

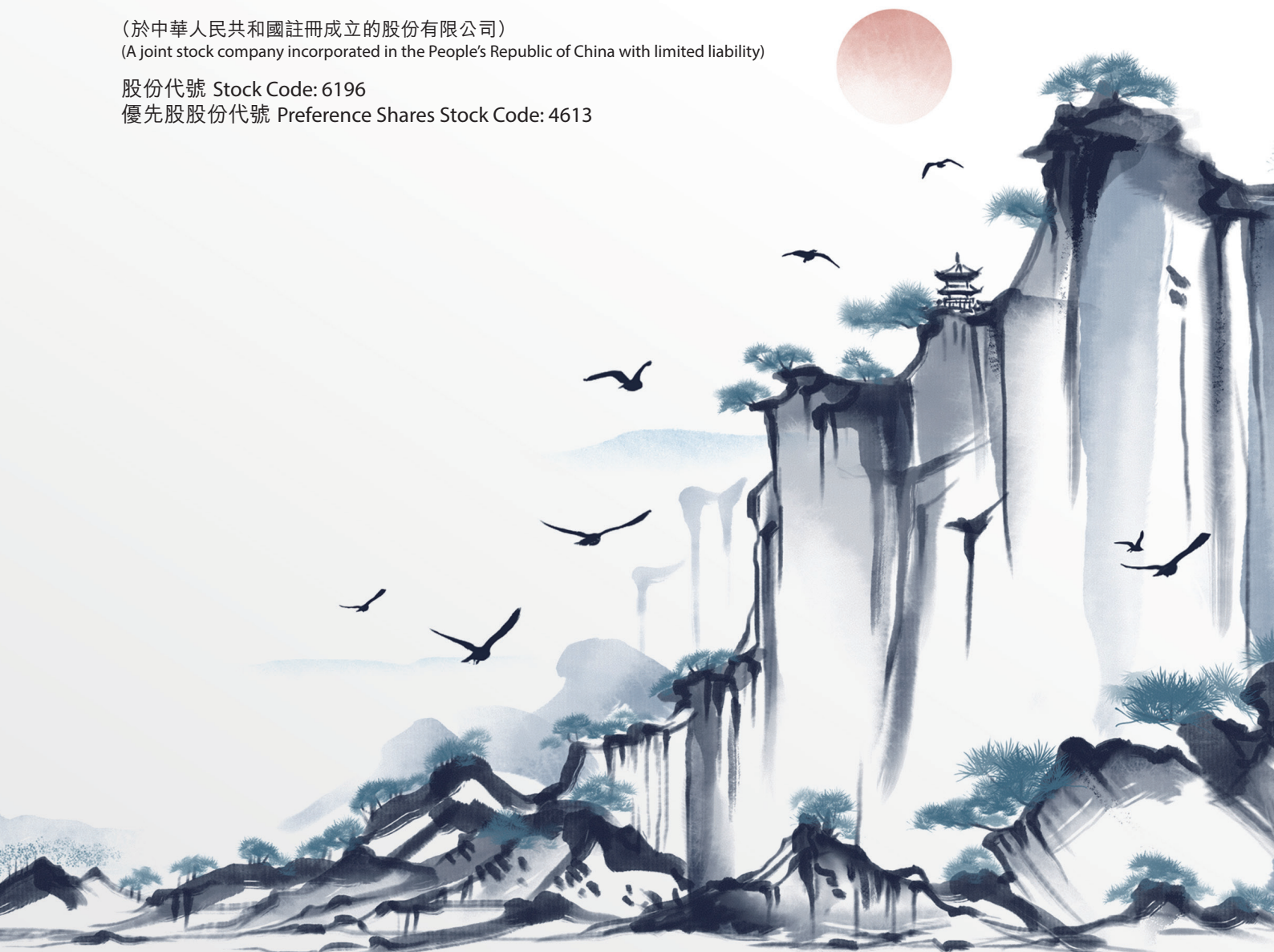


# 鄭州銀行股份有限公司

## BANK OF ZHENGZHOU CO., LTD.

(於中華人民共和國註冊成立的股份有限公司)  
(A joint stock company incorporated in the People's Republic of China with limited liability)

股份代號 Stock Code: 6196  
優先股股份代號 Preference Shares Stock Code: 4613



# 2020

## 年度報告 Annual Report



This annual report is printed on  
environment-friendly paper

# CONTENTS

IMPORTANT NOTICE	2
DEFINITIONS	3
CHAIRMAN'S STATEMENT	6
PRESIDENT'S STATEMENT	9
CHAPTER I CORPORATE INFORMATION	11
CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS	17
CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS	21
CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS	99
CHAPTER V ISSUANCE OF PREFERENCE SHARES	115
CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS	118
CHAPTER VII CORPORATE GOVERNANCE REPORT	148
CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS	183
CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS	199
CHAPTER X SIGNIFICANT EVENTS	203
CHAPTER XI INDEPENDENT AUDITOR'S REPORT	220

\* This Report is prepared in both Chinese and English. If there are any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

# IMPORTANT NOTICE

The Board of Directors, Board of Supervisors and Directors, Supervisors and senior management of the Bank hereby warrant the truthfulness, accuracy and completeness of the contents of this annual report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume liability for the information hereof.

The full text and the summary of the 2020 annual report (the “**Report**”) were reviewed and approved at the Bank’s twelfth meeting of the sixth session of the Board of Directors on 30 March 2021. 12 Directors were eligible to attend the meeting and 12 of them attended in person, with several Supervisors of the Bank in attendance.

Unless otherwise specified, the financial information set out in this Report represents data from the consolidated financial statements of the Bank and its subsidiaries, namely Henan Jiuding Financial Leasing Co., Ltd., Fugou Zhengyin County Bank Co., Ltd., Xinmi Zhengyin County Bank Co., Ltd., Xunxian Zhengyin County Bank Co., Ltd. and Queshan Zhengyin County Bank Co., Ltd.

