits from other domestic financial institutions	<u>2,460,127</u>	<u>1,392,670</u>
Total	<u>35,439,301</u>	<u>9,493,063</u>

Deposits from banks and other financial institutions are interest bearing at prevailing market interest rates.

29. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Placements from domestic banks and other financial institutions	26,029,948	25,144,137
Placements from overseas banks	<u>670,051</u>	<u>931,492</u>
Total	<u>26,699,999</u>	<u>26,075,629</u>

Notes to the Consolidated Financial Statements (Continued)

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30. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2020	As at 31 December 2019
Analysed by collateral type:		
– Debt securities	499,707	11,511,147
– Bills	<u>5,873,493</u>	<u>3,574,981</u>
Total	<u><u>6,373,200</u></u>	<u><u>15,086,128</u></u>

All repurchase agreements are due within twelve months from inception.

31. DEPOSITS FROM CUSTOMERS

	<i>Note</i>	As at 31 December 2020	As at 31 December 2019
Demand deposits			
Corporate customers		122,309,124	125,140,043
Individual customers		128,951,929	116,031,181
Time deposits			
Corporate customers		34,061,088	30,890,737
Individual customers		432,665,168	395,540,467
Pledged deposits	(1)	7,002,513	5,783,150
Others (Including outward remittance and remittance outstanding)		<u>9,992</u>	<u>16,241</u>
Total		<u><u>724,999,814</u></u>	<u><u>673,401,819</u></u>

(1) Analysed by products for which pledged deposits is required:

	As at 31 December 2020	As at 31 December 2019
Acceptances	3,401,115	2,947,242
Loans and receivables	1,366,301	1,165,063
Letters of credit	399,083	561,251
Letters of guarantee	114,645	73,055
Others	<u>1,721,369</u>	<u>1,036,539</u>
Total	<u><u>7,002,513</u></u>	<u><u>5,783,150</u></u>

Notes to the Consolidated Financial Statements (Continued)

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32. ACCRUED STAFF COSTS

	<i>Note</i>	As at 31 December 2020	As at 31 December 2019
Salaries, bonuses and allowances		2,231,526	2,147,580
Supplementary retirement benefits	(1)	1,818,630	1,907,119
Labor union fees and staff education expenses		258,211	216,018
Early retirement benefits	(2)	149,587	196,636
Annuity		100,060	60
Total		4,558,014	4,467,413

(1) Supplementary retirement benefits

The Group sponsors defined benefit plans for qualified employees. The defined benefit plans include supplementary retirement benefits.

The plans mainly expose the Group to actuarial risks such as: interest rate risk, longevity risk and employee benefit risk.

- Interest risk: A decrease in the bond interest rate will increase the plan liability.
- Longevity risk: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality or survival ages of the participants both during and after their employment. An increase in the life expectancy of the participants will increase the plan's liability.
- Employee benefit risk: The present value of the defined benefit plan liabilities are calculated by reference to the future benefits of the participants. As such, an increase in the benefit of the participants will increase the plan's liability.

The Group's obligation in respect of the supplementary retirement benefits at the end of the reporting period was calculated using the projected accumulated unit credit method by Willis Towers Watson, an external independent actuary.

Supplementary retirement benefits include supplementary pension and medical benefits.

Notes to the Consolidated Financial Statements (Continued)

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32. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

The principal assumptions used for the purpose of the actuarial valuations for supplementary retirement benefits were as follows:

	As at 31 December 2020	As at 31 December 2019
Discount rate-supplementary retirement benefits	3.75%	3.50%
Discount rate-early retirement benefits	3.00%	3.00%
Annual growth rate of annuity payment	6.00%	6.00%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2010-2013	

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	As at 31 December 2020	As at 31 December 2019
Service cost:		
– Current service cost	28,510	2,190
– Past service cost	2,900	(716,420)
– New participants during the period	2,900	3,810
– Plan amendments (i)	–	(720,230)
Net interest expense	62,680	52,990
Components of supplementary retirement benefit costs recognised in profit or loss	94,090	(661,240)
Remeasurement on the net defined benefit liability	(90,059)	39,820
Components of supplementary retirement benefit cost recognised in other comprehensive income	(90,059)	39,820
Total	4,031	(621,420)

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32. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

Movement in the present value of the supplementary retirement benefit obligation in the current year were as follows:

	As at 31 December 2020	As at 31 December 2019
Defined benefit obligation at beginning of the year	1,907,119	2,624,659
Interest cost	62,680	52,990
Loss arising from re-measurement on the defined benefit liability:		
– Actuarial loss/(gain) arising from changes in financial assumptions	(90,059)	39,820
Current service cost	28,510	2,190
Past service cost	2,900	(716,420)
New participants during the period	2,900	3,810
Plan amendments (i)	–	(720,230)
Benefits paid	<u>(92,520)</u>	<u>(96,120)</u>
Defined benefit obligation at end of the year	<u>1,818,630</u>	<u>1,907,119</u>

- (i) According to the Circular of the Chongqing Municipal Government concerning the Adjustment of Policies on the Contributions to Large-Amount Supplemental Medical Insurance Coverages to Decouple Retiree Medical Insurance Benefits from Employer Contributions (Yu Fu Fai [2018] No. 59) and the Circular of Chongqing Medical Security Bureau and Chongqing Finance Bureau concerning the Adjustment of Policies on the Contributions to Medical Insurance Coverages to Decouple Retiree Medical Insurance Benefits from Employer Contributions (Yu Yi Bao Fa [2018] No. 27), the Group ceased to pay the large-amount supplemental medical insurance for retired employees since 1 January 2019. Therefore the supplemental medical insurance has been excluded from the retirement benefit plans, which led to the change of present value of the defined benefit plan obligation. During the year ended 31 December 2019, the amount of the adjustment recognised in profit or loss was RMB781 million.

According to the Circular regarding the Acceleration in Implementing Annuity Plans and Improvement of Compliance in the Payment of Off-Budget Expenditures (Yu Guo Zi Fa [2017] No. 236) issued by Chongqing State-owned Assets Supervision and Administration Commission, the Group implemented the annuity plan at the end of 2019, and re-evaluated and determined the scope of employees to be covered in the supplementary retirement benefits. The change in the scope of employees eligible for supplementary retirement benefits involved an increase to the present value of the defined benefit plan obligation, and a subsequent adjustment of RMB 61 million to the profit or loss of the Group for the year ended 31 December 2019.

Notes to the Consolidated Financial Statements (Continued)

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32. ACCRUED STAFF COSTS (Continued)

(2) Early retirement benefits

Early retirement benefits include basic salary and allowance paid monthly/annually, social insurance contribution and housing fund, and supplemental medical benefits in excess of the statutory level paid by the government-mandated basic medical program to original and new retired staff until they reach their normal retirement age.

For the year ended 31 December 2020, the Group returned RMB4 million (2019: incurred RMB40 million), and paid RMB43 million (2019: RMB57 million) in respect of the early retirement benefits plan.

33. DEBT SECURITIES ISSUED

	Note	As at 31 December 2020	As at 31 December 2019
Interbank certificates of deposit issued	(1)	143,748,381	154,156,979
Bonds issued	(2)	<u>29,429,828</u>	<u>17,173,088</u>
Total		<u>173,178,209</u>	<u>171,330,067</u>

(1) As at 31 December 2020 and 31 December 2019, the tenor of the outstanding certificates of deposit issued by the Bank in the China Domestic Internal Bond Market was 1 to 12 months.

(2) As approved by the PBOC and CBIRC, the Bank issued green financial bonds of RMB2,000 million on 5 November 2020.

As approved by the PBOC and CBIRC, the Bank issued financial bonds of RMB8,000 million on 12 March 2020.

As approved by the PBOC and CBIRC, the Bank issued special financial bonds for "agriculture, rural areas and farmers" of RMB2,000 million on 9 January 2020.

As approved by the PBOC and CBIRC, the Bank issued callable tier-two capital bonds of RMB5,000 million on 13 June 2019.

As approved by the PBOC and CBIRC, CQRC Financial Leasing Co., Ltd., the subsidiary of the Bank, issued financial bonds of RMB2,000 million on 1 April 2019.

As approved by the PBOC and CBIRC, the Bank issued special financial bonds for small and micro enterprise loans of RMB3,000 million on 14 December 2018.

As approved by the PBOC and CBIRC, the Bank issued financial bonds of RMB3,000 million on 8 May 2018.

As approved by the PBOC and CBIRC, the Bank issued callable tier-two capital bonds of RMB4,000 million on 7 December 2016.

(3) The Bank has no defaults on payments related to principle or interest or other defaults of debt securities issued.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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34. DEFERRED TAXATION

(1) Recognised deferred tax assets and liabilities which have not been offset:

	As at 31 December 2020	
	Deferred tax assets/ (liability)	Deductible/ (taxable) temporary differences
Deferred tax assets		
ECL allowances	6,728,456	26,913,820
Accrued and unpaid wages, bonuses and allowances	612,908	2,451,633
Retirement benefits	129,663	518,653
Adjustment of book value of assets and liabilities on the date of establishment	27,508	110,030
Government grants	19,562	78,247
Changes in fair value of financial instruments	76,495	305,981
Provision	62,897	251,589
Others	38,674	154,698
	<u>7,696,163</u>	<u>30,784,651</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(43,404)	(173,617)
Depreciation expenses and others	(114,115)	(456,460)
	<u>(157,519)</u>	<u>(630,077)</u>
	<u><u>7,538,644</u></u>	<u><u>30,154,574</u></u>

Notes to the Consolidated Financial Statements (Continued)

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34. DEFERRED TAXATION (Continued)

(1) Recognised deferred tax assets and liabilities which have not been offset: (Continued)

	As at 31 December 2019	
	Deferred tax assets/ (liability)	Deductible/ (taxable) temporary differences
Deferred tax assets		
ECL allowances	5,141,016	20,564,067
Accrued and unpaid wages, bonuses and allowances	583,675	2,334,700
Retirement benefits	161,182	644,728
Adjustment of book value of assets and liabilities on the date of establishment	42,128	168,513
Government grants	20,211	80,844
Provision	100,905	403,619
Others	32,739	130,954
	<u>6,081,856</u>	<u>24,327,425</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(40,607)	(162,428)
Changes in fair value of financial instruments	(53,176)	(212,704)
Depreciation expenses and others	(73,776)	(295,104)
	<u>(167,559)</u>	<u>(670,236)</u>
	<u>5,914,297</u>	<u>23,657,189</u>

Notes to the Consolidated Financial Statements (Continued)

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34. DEFERRED TAXATION (Continued)

- (2) The followings are the major deferred tax assets and liabilities recognised and movements thereon:

	ECL allowances	Retirement benefits	Accrued salaries and bonuses allowances	Provision	Changes in fair value of financial instruments	Government grants	Others	Total
As at 1 January 2020	5,141,016	161,182	583,675	100,905	(53,176)	20,211	(39,516)	5,914,297
Credit/(Charge) to profit or loss	1,587,439	(9,004)	29,233	(38,008)	29,683	(649)	(55,632)	1,543,062
Credit to other comprehensive income	—	(22,515)	—	—	99,988	—	3,812	81,285
As at 31 December 2020	<u>6,728,455</u>	<u>129,663</u>	<u>612,908</u>	<u>62,897</u>	<u>76,495</u>	<u>19,562</u>	<u>(91,336)</u>	<u>7,538,644</u>
As at 1 January 2019	3,606,897	155,337	687,863	76,905	(43,953)	20,860	9,051	4,512,960
Credit/(Charge) to profit or loss	1,534,119	(4,110)	(104,188)	24,000	(48,098)	(649)	(62,247)	1,338,827
Credit to other comprehensive income	—	9,955	—	—	37,150	—	13,680	60,785
Others	—	—	—	—	1,725	—	—	1,725
As at 31 December 2019	<u>5,141,016</u>	<u>161,182</u>	<u>583,675</u>	<u>100,905</u>	<u>(53,176)</u>	<u>20,211</u>	<u>(39,516)</u>	<u>5,914,297</u>

35. OTHER LIABILITIES

	Note	As at 31 December 2020	As at 31 December 2019
Other payables	(1)	5,106,230	6,584,792
Deferred income	(2)	658,981	695,708
Tax payables (excluding corporate income tax payable)	(3)	421,094	367,379
Dividends payable		44,801	48,405
Provision	(4)	<u>251,589</u>	<u>403,619</u>
Total		<u>6,482,695</u>	<u>8,099,903</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

35. OTHER LIABILITIES (Continued)

(1) Other payables

	As at 31 December 2020	As at 31 December 2019
Leasing business related payables	2,713,167	2,531,433
Payables from providing agency services	1,358,035	2,308,306
Items in process of clearing and settlement	288,028	306,960
Long term loans (i)	35,904	37,480
Others	<u>711,096</u>	<u>1,400,613</u>
Total	<u>5,106,230</u>	<u>6,584,792</u>

- (i) The amounts represent special-purpose loans from International Fund for Agriculture Development (“IFAD”) to support the petty loans in the PRC.

As at 31 December 2020 and 31 December 2019, the loans bear a fixed interest rate of 0.75% per annum. At 31 December 2020, these loans have 24 years to maturity. The terms are similar to the related loans granted to customers.

(2) Deferred income

Deferred income mainly represents deferred financial leasing income and government grants, for which the income will be amortised and recognised over the periods necessary to match them with the related costs.

	As at 31 December 2020	As at 31 December 2019
Deferred leasing income	532,810	548,502
Government grants	76,881	78,955
Fee and commission	44,109	41,725
Operating leasing	5,066	1,505
Other deferred income	<u>115</u>	<u>25,021</u>
Total	<u>658,981</u>	<u>695,708</u>

Notes to the Consolidated Financial Statements (Continued)

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35. OTHER LIABILITIES (Continued)

(3) Tax payables (excluding corporate income tax payable)

	As at 31 December 2020	As at 31 December 2019
Value added tax	367,584	288,721
Urban maintenance and construction tax	24,758	20,333
Individual income tax	6,038	6,227
Others	22,714	52,098
Total	421,094	367,379

(4) Provision

Provision mainly contains provision for credit impairment allowance due to loan commitments. As at 31 December 2020, the provisions for the Group's guarantees and commitments are mainly in stage 1.

36. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 31 December 2019	11,357,000	11,357,000
As at 31 December 2020	<u>11,357,000</u>	<u>11,357,000</u>

The Bank accomplished its initial public offering of A shares on the Shanghai Stock Exchange on 29 October 2019. The Bank issued 11,357 million A shares with a face value of RMB1 per share, resulting in a share capital increased to 11,357 million.

37. CAPITAL RESERVE

The Bank issued shares at a premium. Share premium was recorded in the capital reserve after deducting direct issuance costs which mainly included underwriting fees and professional fees. Where the Bank acquired equity interests from non-controlling shareholders, which is assessed as equity transactions. The difference between fair value of any considerations paid and the relevant share acquired of the carrying amount of net assets of the subsidiary was recorded in capital reserve.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

37. CAPITAL RESERVE (Continued)

The acquisition of additional interests from the non-controlling shareholders of its subsidiaries CQRC Wealth management Co., Ltd., is equity transaction. The capital premium of discount amount was charged to capital reserve.

Capital reserve of the Bank included the premium of RMB910 million from the placement of ordinary shares in 2010, the premium of RMB7,706 million from the initial public offering of overseas listed foreign shares on the Hong Kong Stock. Exchange in 2010, the premium of RMB3,291 million from the placement of ordinary shares in 2017, and the premium of RMB8,531 million from the initial public offering of A shares on the Shanghai Stock Exchange in 2019. The equity premium excluding direct issue costs is included in capital reserve. Direct issue costs mainly include underwriting fees and professional agency service fees.

38. INVESTMENT REVALUATION RESERVE

	Pre-tax amount	Tax impact	Net-of-tax amount
As at 1 January 2019	68,145	(17,037)	51,108
Fair value (loss)/gain for the year			
Amount reclassified to profit or loss upon disposal of financial assets measured at FVOCI	(182,793)	45,698	(137,095)
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at FVOCI	(27,428)	6,857	(20,571)
As at 31 December 2019	(142,076)	35,518	(106,558)
Fair value (loss)/gain for the year			
Amount reclassified to profit or loss upon disposal of financial assets measured at FVOCI	(307,331)	76,833	(230,498)
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at FVOCI	(107,869)	26,967	(80,902)
As at 31 December 2020	(415,200)	103,800	(311,400)

Notes to the Consolidated Financial Statements (Continued)

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39. SURPLUS RESERVE

Under the relevant PRC Laws, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the period determined under the Generally Accepted Accounting Principles of the PRC ("PRC GAAP") to the discretionary surplus reserve upon approval by the shareholders in the general meetings. The discretionary surplus reserve may be used to offset accumulated loss of the Bank, if any, and may be converted into capital.

For the year ended 31 December 2020, the Board of Directors of the Bank proposed to appropriate approximately RMB786 million to the statutory surplus reserve (2019: RMB937 million). The Bank does not propose any appropriation to discretionary surplus reserve (2019: Nil). It is pursuant to the approval by the shareholders in forthcoming general meeting.

40. GENERAL RESERVE

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance of the People's Republic of China, in addition to the allowances for impairment losses, the Bank and its subsidiaries are required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures.

During the year ended 31 December 2020, the Bank transferred RMB1,702 million to general reserve pursuant to the regulatory requirement (during the year ended 31 December 2019: RMB1,293 million). It is pursuant to the approval by the shareholders in forthcoming general meeting.

41. RETAINED EARNINGS

The movements of retained earnings of the Bank are set out below:

	As at 31 December 2020	As at 31 December 2019
As at 31 December	31,891,253	25,832,904
Profit for the year	7,862,538	9,366,427
Appropriation to surplus reserve	(786,254)	(936,643)
Appropriation to general reserve	(1,293,270)	(376,611)
Dividends recognised as distribution	(2,612,110)	(2,000,000)
Other comprehensive income transferred to retained earnings	—	5,176
As at 31 December	<u>35,062,157</u>	<u>31,891,253</u>

Notes to the Consolidated Financial Statements (Continued)

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42. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	As at 31 December 2020	As at 31 December 2019
Cash	3,144,929	3,185,322
Surplus reserve deposits with central bank	5,702,967	9,751,213
Deposits with banks and other financial institutions	8,856,396	5,446,695
Placements with banks and other financial institutions	260,000	2,150,000
Financial assets held under resale agreements	1,303,846	—
Total	19,268,138	20,533,230

43. SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group operates mainly in Chongqing, the PRC. Majority of its customers and non-current assets are located in Chongqing, the PRC. The Group's chief operating decision maker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and financial regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policies and the policies applied in preparing the consolidated financial statements.

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from third parties are referred to as "external interest income/expense".

The Group has no major customers which contribute 10 percent or more of the Group's income.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Notes to the Consolidated Financial Statements (Continued)

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43. SEGMENT ANALYSIS (Continued)

Operating segment

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into three operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings, financial leasing and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Financial market operations

The Group's treasury operations segment conducts money market or repurchase transactions and debt instruments investment for its own accounts or on behalf of customers.

Notes to the Consolidated Financial Statements (Continued)

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43. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

	For the year ended 31 December 2020					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	13,952,186	11,585,790	20,321,005	45,858,981	-	45,858,981
External interest expense	(1,909,615)	(12,077,844)	(7,622,652)	(21,610,111)	-	(21,610,111)
Inter-segment interest (expense)/income	(3,472,420)	9,941,644	(6,469,224)	-	-	-
Net interest income	8,570,151	9,449,590	6,229,129	24,248,870	-	24,248,870
Fee and commission income	715,313	1,488,564	806,746	3,010,623	-	3,010,623
Fee and commission expense	(36,800)	(44,447)	(26,512)	(107,759)	-	(107,759)
Net fee and commission income	678,513	1,444,117	780,234	2,902,864	-	2,902,864
Net trading gain	-	-	767,456	767,456	-	767,456
Share of result of associates	-	-	-	-	328	328
Other operating income, net	71,962	59,284	68,990	200,236	24,595	224,831
Net gains on derecognition of financial assets measured at amortised cost	-	-	36,555	36,555	-	36,555
Net gains on disposal of financial assets measured at amortised cost	-	-	1,002	1,002	-	1,002
Operating income	9,320,626	10,952,991	7,883,366	28,156,983	24,923	28,181,906
Operating expenses	(2,678,391)	(3,253,834)	(1,977,208)	(7,909,433)	-	(7,909,433)
Credit impairment losses	(7,603,252)	(1,697,810)	(908,618)	(10,209,680)	-	(10,209,680)
Profit before tax	(961,017)	6,001,347	4,997,540	10,037,870	24,923	10,062,793
Income tax expense						(1,498,020)
Profit for the year						<u>8,564,773</u>
Depreciation and amortisation included in operating expenses	287,736	349,557	212,410	849,703	-	849,703
Capital expenditure	<u>267,563</u>	<u>325,048</u>	<u>197,517</u>	<u>790,128</u>	-	<u>790,128</u>
	As at 31 December 2020					
Segment assets	272,591,604	210,513,240	639,730,733	1,122,835,577	13,530,995	1,136,366,572
Segment liabilities	169,739,455	563,635,428	305,680,556	1,039,055,439	2,238,923	1,041,294,362
Supplementary information						
Credit commitments	<u>15,430,825</u>	<u>21,959,923</u>	<u>-</u>	<u>37,390,748</u>	<u>-</u>	<u>37,390,748</u>

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44. RELATED PARTY TRANSACTIONS

(1) Related parties of the Group

The directors of the Bank consider that the following shareholders are related parties of the Group:

Name of shareholders	Percentage of shares holding of the Bank (%)	
	As at 31 December 2020	As at 31 December 2019
Chongqing Yufu Capital Operation Group Co., Ltd. (重慶渝富資本運營集團有限公司)	(a) 8.70	8.70
Chongqing City Investment (Group) Co., Ltd. (重慶市城市建設投資(集團)有限公司)	7.02	7.02
Chongqing Development and Real Estate Management CO., Ltd. (重慶發展置業管理有限公司)	(b) 5.19	5.19
Loncin Holding Co., Ltd. (隆鑫控股有限公司)	5.02	5.02
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	3.90	3.90
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	1.76	1.76
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	1.64	2.64
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)	1.33	0.08
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	<u>1.32</u>	<u>1.32</u>

(a) Chongqing Yufu Assets Management Group Company Limited changed its Chinese name from 重慶渝富資產經營管理集團有限公司 to 重慶渝富資本運營集團有限公司 on July 2020.

(b) Chongqing Development and Real Estate Management Company Limited changed its Chinese name from 重慶交通旅遊投資集團有限公司 to 重慶發展置業管理有限公司 on April 2020.

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44. RELATED PARTY TRANSACTIONS (Continued)

(1) Related parties of the Group (Continued)

Other related parties include key management members and their close family members; the enterprises directly or indirectly controlled by key management members and their close family members or served by key management members and their close family members as directors or senior management; staffs with credit approval authority and their close family members; the enterprises directly or indirectly controlled by staffs with credit approval authority and their close family members or served by staffs with credit approval authority and their close family members as directors or senior management; the enterprises controlled by shareholders with more than 5% (including 5%) shares of the Bank, or shareholders who hold less than 5% of the total shares or capital but have significant influence on the Bank's operation and management; the natural persons or legal persons who satisfy any circumstances above in the next 12 months in accordance with the relevant agreement and arrangement or in the past 12 months.

(2) Related party transactions

For the year ended 31 December 2020, the Group entered into the following material transactions with related parties

	Interest income		Interest expense	
	2020	2019	2020	2019
Shareholders of the Bank	210,138	377,871	16,214	19,396
Other related parties	<u>536,357</u>	<u>585,742</u>	<u>218,631</u>	<u>164,322</u>
Total	<u><u>746,495</u></u>	<u><u>963,613</u></u>	<u><u>234,845</u></u>	<u><u>183,718</u></u>

The Group's leasing contract with Chongqing Yufu Assets Management Group Co., Ltd has expired for the year ended 2020. The amount of lease expense or income incurred by the Group with other related parties is not significant for the year ended 2020.

Notes to the Consolidated Financial Statements (Continued)

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44. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions (Continued)

At the end of each reporting period, the Group had the following material outstanding balances with related parties:

	Loans and advances to related parties		Customer deposits from related parties	
	As at	As at	As at	As at
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Shareholders of the Bank	4,883,474	8,300,860	921,291	2,203,696
Other related parties	11,713,833	11,015,498	21,150,309	22,330,962
Total	16,597,307	19,316,358	22,071,600	24,534,658

For the year ended 31 December 2020, the Group wrote off the loans of Loncin Holdings Ltd. amounted to RMB3,806 million. As at 31 December 2020, the balance of loans of Loncin Holdings Ltd. amounted to RMB1,535 million, and the balance of related ECL allowance amounted to RMB1,301 million.

	Guarantee provided by related guarantee companies	
	31 December 2020	31 December 2019
	Other related guarantee companies	21,171,950

In addition to the above-mentioned business, related guarantee companies also provide guarantees for part of the Group's financial investments.

As at 31 December 2020, in trust investments, the principal balance of RMB1,429 million was invested to related parties of the Bank (31 December 2019: RMB1,499 million); in bond investments, the principal balance of bonds and interbank deposit certificates issued by related parties and purchased by the Bank was RMB1,265 million (31 December 2019: RMB3,557 million); in the financial assets measured at fair value through profit and loss, the wealth management products with a principal balance of RMB0 million were issued by related parties other than subsidiaries and purchased by the Bank (31 December 2019: RMB300 million).

As at 31 December 2020, the principal balance of the Bank's deposits and placements with related parties was RMB2,209 million (31 December 2019: RMB400 million).

Notes to the Consolidated Financial Statements (Continued)

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44. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions (Continued)

Other than interest income of the Group arising from related party transactions for the year ended 31 December 2020 and 2019 was not significant either individually or in aggregate.

The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by corresponding decision-making authority. The impairment of the investments and loans in related parties was assessed using expected credit loss (ECL) model, the same as regular investments and loans.

(3) Transactions between the Bank and its subsidiaries

There are various types of related party transactions between the Bank and its subsidiaries. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by corresponding decision-making authority.

For the year ended 31 December 2020 and 2019, transactions between the Bank and its subsidiaries include deposits with banks, deposits from banks, placement with banks and other financial institutions, debt securities investment, WMP investment and so forth.

As at 31 December 2020, the Bank's deposits with subsidiaries amounted to RMB381 million (31 December 2019: RMB221 million); the Bank's deposits from subsidiaries amounted to RMB922 million (31 December 2019: RMB583 million); the Bank's placements with subsidiaries amounted to RMB4,650 million (31 December 2019: RMB4,270 million); the Bank's bonds issued by subsidiaries amounted on RMB100 million (31 December 2019: RMB100 million); the Bank's non-principal guaranteed WMPs issued by subsidiaries amounted to RMB1,000 million (31 December 2019: Nil).

For the year ended at 31 December 2020, the interest income of the Bank's transactions with subsidiaries amounted to RMB160 million (2019: RMB158 million); the interest expense amounted to RMB18 million (2019: RMB16 million).

For the year ended at 31 December 2020 and 2019, the amount of other transactions between the Bank and its subsidiaries is not significant.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

44. RELATED PARTY TRANSACTIONS (Continued)

(4) Key management personnel

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Bank or the Group.

The remuneration of directors and other members of key management during the year were as follows:

	2020	2019
Paid remuneration (before tax)	2,343	2,518
Part-time fee	1,185	1,313
Social insurance/housing provident fund/ Supplementary medical insurance/corporate annuity unit payment part	569	952
Other monetary income	206	230
Total	<u>4,303</u>	<u>5,012</u>

Certain key management personnel's final emoluments for the current year are subject to approval by relevant authorities in the PRC and have not been finalised. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group as at 31 December 2020. The disclosed amount of remuneration is the amount paid in current year. The amount of actual remuneration will be announced after approval.

For the year ended 31 December 2020, both the loans made to key management personnel and their relatives, and the corresponding interest income are not material.

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45. STRUCTURED ENTITIES

(1) Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles (“WMP Vehicles”) formed to issue and distribute wealth management products (“WMPs”), which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMP Vehicles invest in a range of primarily fixed-rate assets, most typically money market instruments and debt securities. As the manager of WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the contract related to each WMP and distribute gain to investors on the basis of the operation performance of those products. The variable return that the Group has in relation to the WMPs is not significant, therefore the WMP Vehicles are not consolidated by the Group.