The Bank prepared the 2020 annual financial report in accordance with the China Accounting Standards for Business Enterprises and International Financial Reporting Standards, which was audited by KPMG Huazhen LLP and KPMG under the PRC and Hong Kong standards on auditing, respectively. The two firms issued an audit report and an independent auditor’s report respectively, which were both standard and unqualified.

Mr. WANG Tianyu, the legal representative and chairman, Mr. SHEN Xueqing, the president, Mr. FU Chunqiao, the person-in-charge of accounting, and Ms. GAO Chenxin, the head of accounting department of the Bank, hereby declare and warrant the truthfulness, accuracy and completeness of the financial statements in this Report.

The Board of the Bank recommended that one new Share for every 10 Shares shall be issued to the Ordinary Shareholders whose names appeared on the register of Shareholders as at the dividend distribution registration date by way of capitalization issue, and no cash dividend or bonus share shall be distributed or issued. The profit distribution plan will be proposed at the general meeting of the Bank for approval.

Forward-looking statements such as future plans mentioned in this Report do not constitute actual commitments of the Bank to investors. Investors and parties concerned should be fully aware of the risks, and understand the differences among plans, estimates and commitments.

During the Reporting Period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The major risks to which the Bank was exposed in its operations and management and the corresponding measures adopted by the Bank are detailed in this Report. For further information, please refer to the relevant information in the sections headed “Risk Management” and “Outlook” in the chapter headed “Management Discussion and Analysis” of this Report.

# DEFINITIONS

## DEFINITIONS

In this Report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“2019 AGM”	the annual general meeting of the Bank convened on 20 May 2020
“Articles of Association”	the articles of association of the Bank, as amended from time to time
“A Share(s)”	ordinary shares with a nominal value of RMB1.00 each in the share capital of the Bank, which are listed and traded on the Small and Medium Enterprise (SME) Board of the SZSE (stock code: 002936)
“Bank”, “Bank of Zhengzhou”, or “We”	Bank of Zhengzhou Co., Ltd.* (鄭州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability on 16 November 1996 in accordance with the PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“Capitalization Issue”	the issue of one new Share for every 10 Shares held by way of capitalization of capital reserve in 2020 as part of the dividend distribution plan of the Bank for the year ended 31 December 2019
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBIRC Henan Office”	China Banking and Insurance Regulatory Commission Henan Office
“Company Law”	Company Law of the People’s Republic of China
“Corporate Governance Code”	Corporate Governance Code set out in Appendix 14 to the Stock Exchange Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Former CBRC”	the former China Banking Regulatory Commission
“Former CBRC Henan Office”	the former China Banking Regulatory Commission Henan Office
“Fugou Zhengyin County Bank”	Fugou Zhengyin County Bank Co., Ltd.* (扶溝鄭銀村鎮銀行股份有限公司)
“Group”	the Bank and its subsidiaries

## DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H Share(s)”	overseas-listed shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6196)
“Jiuding Financial Leasing Company”	Henan Jiuding Financial Leasing Co., Ltd. (河南九鼎金融租賃股份有限公司)
“Latest Practicable Date”	30 March 2021, being the latest practicable date prior to the printing of this Report for the purpose of ascertaining certain information contained hereof
“Law on Commercial Banks”	Law on Commercial Banks of the People’s Republic of China
“Macao”	the Macao Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of the People’s Republic of China
“Offshore Preference Shares”	59,550,000 shares of non-cumulative perpetual offshore preference shares with a nominal value of RMB100 each issued by the Bank and listed on the Hong Kong Stock Exchange (stock code: 4613)
“PBoC”	the People’s Bank of China
“PRC” or “China”	the People’s Republic of China, and for the purpose of this Report only, excluding Hong Kong, Macao and Taiwan regions
“Queshan Zhengyin County Bank”	Queshan Zhengyin County Bank Co., Ltd.* (確山鄭銀村鎮銀行股份有限公司)
“Reporting Period”	the period from 1 January 2020 to 31 December 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	Securities Law of the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)” or “Ordinary Share(s)”	the A Shares and the H Shares
“Shareholder(s)” or “Ordinary Shareholder(s)”	holder(s) of the Ordinary Share(s)

# DEFINITIONS

“Stock Exchange Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Bank
“SZSE”	Shenzhen Stock Exchange
“SZSE Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
“Xinmi Zhengyin County Bank”	Xinmi Zhengyin County Bank Co., Ltd.* (新密鄭銀村鎮銀行股份有限公司)
“Xinzheng Zhengyin County Bank”	Xinzheng Zhengyin County Bank Co., Ltd.* (新鄭鄭銀村鎮銀行股份有限公司)
“Xunxian Zhengyin County Bank”	Xunxian Zhengyin County Bank Co., Ltd.* (浚縣鄭銀村鎮銀行股份有限公司)
“Yanling Zhengyin County Bank”	Yanling Zhengyin County Bank Co., Ltd.* (鄆陵鄭銀村鎮銀行股份有限公司)
“Zhongmu Zhengyin County Bank”	Zhongmu Zhengyin County Bank Co., Ltd.* (中牟鄭銀村鎮銀行股份有限公司)

\* *The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), and not subject to the supervision of the Hong Kong Monetary Authority, nor being authorized to carry out banking and/or deposit-taking business in Hong Kong.*

# CHAIRMAN'S STATEMENT

We keep progressing with our dream as time goes by. Based on our clear positioning and self-recognition, we have opened up a route suitable for our own development. In 2020, we continued to move forward with high-quality development while adhering to our original intention, maintaining our confidence and demonstrating our determination.

## WITH PERSISTENT EFFORTS, WE EXPERIENCED ANOTHER BLOOMING YEAR DESPITE UPS AND DOWNS

In 2020, we remained highly motivated and made concerted effort to jump through the hurdles and managed to deliver a sound “report card” to our Shareholders. As at the end of the Reporting Period, the Bank’s total assets were RMB547,813 million, representing an increase of 9.46% from the end of the previous year; the gross loans and advances to customers were RMB237,959 million, representing an increase of 21.46% from the end of the previous year; and the total deposits from customers were RMB314,230 million, representing an increase of 8.65% from the end of the previous year. During the Reporting Period, the Bank recorded an operating income of RMB14,580 million, representing a year-on-year increase of 8.48%; and profit before provision of RMB11,197 million, representing a year-on-year increase of 14.22%.

The Bank is like a big ship ready to sail. The unreserved trust of our Shareholders lays the anchor for us to do our best. The entrustment of customers serves as the beacon for our voyage, and the swift and concrete efforts of all employees creates the paddles for us to sail through the tide.

**As the waves surge, we have become more active in promoting high-quality development.** The past year was the “closing year” of the Bank’s Five-year Strategic Plan (2016-2020). After refinement, we achieved a “clay to porcelain” transformation. We completed the issuance of 1 billion A Shares by way of non-public issuance and replenished the core tier 1 capital of the Bank with the RMB4.6 billion proceeds thereunder; made full use of the qualifications as a tier-1 trader and market maker in the open market to, for the first time, underwrite and distribute more than RMB100 billion of securities, with the total amount of bonds and capital transactions exceeding RMB10 trillion; solidly promoted “Ten Practical Things” and completed the integration of core systems of the seven rural banks controlled or invested in by the Bank ahead of schedule, made great process in the establishment of risk management lines, exceeded the targets for the capital-light matchmaking business of the financial market business line, and developed more mature public-private application scenarios and product solutions; accelerated the deep integration of technological innovation with business development, set up corporate, retail, and risk technology support centres, launched the Jiujiu (久久) version of mobile banking, and established 55 innovative projects, 33 of which have been put into operation; elaborated a new strategic development plan and execution sub-plans covering 14 segments and 35 branches and sub-branches, and established a regular review mechanism to promote the implementation of the plans.

**Keeping in mind our duty to safeguard our homeland, we serve the real economy more wholeheartedly.**

As a local small and medium-sized bank, Bank of Zhengzhou is rooted in the vast Henan Province and tirelessly promotes the positive interplay of finance in regional development and real economy. With a great effort to support the construction of key areas and weak spots in the domestic economy, we have developed plans to support the high-quality development of the manufacturing industry with a focus on the transformation and upgrade of the manufacturing industry in Henan Province, and vigorously promoted the development of strategic emerging industries, and the prosperity of the cultural & creative, technology and tourism industries. The Bank enhanced its cooperation with the government and focused on advancing municipal infrastructure projects, affordable housing projects and public service projects that are in line with national policies; formulated an action plan to support the development of private enterprises, introduced 25 measures, and issued a white list of 340 “non-real estate, non-platform” customers. As at the end of the Reporting Period, the balance of loans to private enterprises was RMB89,129 million, representing an increase of RMB8,377 million from the end of the previous year.



## CHAIRMAN'S STATEMENT

**We achieved distinction by innovating products and services in a more targeted manner.** Consumption is an “accelerator” of economic growth. In an all-out effort to promote the transformation of retail banking and gradually reduce the cost of debt, we tapped into our customer base through payroll agent services, trade union membership cards and other services, built a privileged head office-grade private banking platform, launched the “Wealth Manager” platform, introduced co-branded credit cards such as Oscar Cinema Card, and built a four-in-one channel ecosystem, thereby expanding the fan base and friends of the Bank. SMEs are our closest growth partners. In a consistent effort to grow together with SMEs, we followed the policies to support small and micro enterprises by extending credit loans to them and deferring repayment of principal and interest due, promoted the innovation and upgrading of products such as Housing E-financing and E-purchase Loans, launched a new retail credit system with financial technologies as the driving force, and initiated the “1,000-Sail Program” to support 1,000 high-tech SMEs in the next three years. Zhengzhou is located on the edge of the Yellow River and in the Central Plains. In an effort to build a model commerce and logistics bank, we held onto Zhengzhou’s geographic advantage in transportation and logistics, repositioned the Bank as a transaction bank, organized five bank-enterprise meetings and product promotion meetings, released version 2.0 of “Cloud Logistics”, developed a new service model based on an online freight platform, and held the 4th Summit of China Commerce and Logistics Bank Alliance.

**We adopted a more prudent approach to risk management to reinforce the bottom line.** In the past five years, the Bank achieved speedy development. We completed the listing of our H Shares in 2015 and the listing of our A Shares in 2018. Our fast development has come with some problems. We have learned from mistakes, faced our problems, expanded our thinking and changed our methods in time. In particular, we set up a large-value asset management centre, disposed risk assets according to their grade and type, strictly carried out concentration limit management, and increased the efforts to dispose risk assets through a variety of approaches including collection, restructuring, write-off, and batch transfer. Dedicated to reducing chaotic situations, we conducted due diligence, highlighted negative examples, held accountable the personnel responsible for four batches of non-performing loans, held a Bank-wide compliance conference, issued “13 red lines” for employee behaviors, issued opinions on joint prevention and control of complaints, cases and negative public opinions, carried out screening of potential risks and party committee inspection on 15 branches, and completed 14 special audits and 10 routine audits as part of our “Mine-sweeping Operation”.

**We made concerted efforts to fulfill our responsibilities in a more sincere manner.** The COVID-19 pandemic hit the world in early 2020 and is still spreading across the globe. In the fight against COVID-19, China has demonstrated extraordinary institutional, political, and organizational advantages. We quickly launched the response mechanism for epidemic prevention and control, carried out staff screening for COVID-19, distributed anti-epidemic supplies, introduced measures to help residents and enterprises, organized donation of money and materials, initiated voluntary activities such as voluntary blood donation, and established a variety of donation channels to support the COVID-19 relief efforts for the “heroes in harm’s way”. We opened a financial green channel and issued guidance to support enterprises’ resumption of work and production, investigated the impact of COVID-19 on enterprises’ production and operations to assist them based on their targeted needs, took the initiative to lower interest rate on loans, issued special refinancing loans to enterprises in need and deferred the repayment of principal and interest due, in an effort to help enterprises tide over difficulties. In total, the Bank issued RMB5.6 billion worth of “work resumption loans” at a low interest rate to 3,325 small and micro enterprises.