As at 31 December 2020 and 31 December 2019, the outstanding WMPs issued by the Group amounted to RMB137,255 million and RMB132,152 million, respectively, which represent the total size of the WMP vehicles. The interest of the Group from the operation of the WMPs mainly consists of fee and commission income. For the year ended 31 December 2020, the Group’s interest in the non-guaranteed WMP Vehicles included in Fee and Commission Income was RMB1,912 million (2019: RMB1,179 million).

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group’s risk from or reduce its interest in WMP vehicles disclosed above during the years ended 31 December 2020 and 2019. The Group is not required to absorb any loss incurred by WMPs before other parties.

In July 2020, the regulators announced the extension to the end of 2021 of the transition period set out in the *Guiding Opinions on Improving the Compliance of the Asset Management Operations of Financial Institutions*, encouraging financial institutions to adopt a combination of methods to dispose their existing portfolio, including assumption in the new products, market-oriented transfer, and/or recognition in the balance sheet. According to regulatory requirements, the Bank pragmatically, efficiently, actively and orderly promotes net worth product, asset standardization, disposal of existing portfolio, etc., and strives to achieve the smooth transition and steady development of wealth management business.

Notes to the Consolidated Financial Statements (Continued)

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45. STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities held by the Group

The Group invests in several other unconsolidated structured entities that are sponsored and managed by other entities for investment return, and records trading gain or loss and interest income therefrom. As at 31 December 2020 and 31 December 2019, the Group's maximum exposure to these other unconsolidated structured entities is summarised in the table below.

	As at 31 December 2020		
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Maximum exposure to credit risk
WMPs issued by other banks	2,265,065	–	2,265,065
Funds	21,028,362	–	21,028,362
Trust beneficial rights	–	6,780,468	6,780,468
Asset-backed securities	–	49,984,950	49,984,950
Total	23,293,427	56,765,418	80,058,845

	As at 31 December 2019		
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Maximum exposure to credit risk
WMPs issued by other banks	13,209,685	–	13,209,685
Funds	5,508,040	–	5,508,040
Trust beneficial rights	–	18,383,574	18,383,574
Asset-backed securities	7,873	24,400,204	24,408,077
Total	18,725,598	42,783,778	61,509,376

The underlying assets of trust beneficial rights and asset-backed securities primarily include trust loans and credit assets, the underlying assets of WMPs issued by other bank and funds primarily includes interbank assets and bonds. Asset-backed securities are mainly issued by financial institutions.

Information of the total size of the unconsolidated Structured Entities of the Group listed above is not readily available from the public.

Notes to the Consolidated Financial Statements (Continued)

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45. STRUCTURED ENTITIES (Continued)

(3) Consolidated structured entities

The Group's consolidated structured entities consist principally of WMP Vehicles that issue and distribute WMPs with respect to which the Group has not guaranteed the investors' principal investment and/or return upon maturity of the WMP, regardless of its actual performance during the year 2020 and 2019. The bank's non-principal guaranteed WMPs issued by CQRC Financial Leasing Company Limited is consolidated by the Group at 31 December 2020, which amounted to RMB1,000 million (31 December 2019: Nil).

46. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 31 December 2020, provisions of RMB1.59 million were made based on court judgements or the advice of counsels (31 December 2019: RMB1.74 million). The directors of the Bank believe, based on legal advice, that the result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	As at 31 December 2020	As at 31 December 2019
Contracted but not provided for	<u>501,665</u>	<u>385,708</u>

Credit commitments

	As at 31 December 2020	As at 31 December 2019
Acceptances	9,236,861	8,289,363
Undrawn credit card limit	21,959,923	17,169,136
Letters of guarantee	3,799,237	7,168,662
Letters of credit issued	<u>2,394,727</u>	<u>2,826,574</u>
Total	<u>37,390,748</u>	<u>35,453,735</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

46. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit commitments (Continued)

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

The Group grants loan commitments to specific customers. The directors of the Bank are of the opinion that such commitments are conditional and revocable and are therefore not included in the commitments disclosure above.

Credit risk weighted amounts for credit commitments

	As at 31 December 2020	As at 31 December 2019
Credit commitments	<u>15,577,978</u>	<u>14,893,554</u>

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBIRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

Operating lease commitments

As at 31 December 2020 and 2019, the Group's operating lease commitments not recognised as lease liabilities are not significant.

Collateral

Assets pledged as collateral

The carrying amount of assets pledged as collateral under repurchase agreement and borrowings from central bank and others by the Group is as follows:

	As at 31 December 2020	As at 31 December 2019
Bonds	79,241,623	59,438,377
Bills	<u>5,869,707</u>	<u>3,536,920</u>
Total	<u>85,111,330</u>	<u>62,975,297</u>

Notes to the Consolidated Financial Statements (Continued)

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46. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral (Continued)

Collateral accepted

The Group received bills and securities as collaterals in connection with securities lending transaction and purchase of assets under resale agreements. The Group has no collaterals that have been re-pledged, with the obligation of the Group to return at the maturity dates as at 31 December 2020 and 31 December 2019.

47. TRANSFER OF FINANCIAL ASSETS

(1) Financial assets sold under repurchase agreements

In daily operating activities, the Group entered repurchase agreements with certain counterparties. As at 31 December 2020, there are debt securities with carrying amount of RMB569 million under these agreements measured at amortised cost (31 December 2019: RMB12,002 million). The carrying amount of bills, which were sold by the Group to certain counterparties and were subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices, was RMB5,870 million as at 31 December 2020 (31 December 2019: RMB3,537 million). The proceeds from selling such debt securities and bills totalling RMB6,373 million as at 31 December 2020 (31 December 2019: RMB15,086 million) are presented as “financial assets sold under repurchase agreements” (see Note 30).

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and bills to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

(2) Rediscounted bills

As at 31 December 2020, the carrying amount of the outstanding rediscounted bills of the Group, which qualifies for derecognition, were RMB5,360 million (31 December 2019: RMB98 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. TRANSFER OF FINANCIAL ASSETS (Continued)

(3) Asset securitisation

During securitisation transactions, the Group sells assets to special purpose trusts from whom the asset-backed securities are subsequently sold to the investors. The Group may hold some asset-backed securities in these businesses, thus reserving part of risks and rewards of transferred credit assets. The Group analyses and judges whether to derecognise relevant credit assets based on degree of retention of risks and rewards.

As at 31 December 2020, the Group's credit assets transferred have expired. As at 31 December 2019, the carrying amount of the Group's unexpired credit assets transferred was RMB84 million. The Group has derecognised relevant credit assets. The carrying amount of the Group's share of the above asset-backed securities as at 31 December 2019 was RMB8 million.

(4) Transfer of non-performing loans

For the year ended 31 December 2020, the Group has disposed non-performing assets with a carrying amount of RMB678 million (31 December 2019: RMB574 million) by transferring them to third parties. The Group analysed whether to derecognise related credit asset according to the degree of risk and reward retention. After the assessment, the Group has derecognised the relevant credit assets.

(5) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2020, the carrying amount of debt securities lent to counterparties was RMB1,690 million (31 December 2019: RMB4,190 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT

(1) Overview

The primary risk management of the Group is to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

The major risks of the Group include credit risk, market risk and liquidity risk. Market risk includes currency risk, interest risk and other price risk. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(2) Risk Management Framework

The Group has a risk management committee under the Board of Directors. Risk management committee is responsible for setting the overall risk management and internal control strategies of the Group, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Group and the Bank.

Following the risk management strategies set by the risk management committee, the Risk Management Department of the Group formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

The Group's framework of financial risk management, risk management policies and process used in preparing the consolidated financial statements for the year ended 31 December 2020 are the same as those followed in the preparation of the Group's consolidated financial statements for the year end 31 December 2019.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Group comes from loans and advances to customers and other on-balance sheet and off-balance sheet credit risk exposures.

(i) Loans and advances to customers

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by strict compliance with its credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

The Group strictly implements the "Measures for Management of Bad Debt Verification of Financial Enterprises" issued by Ministry of Finance. For those claims that have taken necessary measures and implemented necessary procedures and are still unable to recover, they will be written off after approval if complying with the conditions for the recognition of bad debts. For the year ended 31 December 2020, the Group wrote off non-performing loans of RMB10,052 million (for the year ended 31 December 2019: RMB1,943 million).

(ii) Due from banks and other financial institutions

The Group adopts a Group-to-Group principle for credit to financial institutions. The Group set credit lines for financial institutions or single financial institutions that have financial transactions with the Group.

(iii) Bonds and other notes

The Group manages the credit risk exposure of bonds and other notes by controlling the scale of investment, setting the list of granting entities, rating access, Group-to-Group credit, and post-investment management.

(iv) Other financial assets

Financial assets mainly include asset management products, debt financing plans and etc. The Group implements a rating system for cooperating with financial institutions and sets credit lines for the ultimate financing party of the asset management products and debt financing plans, and conducts subsequent risk management on a regular basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

(v) Credit commitments

The main purpose of the credit commitments is to ensure that customers receive the funds they need. The letters of guarantee, acceptances and letters of credit issued are an irrevocable undertaking of the Group, that is, the Group undertakes to pay on behalf of its customer to the third party or to perform the payment on behalf of customers upon their failure to perform under the terms of the contract. There is a possibility that customer violates the terms of the contract and the Group needs to perform the payment on behalf of its customers. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

Expected Credit Loss Measurement

For the year ended 31 December 2020, the Group adopts a “three-stage” model for impairment based on changes in credit quality since initial recognition, to estimate the ECL.

- Stage 1: Financials instruments with no significant increase in credit risk after initial recognition. Expected credit losses in the next 12 months is recognised.
- Stage 2: There are significant increase in credit risk since initial recognition, but no objective evidence of impairment of the financial instrument. Lifetime ECL of financial instruments is recognised.
- Stage 3: Financial instruments show objective evidence of impairment on the balance sheet date. Lifetime ECL is recognised.

Significant Increase in Credit Risk (SICR)

The Group sufficiently considers available and valid information in order to decide the stage of financial assets, which reflects the significant increase in credit risk. The major factors considered include internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, repayment behaviors, etc. The Group evaluates the change in default risk on reporting date and initial recognition of one financial instrument or a portfolio of financial instruments that shares the similar credit risk features. The Group considers the change in probability of default (PD), whether the overdue exceeds 30 days and other factors to determine whether there is significant increase in credit risk since initial recognition.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Expected Credit Loss Measurement (Continued)

Significant Increase in Credit Risk (SICR) (Continued)

The Group sets a series of quantitative and qualitative criteria to determine whether there are significant changes in credit risk of financial instruments since initial recognition. The following factors are mainly considered:

- Interest or principal paid by debtors is overdue for more than 30 days but less than 90 days;
- A significant decrease in debtor's credit rating compared to that of initial recognition;
- Significant adverse changes in the debtor's operations or financial situation;
- Other objective evidence indicating there are significant changes in credit risk.

After the outbreak of COVID-19, the Group provided relief plans to existing customers affected by the epidemic. For customers who applied for loan relief plans, the Group prudently determined whether there was a significant change in their credit risk based on the specific terms of deferred repayment, the borrower's credit status and repayment ability, and other evidence-based information. For customers who apply for temporary deferred repayment facilities due to the epidemic, the Group paid attention to and promptly determined whether there was a significant change in the credit risk instead of only considering deferred repayment facilities.

Definition on Default and Credit-impaired Assets

The Group determined whether the assets were credit impaired based on a series of quantitative and qualitative standards such as credit ratings, and the risk profile changes of the debtor. The Group defines a financial instrument as in default when it meets one or more of the following criteria. In order to evaluate whether a financial asset is credit impaired, the Group considers the following criteria:

- Credit rating grade is D;
- Significant financial difficulty of the borrower or issuer;
- Breach of contract term, such as a default or delinquency in interest or principal payments for over 90 days;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Expected Credit Loss Measurement (Continued)

Definition on Default and Credit-impaired Assets (Continued)

- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties;
- Other objective evidence indicating there is an impairment of the financial asset.

Measuring ECL – Explanation of Inputs, Assumptions and Estimation Techniques

The Group's method of measuring ECL of financial assets includes risk parameter modelling approach and discounted cash flow modelling approach. The discounted cash flow model is applicable to financial assets classified into stage three which are large-amount and high-risk. The risk parameter model is applicable to financial assets divided into phase one, phase two and phase three which cash flow model is not applicable.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL measured by risk parameter modelling approach are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The PD represents the likelihood of a borrower breaching the contractual terms or defaulting on its financial obligation over a specific time, either the next 12 months, or the remaining lifetime of the obligation.

LGD refers to the extent of loss on a defaulted exposure, which is the ratio of the expected loss in the total amount of a loan. The Group's LGD is calculated in line with recovery amount according to different types of guarantee.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The Group reviews assumptions related to ECL model periodically, including but not limited to changes in PD and LGD.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Expected Credit Loss Measurement (Continued)

Measuring ECL – Explanation of Inputs, Assumptions and Estimation Techniques (Continued)

There have been no significant changes in estimation techniques or significant assumptions made during the reporting year.

The ECL of financial assets using the discounted cash flow modelling approach is measured based on the difference between the total book value and the present value of estimated future cash flows discounted at a certain discount rate.

Forward-looking Information

The calculation of ECL incorporates forward-looking macro-economic information.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, mainly including Chongqing GDP, M2, PCDI of urban residents, etc, to calculate the forward-looking impact of the macro-economic environment on ECL.

The Group has established forecast model along with time series data collection of the above key economic indicators from Wind China Macro and Industry Database and internal data. On this basis, combined with the experience of experts, a certain proportion of the predicted value of the model is used as the forecast value of future key economic indicators and the weights of the three scenarios, optimistic, baseline and pessimistic are determined.

Similar to other economic projections, there is a high degree of inherent uncertainty in the estimation of expected values and likelihood of occurrence, so actual results may differ materially from forecasts. The Group updates the expected values of macroeconomic indicators periodically. The Group believes that these projections reflect the Group's best estimate of possible outcomes to determine that the scenarios selected are appropriate to represent possible scenarios.

Notes to the Consolidated Financial Statements (Continued)

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48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Expected Credit Loss Measurement (Continued)

Forward-looking Information (Continued)

In 2020, the forecast value range of the Group's baseline scenario for the year-on-year growth rate of Chongqing's gross product (GDP) in 2021 is 7.50%-8.50%. The Group fully considered the impact of COVID-19 when evaluating the forecast information used in the ELC model, and made careful adjustments to the macroeconomic forecast.