# CHAIRMAN'S STATEMENT

## CHANGE IS A CONSTANT AND WE LOOK TO THE STARS AND THE SEA

"Spring urges numerous trees to sprout, and the sun presents a fresh world". The Bank had many moments of "spotting glimpses of hope when suspecting there is no way forward in the midst of endless obstacles". At the beginning of the third decade of the 21st century, we deconstructed and reconstructed our positioning, firmly embarked on the promising path of high-quality development, rolled out new strategic plans, and set the strategic vision of building a "leading bank with high-quality development", with a view to create value for customers, Shareholders and our brand.

**We break away from the past and commit to tackling long-lived problems.** Our top priority is to remove the historical burden and set off lightly. In the past, we pursued rapid development, which enabled us to seize first-mover opportunities but brought to us a lot of potential risks. In the next stage, we must recognize the reality and observe the facts, effectively resolve the problem of non-performing assets and clear out the historical burden that restricts our future development. Although it is bound to be painful to cure the poison by scraping bones, we believe in the saying "the goal will be reached however far away, and things will be done however hard".

**We seek transformation for lightening the burden to start afresh.** Our weapon for success is to abandon the obsession with scale, accelerate capital-light transformation and fully refine in an all-round way. We have to shift from "heavy" to "light" in terms of thinking and action. To this end, we emphasize organic development, optimize the structure of assets and liabilities, increase the proportion of intermediary business income, try to achieve more things with the same or even less capital, shape the structure of our balance sheet healthier, and drive sustainable development with endogenous profits.

**We are bold to innovate for healthy growth.** The waves of the times will lead us to new opportunities and challenges. It is an indisputable reality that many young customers do not go to banks. The transformation to "light" also requires us to bravely embrace digital transformation and the revolution of financial technology. In an effort to create core competitiveness through special and differentiated services, we strive to develop and become "a commerce and logistics bank, a financing expert for SMEs, and a boutique bank for residents". To this end, we must integrate technology into business, break business boundaries, foster strengths and make up for weaknesses, and create new drivers of development.

**We are delighted to nurture resilient personnel with corporate culture.** We need to have our corporate culture permeate every corner and crevice where it is hard to reach and drives our employees' immediate response to difficulties as if our corporate culture is embedded in their reflexes and muscle memories. We firmly adhere to high-quality development, build a cultural atmosphere featuring "compliance, coordination, innovation, enterprising and inclusivity", encourage innovation and hard work, and have established a fault-tolerant mechanism. We look forward to the tranquil beauty of "lotuses swaying in the breeze above the clear water".

Ambition will be accomplished however far away. We believe that brilliant accomplishment is not something we wait for, but something we work hard to acquire. Success will only favor those who forge ahead with determination, and will not wait for those who are hesitant and afraid of difficulties. In the new year, we will follow the general trends, respect laws so as and discipline, and promote the spirit of "serving the people, seeking innovative development and working hard" so as to write a new chapter.

*Chairman*  
**WANG Tianyu**

# PRESIDENT'S STATEMENT

2020 is an extraordinary year. Faced with complex development environment, the Bank, under the correct leadership of the Board, overcame difficulties and properly addressed various risks and challenges to maintain a sound development momentum, thus continuously moving towards high-quality development.

**In 2020, our key indicators improved steadily and achieved continuous high-quality development.** As at the end of the Reporting Period, the Bank had total assets of RMB547,813 million, representing a year-on-year increase of 9.46%; the gross loans and advances to customers of RMB237,959 million, representing a year-on-year increase of 21.46%; and total deposits from customers of RMB314,230 million, representing a year-on-year increase of 8.65%. The Bank's operating income for the year was RMB14,580 million, representing a year-on-year increase of 8.48%; net interest margin was 2.40%, representing a year-on-year increase of 0.24 percentage point; cost-to-income ratio was 22.53%, representing a year-on-year decrease of 4.09 percentage points; and net profit amounted to RMB3,321 million.

**In 2020, we developed a new strategic plan as a blueprint for future development.** We completed the development of a new five-year strategic plan and execution sub-plans for 2021-2025. The new plan, with the strategic vision of building a "leading bank with high-quality development", is to drive the development of four segments - retail, corporate, government and gold market business with technological innovations, and promote the construction of "1+6" capabilities regarding risk management, organizational and personnel, collaboration, corporate culture, resource allocation, and technology capabilities. It serves as the Bank's action roadmap for high-quality development.

**In 2020, our effort in credit risk management achieved great results, leading to healthier asset quality.** We improved our unified post-loan management and unified file management, and strengthened the closed-ring risk management from "access" to "disposal"; strictly implemented the concentration limit management, and reduced our business volume with anonymous customers, real estate loans and businesses out of Henan Province; and set up a large-value asset management centre to dispose of risk assets according to their levels and types. As at the end of the Reporting Period, the Bank's overdue loans ratio was 3.04%, representing a decrease of 0.60 percentage point from the end of the previous year; non-performing loan ratio was 2.08%, falling for three consecutive years.

**In 2020, we lived up to our responsibility for epidemic prevention and control and our measures for "Six Stabilities and Six Guarantees" achieved good results.** We implemented stringent measures for epidemic prevention and control, actively donated cash and goods, and organized and participated in related voluntary activities such as free online consultation, online fundraising, caring for anti-COVID-19 medical staff in Hubei, and deployment of party members serving as community guards. We introduced special products such as "work resumption loans" and technology loans, cooperated with others to provide emergence loan services, and implemented COVID-related re-financing policies, including making targeted reduction of reserve requirements for small refinancing loans and granting inclusive credit loans. In addition, we reduced fees and charges and deferred repayment of principal and interest, thus giving financial support to the real economy. As a result, the Bank received the "Best Small and Medium-sized Bank of the Year in Six Stabilities and Six Guarantees" award from the Financial Times.

## PRESIDENT'S STATEMENT

**In 2020, we focused on developing distinctive services and improved the quality and efficiency of our business development.** We held the 4th Summit of China Commerce and Logistics Bank Alliance with number of members increased to 55, launched version 2.0 of “Cloud Logistics” to develop a new service mode based on an online freight platform, learned from the experience of advanced peers to create a new financial technology model of the Bank, and successfully completed the objective of “Two Increases and Two Controls”. In addition, we launched the “Bank of Zhengzhou Wealth Manager” platform, introduced the virtual credit cards, namely Le Card (樂卡) and Oscar Cinema Card (奧影卡), and built a four-in-one channel ecosystem covering micro banking, WeChat official account, applet, and corporate WeChat. During the year, we underwrote and distributed more than RMB100 billion of securities for the first time, and the total amount of our bonds and capital transactions exceeded RMB10 trillion.

In the list of 2020 Top 40 Value-Creating Banks in China released by McKinsey & Company, the Bank ranked 16th and 21st among Chinese banks in terms of risk-adjusted return on capital (RAROC) and economic profit, up by 19 and 10 places from the previous year, respectively. Moreover, the Bank ranked 219th (and 2nd among Henan-based enterprises) in the 2020 list of “Top 500 Chinese Service Enterprises”.

2021 is the 100th anniversary of the founding of the Communist Party of China and the first year of the Bank's new five-year strategic plan. Opportunities and risks will coexist, while difficulties and challenges remain. We will closely follow the spirit of the central, provincial and municipal economic work conferences and the national banking and insurance regulatory work conference, adhere to the guidance for party building, and focus on the implementation of the new strategic plan to begin a new chapter of high-quality development, so as to continuously create greater value for Shareholders and all sectors of society.

*President*

**SHEN Xueqing**

# CHAPTER I CORPORATE INFORMATION

## 1 BASIC INFORMATION

Legal name in Chinese:	鄭州銀行股份有限公司 (Abbreviation: 鄭州銀行)
Legal name in English:	Bank of Zhengzhou Co., Ltd. (Abbreviation: ZHENGZHOU BANK)
Legal representative:	Mr. WANG Tianyu
Authorized representatives:	Mr. WANG Tianyu, Mr. FU Chunqiao
Board secretary and contact details:	Mr. FU Chunqiao Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9056 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Joint company secretaries:	Mr. FU Chunqiao, Ms. LEUNG Wing Han Sharon
Securities affairs representative and contact details:	Mr. WANG Yongfeng Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9056 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Places of listing, stock short names and codes:	A Shares: SZSE BANK OF ZHENGZHOU 002936 H Shares: Hong Kong Stock Exchange BANK OF ZHENGZHOU 6196 Offshore Preference Shares: Hong Kong Stock Exchange ZZBNK 17USDPREF 4613
Unified Social Credit Code:	914100001699995779
Financial licence number:	B1036H241010001
Registered address and office address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Postal codes of the registered address and office address:	450018

## CHAPTER I CORPORATE INFORMATION

Principal place of business in Hong Kong:	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Contact address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Tel:	+86-371-6700 9199
Fax:	+86-371-6700 9898
E-mail:	ir@zzbank.cn
Website:	www.zzbank.cn
Newspapers for information disclosure:	Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily
Websites for information disclosure:	Website for publishing the annual report of A Shares: www.cninfo.com.cn Website for publishing the annual report of H Shares: www.hkexnews.hk
Place where the annual report can be obtained:	The General Office of the Board and principal place of business of the Bank
Domestic auditor:	KPMG Huazhen LLP
Address of domestic auditor:	8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Beijing, China
Undersigned accountants:	Mr. GONG Kai, Mr. LI Jie
International auditor:	KPMG (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)
Address of international auditor:	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Sponsor for continuous supervision:	China Merchants Securities Co., Ltd.
Address of sponsor for continuous supervision:	38-45F, Block A, Jiangsu Building, Yitian Road, Futian District, Shenzhen, China
Sponsor representatives <sup>(Note)</sup> :	Ms. MA Jianhong and Ms. LV Yingxia
Continuous supervision period <sup>(Note)</sup> :	From 19 September 2018 to 31 December 2021
PRC legal advisor:	King & Wood Mallesons (Beijing)
Hong Kong legal advisor:	King & Wood Mallesons
Registrar for A Shares:	China Securities Depository and Clearing Corporation Limited, Shenzhen Branch
Registrar for H Shares:	Computershare Hong Kong Investor Services Limited

*Note:* In November 2020, the Bank completed the non-public issuance of A Shares. China Merchants Securities Co., Ltd., the sponsor for continuous supervision, appointed sponsor representative Ms. MA Jianhong in replacement of sponsor representative Ms. WU Yuhui to continue to perform the continuous supervision work in relation to the Bank's initial public offering and listing of Shares. After the replacement of the sponsor representative, the sponsor representatives for continuous supervision are Ms. MA Jianhong and Ms. LV Yingxia, and the continuous supervision period will end on 31 December 2021.

# CHAPTER I CORPORATE INFORMATION

## 2 COMPANY PROFILE

Bank of Zhengzhou is a regional joint stock commercial bank. The Bank was listed on the Main Board of the Hong Kong Stock Exchange in December 2015 and in SZSE in September 2018, respectively, becoming the first domestic city commercial bank with both its A Shares and H Shares listed.