Combined with expert judgment, the Group set the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the rest scenarios as a supplement. The weight of the baseline scenario of the Group as at December 31, 2020 is higher than the weights of other scenarios.

Sensitivity analysis

ECL are sensitive to the parameters used in the model, the macro-economic variables of the forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Changes in these inputs, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of ECL.

As at 31 December 2020, the Group's credit impairment provision would increase by RMB407 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB560 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

As at 31 December 2019, the Group's credit impairment provision would increase by RMB474 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB652 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

Notes to the Consolidated Financial Statements (Continued)

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48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of the reporting period is represented by the carrying amount of each financial asset recognised in the consolidated statements of financial position and credit commitments disclosed in Note 46 “Contingent Liabilities and Commitments”.

	As at 31 December 2020				
	Stage 1	Stage 2	Stage 3	Not applicable	Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
Financial assets					
Balances with central bank	62,223,994	–	–	–	62,223,994
Deposits with banks and other financial institutions	27,771,457	–	–	–	27,771,457
Placements with banks and other financial institutions	109,615,104	–	–	–	109,615,104
Derivative financial assets	1,303,008	–	–	–	1,303,008
Financial assets held under resale agreements	–	–	–	58,492	58,492
Loans and advances to customers	<u>473,595,465</u>	<u>11,775,562</u>	<u>1,592,376</u>	<u>–</u>	<u>486,963,403</u>

Notes to the Consolidated Financial Statements (Continued)

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48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

	As at 31 December 2020				Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
	Stage 1	Stage 2	Stage 3	Not applicable	
Financial investments					
Financial assets measured at fair value through profit or loss	-	-	-	30,164,463	30,164,463
Financial assets measured at fair value through other comprehensive income	16,055,223	-	-	-	16,055,223
Financial assets measured at amortised cost	380,939,052	627,393	1,598,044	-	383,164,489
Other financial assets	1,093,264	-	-	-	1,093,264
Subtotal	<u>1,072,596,567</u>	<u>12,402,955</u>	<u>3,190,420</u>	<u>30,222,955</u>	<u>1,118,412,897</u>
Off-balance sheet credit commitments	<u>36,997,061</u>	<u>233,715</u>	<u>53</u>	<u>-</u>	<u>37,230,829</u>
Total	<u>1,109,593,628</u>	<u>12,636,670</u>	<u>3,190,473</u>	<u>30,222,955</u>	<u>1,155,643,726</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

	As at 31 December 2019				Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
	Stage 1	Stage 2	Stage 3	Not applicable	
Financial assets					
Balances with central bank	74,228,272	–	–	–	74,228,272
Deposits with banks and other financial institutions	15,625,365	–	–	–	15,625,365
Placements with banks and other financial institutions	129,383,634	–	992,126	–	130,375,760
Derivative financial assets	–	–	–	92,263	92,263
Loans and advances to customers	<u>399,463,868</u>	<u>14,529,318</u>	<u>2,347,595</u>	<u>–</u>	<u>416,340,781</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

	As at 31 December 2019				Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
	Stage 1	Stage 2	Stage 3	Not applicable	
Financial investments					
Financial assets measured at fair value through profit or loss	-	-	-	4,952,393	4,952,393
Financial assets measured at fair value through other comprehensive income	6,679,007	-	-	-	6,679,007
Financial assets measured at amortised cost	343,206,847	3,211,569	-	-	346,418,416
Other financial assets	784,554	-	-	-	784,554
Subtotal	969,371,547	17,740,887	3,339,721	5,044,656	995,496,811
Off-balance sheet credit commitments	32,038,635	3,316,082	99,018	-	35,453,735
Total	1,001,410,182	21,056,969	3,438,739	5,044,656	1,030,950,546

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the expected credit losses are further classified into “risk level 1”, “risk level 2”, “risk level 3” and “default” within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes. “Risk level 1” means that the asset quality is good, and the rating is high, or there is no overdue situation, or there is no reason to suspect that the asset is expected to default; “Risk level 2” means medium rating, or although there is a certain overdue situation, the asset quality is good or there may be factors that have an adverse effect, but there is no sufficient reason to suspect that the asset is expected to default. “Risk level 3” means that the rating is low or the overdue situation is more serious, which means that there are factors that have a significantly adverse effect on the asset default, but there is no event indicating that the default has occurred. The criteria for “default” is consistent with definition of credit impairment that has occurred;

Notes to the Consolidated Financial Statements (Continued)

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48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

- (a) Maximum exposure to credit risk of loans and advances to customers measured at amortised cost analysed by internal stratified management:

Corporate loans and advances	As at 31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
Credit rating				
Risk level 1	160,733,375	1,718,692	–	162,452,067
Risk level 2	92,229,441	11,531,122	–	103,760,563
Risk level 3	–	1,028,574	–	1,028,574
Default	–	–	6,390,083	6,390,083
Gross carrying amount	252,962,816	14,278,388	6,390,083	273,631,287
Less: ECL allowance	(5,699,101)	(3,667,757)	(5,076,089)	(14,442,947)
Net carrying amount	<u>247,263,715</u>	<u>10,610,631</u>	<u>1,313,994</u>	<u>259,188,340</u>
Personal loans and advances	As at 31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
Credit rating				
Risk level 1	213,362,245	–	–	213,362,245
Risk level 2	109,586	1,584,743	–	1,694,329
Risk level 3	–	159,035	–	159,035
Default	–	–	1,328,084	1,328,084
Gross carrying amount	213,471,831	1,743,778	1,328,084	216,543,693
Less: ECL allowance	(4,849,971)	(578,847)	(1,050,702)	(6,479,520)
Net carrying amount	<u>208,621,860</u>	<u>1,164,931</u>	<u>277,382</u>	<u>210,064,173</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Loans and advances to customers

- (i) The composition of loans and advances to customers by industry or by nature is analysed as follows:

	As at 31 December 2020		As at 31 December 2019	
	Amount	%	Amount	%
Corporate loans and advances				
Water, environment and public utilities management	63,969,943	21.96	59,543,637	21.66
Manufacturing	63,304,280	21.73	62,679,247	22.81
Leasing and commercial services	60,894,463	20.90	50,781,853	18.48
Retail and wholesale	26,318,943	9.03	27,906,608	10.15
Production and supply of electricity, gas and water	19,624,184	6.74	16,570,780	6.03
Transportation, logistics and postal services	18,352,497	6.30	12,388,535	4.51
Financial industry	7,608,672	2.61	10,337,214	3.76
Construction	7,089,808	2.43	7,642,282	2.78
Sanitation and social work	6,288,277	2.16	5,538,146	2.01
Real estate	5,676,948	1.95	8,032,928	2.92
Education	2,596,509	0.89	2,861,584	1.04
Agriculture, forestry, animal husbandry and fishery	2,396,480	0.82	3,079,306	1.12
Others	7,221,173	2.48	7,484,986	2.73
Subtotal	291,342,177	100.00	274,847,106	100.00
Personal loans and advances				
Mortgages	91,337,004	42.18	73,091,378	45.05
Loans to private business and employment assistance loans	66,799,803	30.85	50,515,959	31.14
Credit cards	5,002,879	2.31	4,505,929	2.78
Others	53,404,007	24.66	34,124,516	21.03
Subtotal	216,543,693	100.00	162,237,782	100.00
Total	507,885,870		437,084,888	

As at 31 December 2020, discounted bills included in corporate loans and advances were RMB17,711 million (31 December 2019: RMB20,087 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Loans and advances to customers (Continued)

- (i) The composition of loans and advances to customers by industry or by nature is analysed as follows: (Continued)

Details of credit impaired loans, ECL allowances, charges (reversal), and amounts written off in respect of economic sectors which constitute 10% or more of total corporate loans and advances are as follows:

	2020					
	Gross impaired loans	ECL			Charge for the year	Written off in the year
		Stage 1	Stage 2	Stage 3		
Water, environment and public utilities management	-	(1,274,757)	(164,598)	-	554,341	4,514
Manufacturing	3,167,438	(911,465)	(912,560)	(2,690,025)	(3,484,840)	4,218,438
Leasing and commercial services	<u>127,505</u>	<u>(1,907,261)</u>	<u>(890,167)</u>	<u>(96,608)</u>	<u>(1,551,528)</u>	<u>7,900</u>
	2019					
	Gross impaired loans	ECL			Charge for the year	Written off in the year
		Stage 1	Stage 2	Stage 3		
Water, environment and public utilities management	4,526	(1,130,019)	(864,660)	(3,531)	275,793	-
Manufacturing	1,805,309	(802,404)	(2,843,410)	(1,601,834)	(2,508,217)	521,897
Leasing and commercial services	2,000	(1,209,657)	(138,751)	(2,000)	157,220	4,000
Retail and wholesale	<u>1,859,006</u>	<u>(269,963)</u>	<u>(401,951)</u>	<u>(1,338,692)</u>	<u>(507,435)</u>	<u>433,479</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Loans and advances to customers (Continued)

- (ii) The composition of of loans and advances to customers by contractual maturity and collateral type is analysed as follows:

	As at 31 December 2020			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	45,364,810	22,980,557	9,318,826	77,664,193
Guaranteed loans	33,542,293	61,235,221	65,560,134	160,337,648
Collateralised and other secured loans				
– loans secured by property and other immovable assets	67,782,253	32,896,282	107,901,668	208,580,203
– other pledged loans	<u>20,994,359</u>	<u>5,530,668</u>	<u>34,778,799</u>	<u>61,303,826</u>
Total	<u>167,683,715</u>	<u>122,642,728</u>	<u>217,559,427</u>	<u>507,885,870</u>

	As at 31 December 2019			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	29,827,265	16,517,977	6,323,339	52,668,581
Guaranteed loans	34,064,200	49,809,903	53,976,722	137,850,825
Collateralised and other secured loans				
– loans secured by property and other immovable assets	68,412,106	23,511,760	89,827,764	181,751,630
– other pledged loans	<u>19,778,056</u>	<u>10,216,795</u>	<u>34,819,001</u>	<u>64,813,852</u>
Total	<u>152,081,627</u>	<u>100,056,435</u>	<u>184,946,826</u>	<u>437,084,888</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Loans and advances to customers (Continued)

(iii) Overdue loans

	As at 31 December 2020				
	Up to 90 days	91 to 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	224,109	307,210	19,046	6,433	556,798
Guaranteed loans	306,172	1,207,142	964,299	332,319	2,809,932
Collateralised and other secured loans					
– loans secured by property and other immovable assets	755,021	957,886	319,486	87,679	2,120,072
– other pledged loans	93,679	1,698	1,000	–	96,377
Total	1,378,981	2,473,936	1,303,831	426,431	5,583,179

	As at 31 December 2019				
	Up to 90 days	91 to 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	196,135	236,843	13,034	5,084	451,096
Guaranteed loans	786,971	568,720	882,591	6,488	2,244,770
Collateralised and other secured loans					
– loans secured by property and other immovable assets	637,172	504,693	508,627	267,561	1,918,053
– other pledged loans	390,265	57,833	–	–	448,098
Total	2,010,543	1,368,089	1,404,252	279,133	5,062,017

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Loans and advances to customers (Continued)

(iv) Rescheduled loans and advances

Rescheduled loans are loans that have been renegotiated due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are subject to ongoing monitoring. The amount of rescheduled loans and advances is shown as follows:

	As at 31 December 2020		As at 31 December 2019	
	Total	Percentage of gross loans and advances to customers	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	1,539,513	0.30%	623,583	0.14%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	743,805	0.15%	541,554	0.12%

(v) Assets foreclosed under credit enhancement arrangement

The Group's new foreclosed assets amounted 10.16 million in 2020 (2019: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Debt securities

(i) Debt securities analysed by credit rating and credit risk characteristics

The Group and the Bank relies on credit rating provided by the external credit agencies in the PRC to classify the debt securities.

	As at 31 December 2020				
	AAA	AA	A and below	Unrated	Total
Financial assets measured at fair value through profit and loss					
Public sector, quasi-government bonds	–	–	–	1,651,528	1,651,528
Financial institution bonds	3,610,397	1,609,111	–	–	5,219,508
Corporate bonds	–	–	–	–	–
Interbank deposit certificates	–	–	–	–	–
Others	–	–	–	23,293,427	23,293,427
Subtotal	3,610,397	1,609,111	–	24,944,955	30,164,463
Financial assets measured at fair value through other comprehensive income					
Public sector, quasi-government bonds	–	–	–	15,755,737	15,755,737
Financial institution bonds	299,486	–	–	–	299,486
Subtotal	299,486	–	–	15,755,737	16,055,223
Financial assets measured at amortised cost					
Government bonds	77,720,555	–	–	35,663,965	113,384,520
Public sector, quasi-government bonds	2,067,553	–	–	49,954,929	52,022,482
Financial institution bonds	54,628,273	–	–	–	54,628,273
Corporate bonds	7,506,167	13,946,380	23,522	40,773,786	62,249,855
Interbank deposit certificates	–	–	–	61,478,326	61,478,326
Debt financing plans	–	–	–	32,620,565	32,620,565
Trust plans	–	–	–	6,780,468	6,780,468
Subtotal	141,922,548	13,946,380	23,522	227,272,039	383,164,489
Total	145,832,431	15,555,491	23,522	267,972,731	429,384,175

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Debt securities (Continued)

(i) Debt securities analysed by credit rating and credit risk characteristics (Continued)

	As at 31 December 2019				
	AAA	AA	A and below	Unrated	Total
Financial assets measured at fair value through profit and loss					
Public sector, quasi-government bonds	–	–	–	105,451	105,451
Financial institution bonds	2,862,974	1,485,914	–	–	4,348,888
Corporate bonds	–	–	–	–	–
Interbank deposit certificates	–	–	–	498,054	498,054
Subtotal	2,862,974	1,485,914	–	603,505	4,952,393
Financial assets measured at fair value through other comprehensive income					
Public sector, quasi-government bonds	–	–	–	6,309,267	6,309,267
Corporate bonds	647	95,244	–	273,849	369,740
Subtotal	647	95,244	–	6,583,116	6,679,007
Financial assets measured at amortised cost					
Government bonds	10,179,988	–	–	87,223,344	97,403,332
Public sector, quasi-government bonds	2,673,555	–	–	47,845,137	50,518,692
Financial institution bonds	29,127,274	–	–	–	29,127,274
Corporate bonds	6,533,898	10,567,938	161,937	44,008,647	61,272,420
Interbank deposit certificates	–	–	–	68,988,286	68,988,286
Debt financing plans	–	–	–	20,724,838	20,724,838
Trust plans	–	–	–	18,383,574	18,383,574
Subtotal	48,514,715	10,567,938	161,937	287,173,826	346,418,416
Total	51,378,336	12,149,096	161,937	294,360,447	358,049,816

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk

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

The Asset and Liability Management Committee of the Group mapped out the index management system of the ratios of asset and liability structure, based on the principles of liquidity, safety, and profitability; determines annual target values of these indexes in accordance with regulatory requirement and business plan; and allocates the tasks to branches for implementation.