As at the end of the Reporting Period, the Bank had 4,984 employees and 173 institutional operation sites in the province, including one operation division of the headquarters, 14 provincial branches and one financial service centre for small enterprises. The Bank established Jiuding Financial Leasing Company and managed a total of seven county banks at Zhongmu, Xinmi, Yanling, Fugou, Xinzheng, Xunxian and Queshan, with its comprehensive business operation developing steadily. As at the end of the Reporting Period, total assets increased by RMB47,335 million or 9.46% to RMB547,813 million from the beginning of the year; total deposits from customers increased by RMB25,014 million or 8.65% to RMB314,230 million from the beginning of the year; gross loans and advances to customers increased by RMB42,048 million or 21.46% to RMB237,959 million from the beginning of the year; net profit was RMB3,321 million. The capital adequacy ratio was 12.86%, the NPL ratio was 2.08% and the allowance to NPL ratio was 160.44%. All major indicators complied with regulatory requirements.

The Bank's principal business activities mainly include corporate banking, retail banking and treasury business. The Bank provides corporate banking customers with a wide range of financial products and services, including corporate loans (including trade financing), international business and services, corporate deposits, as well as products and services involving transaction fees and commissions. The Bank provides retail banking customers with a wide variety of products and services, including loans, deposits, bank cards, as well as products and services involving transaction fees and commissions. The Bank's treasury business meets its liquidity needs while seeking maximum returns from non-loan business funds. The Bank's treasury business mainly includes money market transactions, investment in securities and other financial assets, bond underwriting and distribution, inter-bank discounts and rediscounts of bills and treasury business conducted on behalf of customers.

Bank of Zhengzhou has always adhered to the goal of characteristic and differentiated development, focusing on three distinctive business positioning features of "commerce and logistics bank, financial service expert for SMEs, and boutique bank for residents", firmly promoting the transformation of corporate business and retail business and starting to bear fruit. The Bank's operation management capability continues to improve, receiving wide recognition from various sectors of the community. In the 2020 Top 40 Value-Creating Banks in China issued by McKinsey & Company, the risk-adjusted return on capital (RAROC) and economic profit of the Bank ranked 16th and 21st among the national banks, 19 and 10 places higher than last year, respectively. The Bank ranked 219th in the list of Top 500 Chinese Service Enterprises in 2020, ranking the 2nd among the shortlisted enterprises in Henan. The Bank was also accredited as Excellent Underwriter and Excellent Market Maker in the Financial Bond Interbank Market by the China Development Bank.

# CHAPTER I CORPORATE INFORMATION

## 3 ANALYSIS OF CORE COMPETITIVENESS

Leveraging regional advantages to build a “commerce and logistics bank”. The Bank leverages Zhengzhou’s geographical advantages as an important national transportation hub, a national central city, a core city in the Central Plains Economic Zone and an important node city in the Belt and Road Initiative to build a financial, transactional and service-oriented commerce and logistics banking platform that provides comprehensive and multi-level financial services for all sectors of trade and logistics. As at the Latest Practicable Date, the Bank’s “Five Clouds” platforms, i.e. cloud trading, cloud financing, cloud logistics, cloud business and cloud service, have all been put into operation. The China Commerce and Logistics Bank Alliance (the first of its kind) initiated by the Bank has held four summits and recruited 55 members covering logistics, consumer, fintech and financial sectors, and has set up the logistics committee, the fintech committee and the supply chain finance committee, thus building a trade and finance ecosystem and blazing a distinctive development path in the field of commerce and logistics.

Practicing social responsibility and becoming an “SME financial service expert”. The Bank closely follows the policies and initiatives of the central, provincial (Henan), and municipal (Zhengzhou) governments and keeps in mind its original intention and mission to support the development of the real economy by providing efficient, convenient and low-cost financing services for high-quality SMEs. To this end, the Bank has built up a microfinance institutional structure with dedicated microfinance branches and sub-branches to lead the implementation of pilot projects for inclusive finance reform; developed innovative “online and offline” credit products and introduced the microfinance service brand “Simple Style”; and formulated the Action Plan to Support the Development of Private Economy to assist the development of small and medium-sized private enterprises with concrete actions. As a result of such efforts, the Bank has gradually become a role model in providing financial services for SMEs in Henan Province.

Developing inclusive finance to build a “boutique bank for residents”. As a local financial institution in Zhengzhou, the Bank adheres to the principle of “honoring the responsibility to defend the hometown” and focuses on citizens’ basic necessities of life to pursue the digital transformation featuring “scenario-based products and accelerated online and intelligent services”, so as to integrate smart financial services into citizens’ daily life. The Bank constantly improves the multi-level customer service system, develops wealth management products that are more suitable for the needs of local customers, and provides wealth management services in terms of services, products and channels; endeavors to introduce advanced technology to enable a wonderful and intelligent life and run a “boutique bank for residents” well trusted by the public; and extends financial services to rural villages and towns by building rural service outlets and expanding online service channels. By doing so, the Bank builds a comprehensive, multi-level, multi-dimensional service network to solve the “last mile” problem of financial services.

Managing compliance risks carefully to ensure sound operations. The Bank has set the bottom line of “compliance-based development”, created a good atmosphere for “compliance-based operations and sound development”, and continuously improved compliance management and internal control. In particular, the Bank regularly reviews relevant measures and compliance issues, and inspects all aspects of operational and managerial activities from the beginning to end, thus consolidating the foundation for compliance and internal control; promotes swindle prevention and control and employee behavior management, and implements swindle prevention responsibilities at all levels to develop an inclination for proactive compliance; strengthens employees’ compliance awareness and compliance skills education to build the cornerstone of compliance-based development and promote the healthy development of various business lines; adheres to the goal of “zero risk event”, continuously strengthens the construction of the three lines of defense, increases accountability for violations, and eliminates hidden risks in a timely manner.