The Group established the supervision system of indexes of asset and liability management, the liquidity reverse system, and relevant emergency management measures, to reduce the liquidity risk of the Group. The Group worked out the regulatory indicators of liquidity in accordance with the requirement of CBIRC, and reported to CBIRC periodically.

The assets which can be used for repaying debt and paying for the outstanding credit commitments contain cash and balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets measured at fair value through profit and loss, and so forth. In normal operation, majority of deposits will not be withdrawn immediately on the maturity date. Therefore, the Group will retain this part of cash flow.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

	As at 31 December 2020							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	56,523,959	8,844,964	-	-	-	-	-	65,368,923
Deposits with banks and other financial institutions	-	7,526,046	1,055,967	8,054,179	11,135,265	-	-	27,771,457
Placements with banks and other financial institutions	-	-	7,857,729	20,661,983	81,095,392	-	-	109,615,104
Derivative financial assets	-	-	821	850	42,191	14,630	-	58,492
Financial assets held under resale agreements	-	-	1,303,008	-	-	-	-	1,303,008
Loans and advances to customers	1,871,846	-	17,074,107	28,283,353	141,709,769	136,404,373	161,619,955	486,963,403
Financial investments								
Financial assets measured at fair value through profit and loss	-	2,503,025	815,756	1,449,309	1,011,699	14,334,000	10,050,674	30,164,463
Financial assets measured at fair value through other comprehensive income	570,321	-	-	124,903	128,645	294,020	15,507,655	16,625,544
Financial assets measured at amortised cost	-	-	4,005,274	30,306,457	66,313,445	157,763,203	124,776,110	383,164,489
Other financial assets	-	1,093,264	-	-	-	-	-	1,093,264
Total financial assets	58,966,126	19,967,299	32,112,662	88,881,034	301,436,406	308,810,226	311,954,394	1,122,128,147
Borrowings from central bank	-	-	80	3,982,483	58,331,244	-	-	62,313,807
Deposits from banks and other financial institutions	-	1,784,356	4,671,977	13,061,472	15,921,496	-	-	35,439,301
Placements from banks and other financial institutions	-	-	5,401,533	5,242,857	16,055,609	-	-	26,699,999
Derivative financial liabilities	-	-	760	798	79,961	227	-	81,746
Financial assets sold under repurchase agreements	-	-	2,400,573	2,661,785	1,310,842	-	-	6,373,200
Deposits from customers	-	257,556,816	43,719,865	104,664,428	160,641,822	158,416,883	-	724,999,814
Debt securities issued	-	-	2,299,293	43,329,903	104,657,249	13,893,834	8,997,930	173,178,209
Other financial liabilities	-	5,070,326	-	-	-	-	35,904	5,106,230
Total financial liabilities	-	264,411,498	58,494,081	172,943,726	356,998,223	172,310,944	9,033,834	1,034,192,306
Net position	58,966,126	(244,444,199)	(26,381,419)	(84,062,692)	(55,561,817)	136,499,282	302,920,560	87,953,841

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48. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

	As at 31 December 2019							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	64,477,059	12,936,535	-	-	-	-	-	77,413,594
Deposits with banks and other financial institutions	-	5,362,737	2,123,689	1,297,200	6,841,739	-	-	15,625,365
Placements with banks and other financial institutions	-	-	8,764,670	34,934,645	85,359,466	1,316,979	-	130,375,760
Derivative financial assets	-	-	7,536	21,259	10,437	53,031	-	92,263
Financial assets held under resale agreements	-	-	-	-	-	-	-	-
Loans and advances to customers	1,915,196	-	21,761,510	20,575,327	130,436,638	103,390,586	138,261,524	416,340,781
Financial investments								
Financial assets measured at fair value through profit and loss	-	-	1,180,212	4,670,144	7,865,255	5,508,040	4,454,340	23,677,991
Financial assets measured at fair value through other comprehensive income	577,835	-	43,880	40,092	309,566	75,072	6,210,397	7,256,842
Financial assets measured at amortised cost	-	-	9,258,655	21,412,354	81,912,459	136,073,295	97,761,653	346,418,416
Other financial assets	-	784,554	-	-	-	-	-	784,554
Total financial assets	66,970,090	19,083,826	43,140,152	82,951,021	312,735,560	246,417,003	246,687,914	1,017,985,566
Borrowings from central bank	-	-	-	2,855	31,215,134	-	-	31,217,989
Deposits from banks and other financial institutions	-	458,375	514,557	3,931,244	4,588,887	-	-	9,493,063
Placements from banks and other financial institutions	-	-	3,093,143	7,880,114	15,102,372	-	-	26,075,629
Derivative financial liabilities	-	-	276	20,802	8,846	29,692	-	59,616
Financial assets sold under repurchase agreements	-	-	13,364,641	1,721,487	-	-	-	15,086,128
Deposits from customers	-	260,297,720	27,240,418	87,781,504	135,470,063	162,612,111	3	673,401,819
Debt securities issued	-	-	4,861,440	58,431,051	91,145,471	7,894,492	8,997,613	171,330,067
Other financial liabilities	-	6,547,312	-	-	-	-	37,480	6,584,792
Total financial liabilities	-	267,303,407	49,074,475	159,769,057	277,530,773	170,536,295	9,035,096	933,249,103
Net position	66,970,090	(248,219,581)	(5,934,323)	(76,818,036)	35,204,787	75,880,708	237,652,818	84,736,463

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48. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the expected undiscounted contractual cash flows. The Group manages liquidity risk on basis of expected undiscounted cash flows.

	As at 31 December 2020							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	56,523,959	8,857,569	-	-	-	-	-	65,381,528
Deposits with banks and other financial institutions	-	7,538,540	1,056,797	8,090,541	11,340,255	-	-	28,026,133
Placements with banks and other financial institutions	-	-	7,871,258	20,969,005	82,919,595	-	-	111,759,858
Financial assets held under resale agreements	-	-	1,304,523	-	-	-	-	1,304,523
Loans and advances to customers	1,991,967	-	19,402,702	34,503,546	166,756,751	177,088,010	257,441,764	657,184,740
Financial investments								
Financial assets measured at fair value through profit and loss	-	2,503,025	816,054	1,472,774	1,339,418	16,947,592	11,667,512	34,746,375
Financial assets measured at fair value through other comprehensive income	570,321	-	-	153,500	389,875	2,458,500	18,158,000	21,730,196
Financial assets measured at amortised cost	-	-	4,218,349	31,335,348	74,082,314	195,221,957	144,633,810	449,491,778
Other financial assets	-	1,066,850	-	-	-	-	-	1,066,850
Total financial assets	59,086,247	19,965,984	34,669,683	96,524,714	336,828,208	391,716,059	431,901,086	1,370,691,981
Non-derivative financial liabilities								
Borrowings from central bank	-	-	80	4,065,726	59,352,087	-	-	63,417,893
Deposits from banks and other financial institutions	-	1,784,224	4,678,474	13,118,821	16,146,469	-	-	35,727,988
Placements from banks and other financial institutions	-	-	5,406,419	5,345,790	16,421,740	-	-	27,173,949
Financial assets sold under repurchase agreements	-	-	2,401,990	2,671,100	1,324,499	-	-	6,397,589
Deposits from customers	-	257,556,816	43,763,700	105,044,740	162,822,515	169,185,099	-	738,372,870
Debt securities issued	-	-	2,304,000	43,601,200	106,707,200	16,218,600	10,072,000	178,903,000
Other financial liabilities	-	5,070,326	-	-	-	-	35,904	5,106,230
Total financial liabilities	-	264,411,366	58,554,663	173,847,377	362,774,510	185,403,699	10,107,904	1,055,099,519
Net position	59,086,247	(244,445,382)	(23,884,980)	(77,322,663)	(25,946,302)	206,312,360	421,793,182	315,592,462

Notes to the Consolidated Financial Statements (Continued)

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48. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2020							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivative financial instruments								
Settled by total amount								
Total inflows	-	-	11,081	15,258	2,489,088	409,294	-	2,924,721
Total outflows	-	-	(11,021)	(15,206)	(2,526,857)	(408,620)	-	(2,961,704)
Net position	-	-	60	52	(37,769)	674	-	(36,983)

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48. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2019							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	64,477,059	12,951,781	-	-	-	-	-	77,428,840
Deposits with banks and other financial institutions	-	5,365,070	2,211,170	1,303,248	6,964,273	-	-	15,843,761
Placements with banks and other financial institutions	-	-	8,780,486	35,437,983	90,568,720	1,380,754	-	136,167,943
Loans and advances to customers	1,940,449	-	23,779,143	24,570,586	147,673,811	123,394,165	232,416,732	553,774,886
Financial investments								
Financial assets measured at fair value through profit and loss	-	-	1,178,354	4,708,206	8,155,130	6,894,404	5,025,121	25,961,215
Financial assets measured at fair value through other comprehensive income	577,835	-	43,996	40,351	516,035	886,500	7,358,125	9,422,842
Financial assets measured at amortised cost	-	-	9,444,673	23,834,249	86,984,907	170,183,628	110,414,444	400,861,901
Other financial assets	-	759,301	-	-	-	-	-	759,301
Total financial assets	66,995,343	19,076,152	45,437,822	89,894,623	340,862,876	302,739,451	355,214,422	1,220,220,689
Non-derivative financial liabilities								
Borrowings from central bank	-	-	-	23,414	31,822,970	-	-	31,846,384
Deposits from banks and other financial institutions	-	458,375	515,098	3,950,710	4,681,372	-	-	9,605,555
Placements from banks and other financial institutions	-	-	3,096,229	7,985,441	15,362,899	-	-	26,444,569
Financial assets sold under repurchase agreements	-	-	13,368,198	1,728,629	-	-	-	15,096,827
Deposits from customers	-	260,523,279	27,270,563	88,075,048	137,366,560	175,909,663	3	689,145,116
Debt securities issued	-	-	4,870,000	58,750,000	92,953,200	9,821,400	10,454,000	176,848,600
Other financial liabilities	-	6,321,753	-	-	-	-	37,480	6,359,233
Total financial liabilities	-	267,303,407	49,120,088	160,513,242	282,187,001	185,731,063	10,491,483	955,346,284
Net position	66,995,343	(248,227,255)	(3,682,266)	(70,618,619)	58,675,875	117,008,388	344,722,939	264,874,405

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(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2019							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivative financial instruments								
Settled by total amount								
Total inflows	-	-	2,942,121	1,055,130	635,482	2,230,015	-	6,862,748
Total outflows	-	-	(2,934,861)	(1,054,674)	(633,891)	(2,219,605)	-	(6,843,031)
Net position	-	-	7,260	456	1,591	10,410	-	19,717

Assets available to meet all of the liabilities include cash, balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets measured at fair value through profit or loss, and financial assets measured at fair value through other comprehensive income. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved.

Notes to the Consolidated Financial Statements (Continued)

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48. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Off-balance sheet items

Off-balance sheet items of the Group include acceptances, undrawn credit card limits and others. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

	31 December 2020			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	9,236,861	–	–	9,236,861
Undrawn credit card limits	21,959,923	–	–	21,959,923
Letters of guarantee	2,040,782	1,750,455	8,000	3,799,237
Letters of credit issued	2,394,727	–	–	2,394,727
Total	35,632,293	1,750,455	8,000	37,390,748

	31 December 2019			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	8,289,363	–	–	8,289,363
Undrawn credit card limits	17,169,136	–	–	17,169,136
Letters of guarantee	4,397,706	2,762,956	8,000	7,168,662
Letters of credit issued	2,826,574	–	–	2,826,574
Total	32,682,779	2,762,956	8,000	35,453,735

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48. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk

Market risk is the risk of loss, in respect of the Group's and the Bank's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk arises from the proprietary business of the Group.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and to a lesser extent in other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures.

The exchange rate of RMB to USD is under a managed floating exchange rate system. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

	As at 31 December 2020				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	65,279,310	89,613	-	-	65,368,923
Deposits with banks and other financial institutions	26,353,725	807,862	191,794	418,076	27,771,457
Placements with banks and other financial institutions	109,081,116	533,988	-	-	109,615,104
Derivative financial assets	57,585	907	-	-	58,492
Financial assets held under resale agreements	1,303,008	-	-	-	1,303,008
Loans and advances to customers	484,941,118	2,022,285	-	-	486,963,403
Financial investments					
Financial assets measured at fair value through profit and loss	30,164,463	-	-	-	30,164,463
Financial assets measured at fair value through other comprehensive income	16,625,544	-	-	-	16,625,544
Financial assets measured at amortised cost	383,131,476	33,013	-	-	383,164,489
Other financial assets	1,093,264	-	-	-	1,093,264
Total financial assets	1,118,030,609	3,487,668	191,794	418,076	1,122,128,147
Borrowings from central bank	62,313,807	-	-	-	62,313,807
Deposits from banks and other financial institutions	35,439,170	131	-	-	35,439,301
Placements from banks and other financial institutions	25,181,588	1,518,411	-	-	26,699,999
Derivative financial liabilities	3,404	78,342	-	-	81,746
Financial assets sold under repurchase agreements	6,373,200	-	-	-	6,373,200
Deposits from customers	722,738,012	2,232,671	2,698	26,433	724,999,814
Debt securities issued	173,178,209	-	-	-	173,178,209
Other financial liabilities	5,070,326	35,904	-	-	5,106,230
Total financial liabilities	1,030,297,716	3,865,459	2,698	26,433	1,034,192,306
Net position	87,732,893	(377,791)	189,096	391,643	87,935,841
Credit commitments	34,641,177	2,115,055	-	474,597	37,230,829

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

	As at 31 December 2019				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	77,151,655	261,939	-	-	77,413,594
Deposits with banks and other financial institutions	14,773,093	690,686	37,245	124,341	15,625,365
Placements with banks and other financial institutions	127,588,094	2,787,666	-	-	130,375,760
Derivative financial assets	42,645	49,162	456	-	92,263
Financial assets held under resale agreements	-	-	-	-	-
Loans and advances to customers	414,058,804	2,281,977	-	-	416,340,781
Financial investments					
Financial assets measured at fair value through profit and loss	23,677,991	-	-	-	23,677,991
Financial assets measured at fair value through other comprehensive income	7,256,842	-	-	-	7,256,842
Financial assets measured at amortised cost	346,383,148	35,268	-	-	346,418,416
Other financial assets	784,554	-	-	-	784,554
Total financial assets	1,011,716,826	6,106,698	37,701	124,341	1,017,985,566
Borrowings from central bank	31,217,989	-	-	-	31,217,989
Deposits from banks and other financial institutions	9,492,923	140	-	-	9,493,063
Placements from banks and other financial institutions	24,789,406	1,286,223	-	-	26,075,629
Derivative financial liabilities	32,301	27,315	-	-	59,616
Financial assets sold under repurchase agreements	15,086,128	-	-	-	15,086,128
Deposits from customers	672,662,416	738,818	3	582	673,401,819
Debt securities issued	171,330,067	-	-	-	171,330,067
Other financial liabilities	6,547,312	37,480	-	-	6,584,792
Total financial liabilities	931,158,542	2,089,976	3	582	933,249,103
Net position	80,558,284	4,016,722	37,698	123,759	84,736,463
Credit commitments	32,341,747	2,599,682	-	512,306	35,453,735

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(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against USD by 5% on net profit.

	As at 31 December 2020 (Decrease)/ Increase in Net profit	As at 31 December 2019 (Decrease)/ Increase in Net profit
RMB5% appreciation	<u>12,821</u>	<u>(150,627)</u>
RMB5% depreciation	<u>(12,821)</u>	<u>150,627</u>

The impact on the net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities. Changes in foreign currency exchange rate will not affect other comprehensive income.

The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

Interest rate risk

The interest rate risk of the Group arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities.

The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact on the PBOC benchmark interest rates;
- Minimising the mis-matches between contractual maturities and repricing of interest generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's financial assets and liabilities.

	As at 31 December 2020						Non-interest bearing	Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years			
Cash and balances with central bank	378,534	-	-	-	-	64,990,389	65,368,923	
Deposits with banks and other financial institutions	7,131,614	7,907,087	11,021,674	-	-	1,711,082	27,771,457	
Placements with banks and other financial institutions	7,658,689	20,193,742	80,039,422	-	-	1,723,251	109,615,104	
Derivative financial assets	-	-	-	-	-	58,492	58,492	
Financial assets held under resale agreements	1,302,667	341	-	-	-	-	1,303,008	
Loans and advances to customers	177,696,186	41,357,944	152,536,317	94,186,332	19,320,775	1,865,849	486,963,403	
Financial investments								
Financial assets measured at fair value through profit and loss	-	-	-	1,547,004	5,324,032	23,293,427	30,164,463	
Financial assets measured at fair value through other comprehensive income	-	-	-	294,020	15,507,655	823,869	16,625,544	
Financial assets measured at amortised cost	2,866,553	28,349,580	63,004,676	157,763,203	124,776,110	6,404,367	383,164,489	
Other financial assets	-	-	-	-	-	1,093,264	1,093,264	
Total financial assets	197,034,243	97,808,694	306,602,089	253,790,559	164,928,572	101,963,990	1,122,128,147	
Borrowings from central bank	-	3,980,300	56,919,030	-	-	1,414,477	62,313,807	
Deposits from banks and other financial institutions	6,400,447	12,960,000	15,800,300	-	-	278,554	35,439,301	
Placements from banks and other financial institutions	5,354,482	5,180,000	15,961,770	-	-	203,747	26,699,999	
Derivative financial liabilities	-	-	-	-	-	81,746	81,746	
Financial assets sold under repurchase agreement	2,383,006	2,640,039	1,304,810	-	-	45,345	6,373,200	
Deposits from customers	306,621,361	98,496,248	156,492,667	151,386,738	-	12,002,800	724,999,814	
Debt securities issued	2,237,221	43,145,576	104,364,898	13,893,834	8,997,930	538,750	173,178,209	
Other financial liabilities	-	-	-	-	35,904	5,070,326	5,106,230	
Total financial liabilities	322,996,517	166,402,163	350,843,475	165,280,572	9,033,834	19,635,745	1,034,192,306	
Interest rate risk gap	(125,962,274)	(68,593,469)	(44,241,386)	88,509,987	155,894,738	82,328,245	87,953,841	

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48. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

	As at 31 December 2019						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	72,447,638	-	-	-	-	4,965,956	77,413,594
Deposits with banks and other financial institutions	6,561,731	1,265,676	6,753,140	-	-	1,044,818	15,625,365
Placements with banks and other financial institutions	8,544,411	34,082,252	83,788,490	1,299,591	-	2,661,016	130,375,760
Derivative financial assets	-	-	-	-	-	92,263	92,263
Financial assets held under resale agreements	-	-	-	-	-	-	-
Loans and advances to customers	248,935,110	28,663,237	111,551,235	18,322,546	2,842,604	6,026,049	416,340,781
Financial investments							
Financial assets measured at fair value through profit and loss	-	498,054	7,873	-	4,454,340	18,717,724	23,677,991
Financial assets measured at fair value through other comprehensive income	41,293	38,195	204,089	75,060	6,210,397	687,808	7,256,842
Financial assets measured at amortised cost	8,247,381	19,598,649	78,911,223	136,173,236	97,761,653	5,726,274	346,418,416
Other financial assets	-	-	-	-	-	784,554	784,554
Total financial assets	344,777,564	84,146,063	281,216,050	155,870,433	111,268,994	40,706,462	1,017,985,566
Borrowings from central bank	-	-	30,875,500	-	-	342,489	31,217,989
Deposits from banks and other financial institutions	965,907	3,900,000	4,530,000	-	-	97,156	9,493,063
Placements from banks and other financial institutions	3,047,620	7,798,810	14,989,286	-	-	239,913	26,075,629
Derivative financial liabilities	-	-	-	-	-	59,616	59,616
Financial assets sold under repurchase agreement	13,340,656	1,709,535	-	-	-	35,937	15,086,128
Deposits from customers	286,613,154	85,888,764	132,510,149	159,015,051	3	9,374,698	673,401,819
Debt securities issued	4,861,440	58,431,051	90,864,488	7,894,493	8,997,613	280,982	171,330,067
Other financial liabilities	-	-	-	-	37,480	6,547,312	6,584,792
Total financial liabilities	308,828,777	157,728,160	273,769,423	166,909,544	9,035,096	16,978,103	933,249,103
Interest rate risk gap	35,948,787	(73,582,097)	7,446,627	(11,039,111)	102,233,898	23,728,359	84,736,463

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net profit and comprehensive income, based on the Group's position of interest-bearing assets and liabilities at the end of the reporting period.

	2020		2019	
	Net profit	Other comprehensive income	Net profit	Other comprehensive income
+100 basis points	347,447	118,513	1,552,856	49,268
- 100 basis points	(347,447)	(118,513)	(1,552,856)	(49,268)

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products; therefore the impact of yield curves movement on interest expenses related to demand deposits has been excluded.

The sensitivity analysis on net profit is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate financial assets at end of the reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

The Group, based on regulatory requirement, conducts interest risk management in accordance with relevant regulations in Basel Accord.

This assumption does not represent the policy of use of funds and interest rate risk management of the Group. Therefore, the impact mentioned above may be different from actual situations.

Besides, the impact analysis of changes in interest rate mentioned above is a way of illustration, showing the estimated changes of net profit and other comprehensive income in cases of estimated yield and current interest risk of the Group. However, the risk management measures which may be adopted by management have not been taken into consideration in the analysis.

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48. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Other price risk

Other price risk mainly stem from the Group's equity investments. The Group believes that other price risks faced by the Group are not significant.

(6) Capital management

The Group's and the Bank's objectives on capital management are to:

- safeguard the Group's and the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Group's and the Bank's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of business.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Administrative Measures on the Capital of Commercial Banks (Trial). For systematically important banks, CBIRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBIRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. As at 31 December 2020 and 31 December 2019, the Group is in compliance with these legal and regulatory requirements.

The weighted credit risk assets of on-balance sheet exposures are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee. The similar calculation is adopted for off-balance sheet credit risk exposures, with adjustments made to reflect the more contingent nature of any potential loss. Market risk-weighted assets are calculated using the standardised approach. Basic indicator approach is used to calculate the risk weighted assets of operational risk.

The Group calculated the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with Administrative Measures on the Capital of Commercial Banks (Trial) and relevant requirements promulgated by the CBIRC.

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48. FINANCIAL RISK MANAGEMENT (Continued)

(6) Capital management (Continued)

	As at 31 December 2020	As at 31 December 2019
Core tier-one capital adequacy ratio	11.96%	12.42%
Tier-one capital adequacy ratio	11.97%	12.44%
Capital adequacy ratio	14.28%	14.88%
Components of capital base		
Core tier-one capital:		
Share capital	11,357,000	11,357,000
Valid portion of capital reserve	20,238,135	20,571,991
Surplus reserve and general reserve	26,125,900	23,918,884
Retained earnings	35,947,699	32,365,628
Valid portion of non-controlling interests	656,046	907,410
Total core tier-one capital	94,324,780	89,120,913
Deductions:		
Goodwill	(440,129)	(440,129)
Other intangible assets	(157,913)	(121,802)
Net core tier-one capital	93,726,738	88,558,982
Other tier-one capital:		
Non-controlling interests	87,473	120,988
Net tier-one capital	93,814,211	88,679,970
Tier-two capital		
Valid portion of tier-two capital instruments issued and related premium	9,000,000	9,000,000
Surplus provision for loan impairment	8,947,105	8,161,160
Valid portion of non-controlling interests	174,945	229,334
Net capital base	111,936,261	106,070,464
Risk-weighted assets		
Credit-risk-weighted assets	724,715,545	661,053,920
Market-risk-weighted assets	8,699,411	3,954,998
Operational risk-weighted assets	50,509,324	47,876,796

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49. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of the listed equity securities on exchanges. Where Level 1 inputs are not available, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation techniques used by the Group is the discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include recent transaction prices, interest rates, own credit spread and counterparty credit spreads, as appropriate. If these parameters used in the model are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as Level 2.

The following tables give the information about how the fair values of these financial assets and financial liabilities are categorised and determined (in particular, the valuation technique(s) and inputs used).

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49. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Nature of assets/liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
		31/12/2020	31/12/2019		
Financial assets measured at fair value through profit or loss	Debt securities issued by:				
	– Public sector and quasi-governments	1,651,528	105,451	Level 2	See Note 1.
	– Financial institutions	5,219,508	4,348,888	Level 2	See Note 1.
	– Financial institutions	–	7,873	Level 3	Based on fair value of underlying assets, mainly comprising bonds and money market financial instruments traded in the China Domestic Interbank Bond Market
	WMPs issued by other financial institutions	2,265,065	13,209,685	Level 3	Discounted cash flows. Future cash flows are estimated and discounted using yield curve for similar quoted wealth management products issued by financial institutions.
	Interbank Certificates of deposit issued	–	498,054	Level 2	See Note 1.
	Funds	21,028,362	5,508,040	Level 2	See Note 1.
Derivatives	Assets	58,492	92,263	Level 2	Discounted cash flows. Future cash flows are estimated based on foreign currency forward rates (from observable yield curves at the end of the reporting period), discounted at a rate that reflects the credit risk of various counterparties.
	Liabilities	81,746	59,616		
Loans and advances to customers	Loans and advances to customers measured at fair value through other comprehensive income	17,710,890	20,086,701	Level 3	Discounted cash flows. Future cash flows are estimated at face value and discounted using market interest rates adjusted by risk premium.
Financial assets measured at fair value through other comprehensive income	Listed equity securities issued by:				
	– Financial institutions	134,203	34,687	Level 2	Based on observable H-share market price and adjusted for the lack of marketability.
	– Other institutions	428,118	535,148		Based on observable H-share market price and adjusted for the lack of marketability.
	Unlisted equity securities issued by:				
	– Financial institutions	8,000	8,000	Level 3	Based on observable H-share market price of similar stocks, combined with discounted cash flow analysis
	Debt securities issued by:				
	– Public sector and quasi-governments	15,755,737	6,309,267	Level 2	See Note 1.
	– Corporations	–	369,740		See Note 1.
– Financial institution	299,486	–	Level 2	See Note 1.	

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Note 1: The debt securities traded on China Domestic Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository And Clearing Co., Ltd. (CCDCC), and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement. Fund investment valuation is based on observable quotes in the market.

There were no significant transfers between all levels during the year of 2020 and 2019.

Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy

	2020		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Loans and advances to customers
As at 1 January 2020	13,217,558	8,000	20,086,701
Total gain or loss:	45,065	—	(23,530)
Purchases	5,040,000	—	37,094,234
Sales and settlements	(16,037,558)	—	(39,446,515)
As at 31 December 2020	<u>2,265,065</u>	<u>8,000</u>	<u>17,710,890</u>
	2019		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Loans and advances to customers
As at 1 January 2019	9,848,291	866,257	20,192,651
Total gain or loss:	214,576	—	(14,511)
Purchases	22,195,000	—	29,617,584
Sales and settlements	(19,040,309)	(858,257)	(29,709,023)
As at 31 December 2019	<u>13,217,558</u>	<u>8,000</u>	<u>20,086,701</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value financial assets and financial liabilities that are not measured at fair value on a recurring basis

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for which the carrying amounts approximate their fair values, such as balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements are not included in the tables below.

	As at 31 December 2020		As at 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	469,252,513	472,456,273	396,254,080	398,048,947
Financial assets measured at amortised cost	<u>383,164,489</u>	<u>389,408,736</u>	<u>346,418,416</u>	<u>355,459,282</u>
Total	<u>852,417,002</u>	<u>861,865,009</u>	<u>742,672,496</u>	<u>753,508,229</u>
Financial liabilities				
Deposits from customers	724,999,814	742,786,904	673,401,819	688,162,488
Debt securities issued	<u>173,178,209</u>	<u>173,176,429</u>	<u>171,330,067</u>	<u>171,585,587</u>
Total	<u>898,178,023</u>	<u>915,963,333</u>	<u>844,731,886</u>	<u>859,748,075</u>

The Group determines the fair value of debt securities issued by adopting level 2; determines the fair value of financial assets measured at amortised cost by adopting level 2 or 3.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

The following table gives the information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)	
	31/12/2020	31/12/2019			
Loans and advances to customers	472,456,273	398,048,947	Level 3	See Note 2.	
Financial assets measured at amortised cost	Debt securities issued by:				
	– Government	114,425,337	99,504,651	Level 2	See Note 1.
	– Government	64,036	39,599	Level 3	See Note 2.
	– Public sector and quasi-governments	52,990,504	51,776,558	Level 2	See Note 1.
	– Financial institutions	54,332,904	29,667,524	Level 2	See Note 1.
	– Corporations	62,696,029	61,945,545	Level 2	See Note 1.
	Interbank deposit certificates	61,516,206	69,058,393	Level 2	See Note 1.
	Debt financing plans	33,417,769	22,259,976	Level 3	See Note 2.
Trust plans	9,965,951	21,207,036	Level 3		
Deposits from customers	742,786,904	688,162,488	Level 3	See Note 2.	
Debt securities issued	173,176,429	171,585,587	Level 2	See Note 1.	

Note 1: The debt securities traded on China Domestic Interbank Bond Market are classified into Level 2. Their fair values are provided by CCDCC and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

Note 2: The fair values of financial instruments classified into Level 3 are mainly determined by using the discounted cash flow method, which future cash flows determined by contractual cash flows and reference interest rates are used.

There were no significant transfers between all levels during the year of 2020 and 2019.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

50. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK

	NOTE	As at 31 December 2020	As at 31 December 2019
Assets			
Cash and balances with central bank		65,193,644	77,237,199
Deposits with banks and other financial institutions		25,942,124	15,336,886
Placements with banks and other financial institutions		113,700,444	134,719,083
Derivative financial assets		58,492	92,263
Financial assets held under resale agreements		1,303,008	–
Loans and advances to customers		446,485,876	379,839,150
Financial investments			
Financial assets measured at fair value through profit or loss		31,165,230	23,677,991
Financial assets measured at fair value through other comprehensive income		16,625,544	7,256,842
Financial assets measured at amortised cost		382,454,202	346,521,226
Investment in subsidiaries	22	5,403,379	3,013,379
Investment in associates	22	450,328	–
Property and equipment		4,634,749	4,822,135
Right-of-use assets		119,017	149,124
Deferred tax assets		7,234,928	5,694,689
Goodwill		440,129	440,129
Other assets		1,699,188	1,449,390
Total Assets		<u>1,102,910,282</u>	<u>1,000,249,486</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

50. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

	NOTE	As at 31 December 2020	As at 31 December 2019
Liabilities			
Borrowings from central bank		62,130,960	31,132,434
Deposits from banks and other financial institutions		36,364,524	10,077,485
Placements from banks and other financial institutions		2,518,551	5,190,781
Derivative financial liabilities		81,746	59,616
Financial assets sold under repurchase agreements		6,373,200	15,086,128
Deposits from customers		723,246,055	671,687,519
Accrued staff costs		4,412,402	4,307,038
Corporate income tax payable		889,066	925,917
Lease liabilities		105,607	139,022
Debt securities issued		171,226,188	169,379,523
Other liabilities		3,210,564	4,919,176
Total liabilities		1,010,558,863	912,904,639
Equity			
Share capital	36	11,357,000	11,357,000
Capital reserve	37	21,023,997	21,023,997
Investment revaluation reserve	38	(417,958)	(106,558)
Actuarial changes reserve		(268,525)	(336,069)
Surplus reserve	39	12,069,842	11,283,588
General reserve	40	13,524,906	12,231,636
Retained earnings	41	35,062,157	31,891,253
Total equity		92,351,419	87,344,847
Total liabilities and equity		1,102,910,282	1,000,249,486

Approved and authorised for issue by the Board of Directors on 30 March 2021.

LIU JIANZHONG

CHAIRMAN

XIE WENHUI

EXECUTIVE DIRECTOR AND PRESIDENT

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

50. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

Reserve movement of the Bank

	2020					
	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 1 January 2020	21,023,997	(106,558)	(336,069)	11,283,588	12,231,636	31,891,253
Profit for the year	-	-	-	-	-	7,862,538
Other comprehensive income	-	(311,400)	67,544	-	-	-
Total comprehensive income for the year	-	(311,400)	67,544	-	-	7,862,538
Contribution from non-controlling interests						
Appropriation to surplus reserve	-	-	-	786,254	-	(786,254)
Appropriation to general reserve	-	-	-	-	1,293,270	(1,293,270)
Dividend distribution	-	-	-	-	-	(2,612,110)
As at 31 December 2020	<u>21,023,997</u>	<u>(417,958)</u>	<u>(268,525)</u>	<u>12,069,842</u>	<u>13,524,906</u>	<u>35,062,157</u>
	2019					
	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 1 January 2019	12,493,286	51,108	(306,203)	10,346,945	11,855,025	25,832,904
Profit for the year	-	-	-	-	-	9,366,427
Other comprehensive income	-	(152,490)	(29,866)	-	-	-
Total comprehensive income for the year	-	(152,490)	(29,866)	-	-	9,366,427
Contribution from non-controlling interests	8,530,711	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	936,643	-	(936,643)
Appropriation to general reserve	-	-	-	-	376,611	(376,611)
Dividend distribution	-	-	-	-	-	(2,000,000)
Other comprehensive income transferred to retained earnings	-	(5,176)	-	-	-	5,176
As at 31 December 2019	<u>21,023,997</u>	<u>(106,558)</u>	<u>(336,069)</u>	<u>11,283,588</u>	<u>12,231,636</u>	<u>31,891,253</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

51. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

- (1) According to section 383 of the Hong Kong Companies Ordinance, the emoluments and retirement benefits of directors are disclosed in Note 11, payments or benefits in respect of termination of directors' services, material interests of directors in transactions, arrangements or contracts entered into by the Bank or another company in the same group of companies, and consideration provided to or receivable by third parties for making available the services of a person as a director or in any other capacity is not material during the year 2020(2019: not material).
- (2) Principal balance of loans and credit transactions provided to certain controlled body corporates and connected entities of directors and supervisors:

Name of the borrower	As at 31 December 2019	As at 31 December 2020	Maximum outstanding during the year 2020	Amounts fallen due but not been paid as at 31 December 2020	Provisions as at 31 December 2020	Term	Interest Rate (%)	Security
Connected entities	5,259,830	5,644,636	5,644,636	-	40,181	1 to 10 years	3.85-6.18	Guarantee, equity and real estate etc

52. EVENT AFTER THE REPORTING PERIOD

- (1) On 30 March 2021, as proposed by the Board of Directors of the Bank, the Bank passed the 2020 annual profit distribution plan, which was disclosed in Note 14 Dividends, Note 39 Surplus Reserve and Note 40 General Reserve. It can take effect after the resolution is passed at the shareholders' meeting.

Besides the items mentioned above, the Group and the Bank have no significant events after the reporting period.

Unaudited Supplementary Financial Information

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

LIQUIDITY RATIO

(Expressed in percentage)

THE GROUP

	As at 31 December 2020	As at 31 December 2019
RMB current assets to RMB current liabilities	57.06	57.12
Foreign currency current assets to foreign currency liabilities	<u>98.87</u>	<u>29.94</u>

LIQUIDITY COVERAGE RATIO

THE GROUP

	As at 31 December 2020	As at 31 December 2019
Liquidity coverage ratio (expressed in percentage)	<u>186.99</u>	<u>225.78</u>

Unaudited Supplementary Financial Information (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

CURRENCY CONCENTRATIONS

THE GROUP

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 31 December 2020				
Spot assets	4,657.4	196.7	444.7	5,298.8
Spot liabilities	(4,371.6)	(179.2)	(53.2)	(4,604.0)
Forward purchases	1,587.5	–	–	1,587.5
Forward sales	(1,299.1)	–	(390.0)	(1,689.1)
Net position	<u>574.2</u>	<u>17.5</u>	<u>1.5</u>	<u>593.2</u>

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 31 December 2019				
Spot assets	6,239.4	37.3	1,813.4	8,090.1
Spot liabilities	(4,541.9)	(183.0)	(29.7)	(4,754.6)
Forward purchases	1,410.4	69.5	–	1,479.9
Forward sales	(2,695.5)	–	(1,680.8)	(4,376.3)
Net position	<u>412.4</u>	<u>(76.2)</u>	<u>102.9</u>	<u>439.1</u>

Unaudited Supplementary Financial Information (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, the Group's international claims is the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions and loans and advances to customers.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfer. Risk transfer is 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.

	Banks and other financial institutions	Non-bank private sectors	Total
As at 31 December 2020			
Asia Pacific (not including Mainland China)	1,697.7	2,426.8	4,124.5
– of which attributed to Hong Kong	191.5	–	191.5
North America	625.7	–	625.7
Europe	34.3	–	34.3
Total	<u>2,357.7</u>	<u>2,426.8</u>	<u>4,784.5</u>
As at 31 December 2019			
Asia Pacific (not including Mainland China)	3,730.3	2,475.1	6,205.4
– of which attributed to Hong Kong	36.9	–	36.9
North America	477.2	–	477.2
Europe	16.1	–	16.1
Total	<u>4,223.6</u>	<u>2,475.1</u>	<u>6,698.7</u>

Unaudited Supplementary Financial Information (Continued)

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

SUMMARY OF INFORMATION ON GEOGRAPHICAL SEGMENTS

When information is prepared based on the geographical segments, total operating income is allocated in accordance with the locations of branches recording the income. The table below sets forth the total operating income attributable to county area branches and urban area branches for the periods indicated.

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	4,393.4	19,855.5	24,248.9	3,690.8	19,682.9	23,373.7
Net fee and commission income	1,143.4	1,759.5	2,902.9	979.6	1,259.4	2,239.0
Net trading gain	–	767.5	767.5	–	759.8	759.8
Share of profits of associates	–	0.3	0.3	–	–	–
Other operating income, net	50.1	174.6	224.7	71.1	112.1	183.2
Net gains on disposal of financial assets measured at fair value through other comprehensive income	–	36.6	36.6	–	–	–
Net gains on disposal of financial assets measured at amortised cost	–	1.0	1.0	–	86.7	86.7
Total operating income	5,586.9	22,595.0	28,181.9	4,741.5	21,900.9	26,642.4
Internal transfer of income and expense	7,397.5	(7,397.5)	–	7,277.9	(7,277.9)	–
Income after adjustment	12,984.4	15,197.5	28,181.9	12,019.4	14,623.0	26,642.4

- (1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of the twelve village and township bank subsidiaries and the information of Qujing Branch.

Unaudited Supplementary Financial Information (Continued)

For the year ended 31 December 2020

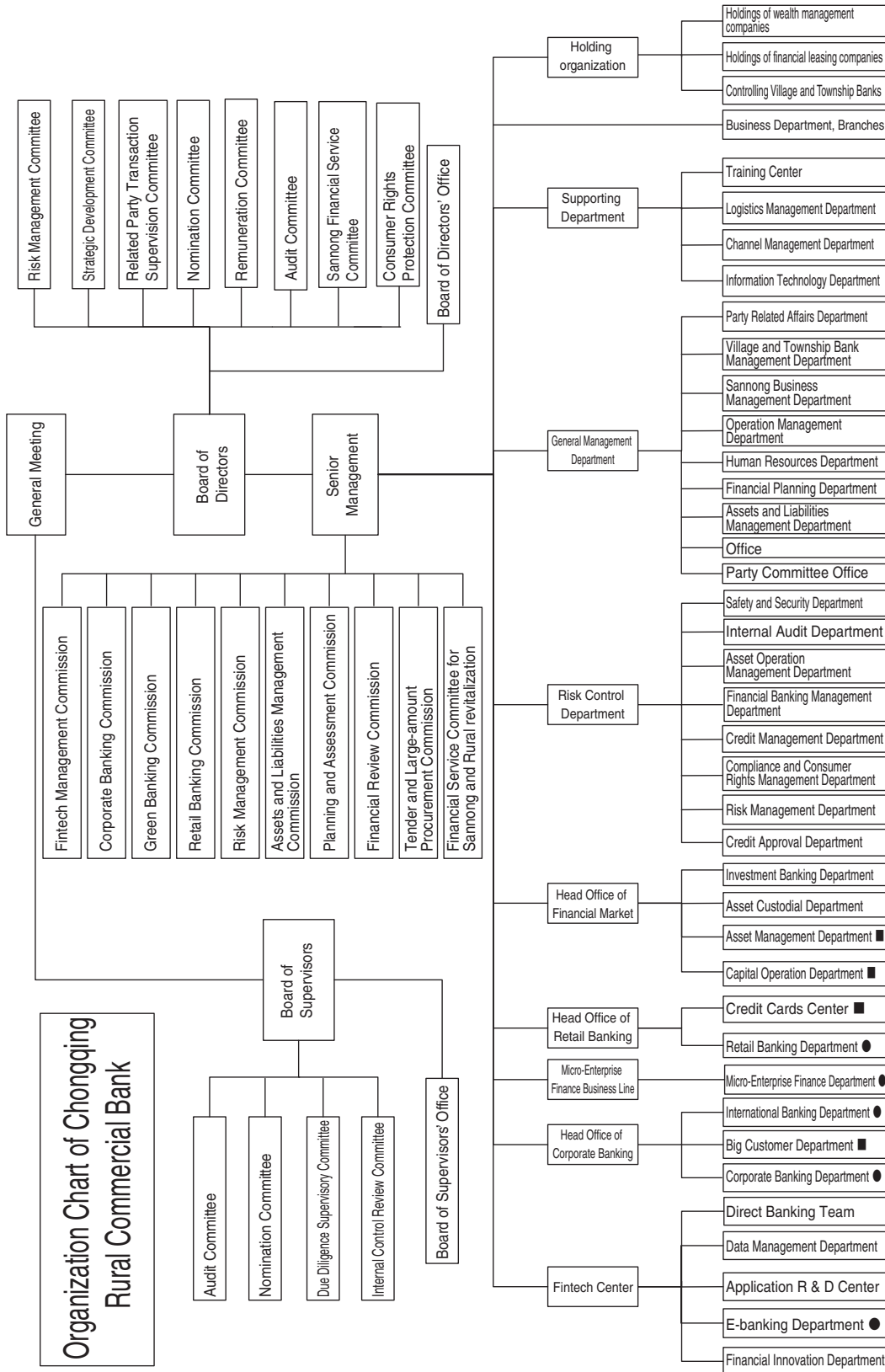
(Amounts in thousands of Renminbi, unless otherwise stated)

Abstract of geographical segments

(Expressed in percentage)	31 December			
	2020		2019	
	County Area	Urban Area	County Area	Urban Area
Deposits	70.04	29.96	69.33	30.67
Loans	50.79	49.21	48.02	51.98
Assets	52.91	47.09	49.37	50.63
Loan-deposit ratio	<u>50.80</u>	<u>115.06</u>	<u>44.96</u>	<u>110.01</u>

(Expressed in percentage)	31 December			
	2020		2019	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	0.70	0.89	0.90	1.11
Net fee and commission income to operating income	8.81	11.58	8.15	8.61
Cost-to-income ratio	<u>33.14</u>	<u>23.73</u>	<u>30.82</u>	<u>26.64</u>

Organizational Chart



Notes:
 ■ representing the implementation of division of the system management mode;
 ● representing the implementation of the prospective division of the system management mode;
 ■ representing the implementation of straight line management mode.

Branches and Subsidiaries

Branches

Qujing Branch

Address: Block 2 and 3, "Renhe Garden, Yunding Town Center" Dahua Bridge, Qilin West Road, Qilin District, Qujing City, Yunnan Province
Postal Code: 655000
Tel: 0874-3193599
Fax: 0874-3193599

Liangjiang Branch

Address: No. 21, 23, 25 Jintong Road, New North Zone, Chongqing City
Postal Code: 401122
Tel: 023-88502278
Fax: 023-88502278

Wanzhou Branch

Address: No. 91 Taibai Road, Wanzhou District, Chongqing City
Postal Code: 404100
Tel: 023-58156261
Fax: 023-58156260

Jiangjin Branch

Address: Block E, Jinhui Garden, Binjiang West Road, Jijiang Street Office, Jiangjin District, Chongqing City
Postal Code: 402260
Tel: 023-47528840
Fax: 023-47522632

Hechuan Branch

Address: No. 2 Jiuchang Road, Hechuan District, Chongqing City
Postal Code: 401520
Tel: 023-42835185
Fax: 023-42841214

Fuling Branch

Address: Block 1, Hongfu Building No. 55 Xinghua Middle Road, Fuling District, Chongqing City
Postal Code: 408000
Tel: 023-72238022
Fax: 023-72237722

Sub-branches

Yuzhong Branch

Address: No. 142 Xinhua Road, Yuzhong District, Chongqing City
Postal Code: 400011
Tel: 023-63716557
Fax: 023-63716557

Jiangbei Branch

Address: 1-1, No. 10, Yanghe Road East, Jiangbei District, Chongqing City
Postal Code: 400020
Tel: 023-61310036
Fax: 023-61310065

Shapingba Branch

Address: No. 37, 38 and 39, No. 118 Xiaoyanggong Bridge, Shapingba District, Chongqing City
Postal Code: 400030
Tel: 023-65332566
Fax: 023-65332566

Dadukou Branch

Address: 1-3, 1-4-1-1, Block 1, 1-4-1-2, 1-4-2-2, Block 1, 11 Tianchenhuafu, Chunhui Road Street, Dadukou District, Chongqing City
Postal Code: 400084
Tel: 023-68836636
Fax: 023-68901484

Branches and Subsidiaries

Nan'an Branch

Address: No. 24 Jiangnan Avenue,
Nanping, Nan'an District,
Chongqing City
Postal Code: 400060
Tel: 023-62947517
Fax: 023-62982743

Jiulongpo Branch

Address: No. 2 Xijiao Road, Yang Jia Ping,
Jiulongpo District, Chongqing City
Postal Code: 400050
Tel: 023-68437557
Fax: 023-68437557

Beibei District

Address: No. 20 Beixia West Road, Beibei,
District, Chongqing City
Postal Code: 400700
Tel: 023-68864083
Fax: 023-68862728

Yubei Branch

Address: 1-1, Block 1, No. 91 Shuanglong
Avenue, Shuanglonghu Street,
Yubei District, Chongqing City
Postal Code: 401120
Tel: 023-67824010
Fax: 023-67822014

Ba'nán Branch

Address: No. 145 Longzhou Avenue,
Ba'nán District, Chongqing City
Postal Code: 400055
Tel: 023-66212977
Fax: 023-66222960

Wansheng Branch

Address: No. 36 Wandong North Road,
Wansheng District, Chongqing
City
Postal Code: 400800
Tel: 023-48299505
Fax: 023-48299504

Changshou Branch

Address: No. 13 Xiangyang Road,
Fengcheng Street Office,
Changshou District, Chongqing
City
Postal Code: 401220
Tel: 023-40245293
Fax: 023-40240574

Yongchuan Branch

Address: No. 399, Honghe Middle Road,
Yongchuan District, Chongqing
City
Postal Code: 402160
Tel: 023-49863765
Fax: 023-49885099

Nanchuan Branch

Address: No. 24 Jinfo Avenue, Nanchuan
District, Chongqing City
Postal Code: 408400
Tel: 023-71423626
Fax: 023-71429898

Qijiang Branch

Address: No. 34 Jiulong Avenue, Wenlong
Street, Qijiang District, Chongqing
City
Postal Code: 401420
Tel: 023-48663139
Fax: 023-48658598

Tongnan Branch

Address: No. 4, Xingtong Avenue, Guilin Street Office, Tongnan County, Chongqing City
 Postal Code: 402660
 Tel: 023-44551908
 Fax: 023-44554249

Tongliang Branch

Address: No. 102 Zhongxing Road, Bachuan Street, Tongliang County, Chongqing City
 Postal Code: 402560
 Tel: 023-45682975
 Fax: 023-45673031

Dazu Branch

Address: Fu No. 2 No.390 Wuxing Avenue, Tangxiang Street Office, Dazu County, Chongqing City
 Postal Code: 402360
 Tel: 023-43711711
 Fax: 023-43722323

Rongchang Branch

Address: No. 106 Haitang Avenue, Changzhou Street Office, Rongchang County, Chongqing City
 Postal Code: 402460
 Tel: 023-46732980
 Fax: 023-46735395

Bishan Branch

Address: No. 4 Bitong Road, Bicheng Street Office, Bishan County, Chongqing City
 Postal Code: 402760
 Tel: 023-41427834
 Fax: 023-41427834

Liangping Branch

Address: No. 1, Block 26, Minghao Commercial Area, Liangshan Town, Liangping County, Chongqing City
 Postal Code: 405200
 Tel: 023-53223401
 Fax: 023-53223401

Chengkou Branch

Address: No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City
 Postal Code: 405900
 Tel: 023-59221503
 Fax: 023-59221503

Fengdu Branch

Address: No. 187 2nd Shangye Road, Sanhe Town, Fengdu County, Chongqing City
 Postal Code: 408299
 Tel: 023-70736661
 Fax: 023-70736533

Dianjiang Branch

Address: No. 371 Renmin East Road, Guixi Town, Dianjiang County, Chongqing City
 Postal Code: 408300
 Tel: 023-74512937
 Fax: 023-74685719

Zhong County Branch

Address: No. 49 Ba Wang Road, Zhongzhou Town, Zhong County, Chongqing City
 Postal Code: 404300
 Tel: 023-54235902
 Fax: 023-54243942

Branches and Subsidiaries

Kai County Branch

Address: (Shimin Plaza) Kaizhou Avenue,
Hanfeng Street Office, Kai
County, Chongqing City
Postal Code: 405400
Tel: 023-52250812
Fax: 023-52250253

Yunyang Branch

Address: No. 1335 Yunjiang Avenue,
Qinglong Subdistrict, Yunyang
County, Chongqing City
Postal Code: 404500
Tel: 023-55161480
Fax: 023-55161480

Fengjie Branch

Address: No. 32 Gongping Lane, Yufujie
Road, Fengjie County, Chongqing
City
Postal Code: 404699
Tel: 023-56560373
Fax: 023-56560229

Wushan Branch

Address: No. 258 Guangdong Middle Road,
Wushan County, Chongqing City
Postal Code: 404700
Tel: 023-57680904
Fax: 023-67680904

Wuxi Branch

Address: Unit 1-1, No.7 Yanghe
Garden, No.25, Binhe Zhilu,
Boyang Street, Wuxi County,
Chongqing City
Postal Code: 405899
Tel: 023-51529828
Fax: 023-51520799

Qianjiang Branch

Address: No. 217 Jiefang Road,
Chengdong Street
Qianjiang District, Chongqing City
Postal Code: 409000
Tel: 023-79236496
Fax: 023-79236496

Shizhu Branch

Address: No. 41 Xinkai Road, Nanbin
Town, Shizhu Tujia Autonomous
County, Chongqing City
Postal Code: 409100
Tel: 023-73332136
Fax: 023-73337976

Wulong Branch

Address: No. 36 Furong Middle Road,
Furong Street, Wulong County,
Chongqing City
Postal Code: 408500
Tel: 023-77723233
Fax: 023-77722595

Xiushan Branch

Address: Shizi Street, Yuxiu Avenue,
Zhonghe Town, Xiushan Tujia
and Miao Autonomous County,
Chongqing City
Postal Code: 409900
Tel: 023-76662163
Fax: 023-76671163

Youyang Branch

Address: No. 5, Taohuayuan Middle Road,
Taohuayuan Town, Youyang Tujia
and Miao Autonomous County,
Chongqing City
Postal Code: 409800
Tel: 023-75556144
Fax: 023-75552534

Pengshui Branch

Address: Annex 4, No. 2 Shizui Street,
Hanjia Street, Pengshui Miao
and Tujia Autonomous County,
Chongqing City

Postal Code: 409600

Tel: 023-78848842

Fax: 023-78849965

Subsidiaries

Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司)

Address: No. 487 and 489 Chang'an Road,
Zhangjiagang City, Jiangsu
Province

Postal Code: 215600

Tel: 0512-58918959

Fax: 0512-58918969

Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司)

Address: Block H8/9, Huangge Commercial
Plaza, Xinhua Road East,
Zhuyang Town, Dazhu County,
Sichuan Province

Postal Code: 635100

Tel: 0818-6256123

Fax: 0818-6256616

Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限責任公司)

Address: No. 176 Yangbi Road, Economic
Development Zone, Dali
Prefecture, Yunnan Province

Postal Code: 671000

Tel: 0872-2188667

Fax: 0872-2188667

Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行有限責任公司)

Address: No. 16, Block 11, "Yinxiang
Garden", Wenyuan Road north
side, Xiangcheng Town, Xiangyun
County, Dali Prefecture, Yunnan
Province

Postal Code: 672100

Tel: 0872-3997552

Fax: 0872-3122977

Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶渝農商村鎮銀行有限責任公司)

Address: No. 15 Xinghe Road, Yunhe
Town, Heqing County, Dali
Prefecture, Yunnan Province

Postal Code: 671500

Tel: 0872-4123500

Fax: 0872-4123500

Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨渝農商村鎮銀行有限責任公司)

Address: Huiyiliancheng Investment
Annex Building, Guiyuan Road,
Chengnan New District, Luzhai
County, Liuzhou City, Guangxi
Province

Postal Code: 545600

Tel: 0772-6822818

Fax: 0772-6663027

Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣渝農商村鎮銀行有限責任公司)

Address: Floor 1 & 2, North Tower of
Yongshun Building, Xincheng
Central Road, Sha County,
Sanming City, Fujian Province

Postal Code: 365050

Tel: 0598-5758880

Fax: 0598-5758880

Branches and Subsidiaries

Fujian Fuan CQRC Village and Township Bank Co., Ltd. (福建福安渝農商村鎮銀行有限責任公司)

Address: No. 1 Guanhang Road, Cheng Bei, Fu'an City, Fujian Province
Postal Code: 355000
Tel: 0593-8988906
Fax: 0593-8988920

Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd. (雲南香格里拉渝農商村鎮銀行有限責任公司)

Address: 3AS-1-1, No. 7 Huajun Plaza, Changzheng Avenue, Shangri-La County, Yunnan Province
Postal Code: 674499
Tel: 0887-8980066
Fax: 0887-8989811

Fujian Shishi CQRC Village and Township Bank Co., Ltd. (福建石獅渝農商村鎮銀行有限責任公司)

Address: No. 2454, 2456, 2458, Hong Xing International Building, Baqi Road, Shishi City, Fujian Province
Postal Code: 362700
Tel: 0595-82269866
Fax: 0595-82268878

Fujian Pingtan CQRC Village and Township Bank Co., Ltd. (福建平潭渝農商村鎮銀行有限責任公司)

Address: A3-A6, 19th Row, Kangde Huayuan Villa, Tancheng Town, Pingtan County, Fujian Province
Postal Code: 350400
Tel: 0591-86175991
Fax: 0591-86175991

Yunnan Xishan CQRC Village and Township Bank Co., Ltd. (雲南西山渝農商村鎮銀行有限責任公司)

Address: No. 924, 926, 928 Dianchi Road, Dianchi National Tourist Resort, Kunming City, Yunnan Province
Postal Code: 650000
Tel: 0871-68183750
Fax: 0871-68188973

CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司)

Address: Floor 24 and 25, Twin towers A, Buildings 3, No. 10, Qingfeng North Road, Yubei District, Chongqing
Postal Code: 401121
Tel: 023-63569568
Fax: 023-63569555

CQRC Wealth Management Co., Ltd. (渝農商理財有限責任公司)

Address: 20/F and 21/F, Chengda-Jinjia International Building, No.10, Guihua Street Branch Road, Jiangbei District, Chongqing
Postal Code: 400024
Tel: 023-61111693
Fax: 023-61110379



重庆农村商业银行

CHONGQING RURAL COMMERCIAL BANK

Address: No. 36 Jinshamen Road, Jiangbei District, Chongqing, China

Mail Box: 400023

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