## CHAPTER I CORPORATE INFORMATION

Developing innovative thinking to accelerate innovation output. The Bank re-examines and considers innovation work, establishes crisis awareness, and actively creates an institutional atmosphere suitable for innovation. To this end, the Bank has the chief information officer serving as the director of innovative business, optimizes the innovation system by overhauling the overall innovation process, and establishes an efficient and clear innovation management mechanism and an innovation assessment and reward mechanism with equal rights and responsibilities to stimulate the innovation passion of all departments and employees and promote the emergence of high-quality innovation projects. Moreover, the Bank strengthens the integration of technology and business to accelerate innovation output, and builds a two-wheeled innovation model driven by “agile innovation & steady innovation”; intensifies external cooperation, and leverages fintech including big data and artificial intelligence to improve its capabilities in risk control and comprehensive financial services, with a view to integrating innovations into all aspects of the Bank’s development strategies, business processes, products and services.

Establishing an awareness of talent nurturing and laying emphasis on personnel training. The Bank recruits and attracts high-caliber talent from the fields of investment banking, risk management, credit review and human resources through headhunting; carries out the “Falcon Plan” to introduce external talent on a large scale and recruit graduates from key universities; builds a “talent database”, improves the personnel structure, and gradually improves the training mechanism for talent, so as to lay a solid human resource foundation for future high-quality development.

Creating a corporate culture and adhering to the corporate vision. The Bank upholds the core values of “compliance, innovation and integrity”, and strives to build a distinctive corporate culture of pursuing excellence and overcoming difficulties in various aspects such as work style construction, learning & innovation, publicity & education, and setting of role models. The Bank lays emphasis on cultural inheritance, innovation and practice, and integrates its corporate culture into the daily behavior of employees and all aspects of customer services, business operations and compliance management. An excellent corporate culture can serve as an endogenous driving force for the Bank to achieve its corporate vision of “building a boutique bank with a century of prosperity” and to become a competitive “century-old bank” with top-notch management, services, employees and first-class brand.

# CHAPTER I CORPORATE INFORMATION

## 4 MAJOR AWARDS IN 2020

In March 2020, China Banking Association released the 2019 Top 100 List of China Banking Industry and the Bank ranked 41st;

In May 2020, Forbes released the list of “GLOBAL 2000 -The World’s Largest Public Companies” and the Bank ranked 1,378th;

In June 2020, the Bank’s mobile bank won the title of 2020 Innovative Mobile Bank of the Year in the award list of 2020 innovative mobile banking jointly released by WWW.CIWEEK.COM of Chinese Academy of Sciences, Centre for Informatization Study of Chinese Academy of Social Sciences and eNET Research Institute;

In July 2020, in the competition organized by Zhengzhou Enterprise Confederation, Zhengzhou Entrepreneurs Association and Zhengzhou Federation of Industrial Economy, the Bank won the title of “Outstanding Transformation and Innovation Enterprise in Zhengzhou”;

In September 2020, at the 2020 China Financial Innovation Forum cum 2020 Online Press Conference of China’s Financial Innovation Achievements co-sponsored by The Chinese Banker and other institutions, the Bank received the Top Ten Fintech Innovation Award on the back of its case study on Graph Data Mining and Analysis Based on Complex Network;

In September 2020, China Enterprise Confederation and China Enterprise Directors Association jointly released the list of Top 500 Enterprises in Chinese Service Industry in 2020 and the Bank ranked 219th (2nd among Henan-based enterprises);

In October 2020, at the 15th Award Presentation Ceremony and Summit Forum for Competitiveness and Creditworthiness Survey of Chinese Listed Companies organized by the Chinese Securities Journal, the Bank won the “Best Listed Company for Social Responsibility”;

In October 2020, at the “NBD China Financial Summit” cum “China Golden Tripod Awards” Presentation Ceremony organized by National Business Daily, the Bank won the “2020 FinTech Improvement Award”;

In November 2020, at the 2020 Top 100 Henan Enterprises Summit co-hosted by Henan Enterprise Confederation and Henan Entrepreneurs Association, the Bank ranked 17th among the Top 100 Enterprises in Henan Province in 2020;

In December 2020, at the presentation ceremony of “2020 Golden Medal List of Chinese Financial Institutions – Golden Dragon Prize” organized by Financial News, the Bank won “Bank of the Year for Ensuring Six Stabilities and Six Guarantees and Serving Small and Medium Enterprises” of the Golden Dragon Prize; and

In December 2020, in the results of the 2020 Golden Horse Award for the Chinese Financial Market announced by Securities Times, the Bank won the “Excellent Service for the Real Economy” award.

# CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

## 1 MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

The financial data and indicators set forth in this Report is prepared in accordance with the International Financial Reporting Standards. Unless otherwise specified, such information represents the data of the Group stated in RMB.

Unit: RMB'000

Major accounting data	2020	2019	Year-on-year increase/ decrease (%)	2018	2017	2016
<b>Operating results</b>						
Operating income <sup>(1)</sup>	14,579,669	13,440,214	8.48	11,133,655	10,212,985	9,980,486
Total profit	4,012,467	4,006,026	0.16	3,809,906	5,547,260	5,257,033
Net profit attributable to Shareholders of the Bank	3,167,567	3,285,122	(3.58)	3,058,831	4,280,024	3,998,768
Net cash flow (used in)/generated from operating activities	(11,179,309)	(7,850,803)	42.40	(25,819,469)	(1,981,394)	54,036,394
<b>Calculated on a per Share basis (RMB/Share)</b>						
Basic earnings per Share <sup>(2)</sup>	0.41	0.43	(4.65)	0.47	0.80	0.75
Diluted earnings per Share <sup>(2)</sup>	0.41	0.43	(4.65)	0.47	0.80	0.75
<b>Scale indicators</b>						
	As at the end of 2020	As at the end of 2019	Year-on-year increase/decrease (%)	As at the end of 2018	As at the end of 2017	As at the end of 2016
Total assets	547,813,444	500,478,127	9.46	466,142,418	435,828,887	366,147,972
Gross loans and advances to customers (excluding accrued interest)	237,959,190	195,911,665	21.46	159,572,792	128,456,478	107,633,407
Provision for impairment losses on loans and advances to customers <sup>(4)</sup>	7,931,775	7,424,847	6.83	6,097,376	4,000,536	3,458,832
Total liabilities	501,841,523	460,586,505	8.96	428,278,919	402,389,522	344,286,597
Total deposits from customers (excluding accrued interest)	314,230,420	289,216,860	8.65	264,130,934	255,407,398	216,389,640
Share capital	7,514,125	5,921,932	26.89	5,921,932	5,321,932	5,321,932
Shareholders' equity	45,971,921	39,891,622	15.24	37,863,499	33,439,365	21,861,375
Including: equity attributable to Shareholders of the Bank	44,494,897	38,590,322	15.30	36,649,739	32,205,887	21,296,378
Net assets per Share attributable to Ordinary Shareholders of the Bank <sup>(2)(3)</sup>	4.88	4.72	3.39	4.87	4.58	4.00
Net capital <sup>(5)</sup>	52,679,369	46,215,496	13.99	45,958,462	41,614,453	28,463,881
Including: net tier-one capital <sup>(5)</sup>	44,492,918	38,353,128	16.01	36,618,138	32,262,545	21,312,985
Net risk-weighted assets <sup>(5)</sup>	409,505,750	381,759,225	7.27	349,504,822	307,474,718	242,109,283

## CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

Major financial indicators	2020	2019 (restated) <sup>(12)</sup>	Year-on-year change	2018	2017	2016
<b>Capital adequacy ratio(%)</b>						
Core tier-one capital adequacy ratio <sup>(5)</sup>	8.92	7.98	0.94	8.22	7.93	8.79
Tier-one capital adequacy ratio <sup>(5)</sup>	10.87	10.05	0.82	10.48	10.49	8.80
Capital adequacy ratio <sup>(5)</sup>	12.86	12.11	0.75	13.15	13.53	11.76
<b>Asset quality indicators(%)</b>						
Non-performing loan ratio <sup>(6)</sup>	2.08	2.37	(0.29)	2.47	1.50	1.31
Allowance to non-performing loans <sup>(6)</sup>	160.44	159.85	0.59	154.84	207.75	237.38
Allowance to total loans <sup>(6)</sup>	3.33	3.79	(0.46)	3.82	3.11	3.11
Ratio of loans with principal or interest overdue for more than 90 days to non-performing loans <sup>(7)</sup>	96.11	89.52	6.59	95.36	171.13	129.38
<b>Profitability indicators(%)</b>						
Weighted average return on net assets <sup>(2)</sup>	8.37	9.30	(0.93)	10.03	18.82	20.21
Return on total assets <sup>(8)</sup>	0.63	0.70	(0.07)	0.69	1.08	1.28
Cost-to-income ratio <sup>(9)</sup>	22.53	26.62	(4.09)	27.96	26.15	22.34
Net interest spread <sup>(10) (12)</sup>	2.46	2.29	0.17	1.77	1.94	2.52
Net interest margin <sup>(11) (12)</sup>	2.40	2.16	0.24	1.70	2.08	2.69
<b>Other financial indicators(%)</b>						
Leverage ratio <sup>(13)</sup>	6.63	6.34	0.29	6.79	6.49	5.15
Liquidity ratio <sup>(13)</sup>	70.41	56.44	13.97	56.39	61.72	40.61
Liquidity coverage ratio <sup>(13)</sup>	353.94	300.37	53.57	304.42	225.20	256.91
Loan-to-deposit ratio <sup>(13)</sup>	82.63	72.33	10.30	66.06	50.29	51.34
Percentage of loans to the single largest customer <sup>(13)</sup>	3.61	4.11	(0.50)	4.13	3.12	3.51
Percentage of loans to the top ten single customers <sup>(13)</sup>	26.17	26.94	(0.77)	21.46	22.01	24.83
Percentage of credit granted to the single largest group customer <sup>(13)</sup>	6.15	7.01	(0.86)	6.02	4.66	5.58
Normal loan migration ratio <sup>(13)</sup>	4.68	3.43	1.25	8.81	10.35	9.12
Special mention loan migration ratio <sup>(13)</sup>	33.16	28.96	4.20	55.14	58.55	44.10
Substandard loan migration ratio <sup>(13)</sup>	68.76	97.76	(29.00)	76.71	29.46	98.00
Doubtful loan migration ratio <sup>(13)</sup>	-	0.34	(0.34)	0.14	0.07	0.25

## CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

### Notes:

1. Operating income includes net interest income, net fee and commission income, net trading gains, net gains arising from investments and other operating income.
2. Basic earnings per Share, diluted earnings per Share and weighted average return on net assets were calculated according to Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision).

In June 2020, the Bank issued one new Share for every 10 Shares to Ordinary Shareholders by way of conversion of capital reserve. After the implementation of the Capitalization Issue, the number of Ordinary Shares of the Bank changed from 5,921,931,900 to 6,514,125,090. Basic earnings per Share, diluted earnings per Share and net assets per Share attributable to Ordinary Shareholders of the Bank during the comparison period were recalculated on the basis of the number of Shares after the Capitalization Issue. For details, please refer to "1.3 The Impact of Changes in Ordinary Shares on Financial Indicators Such as Earnings per Share and Net Assets per Share in the Previous Year and the Latest Period" of "1 CHANGES IN ORDINARY SHARES" in the chapter headed "CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS" of this Report.

In 2020, the Bank distributed the dividends on the Offshore Preference Shares. In calculating basic earnings per Share, diluted earnings per Share and weighted average return on net assets, the distributed dividends of the Offshore Preference Shares for the period have been deducted from the "net profit attributable to Ordinary Shareholders of the Bank", and the distributed dividends of the Offshore Preference Shares and other equity instruments for the period have been deducted from the "weighted average net assets".

3. Representing the equity attributable to Ordinary Shareholders of the Bank after deducting other equity instruments divided by the number of Ordinary Shares at the end of the period.
4. Including the provision for impairment losses on the loans and advances to customers measured at amortized costs and the loans and advances to customers at fair value through other comprehensive income.
5. The capital adequacy ratio and relevant data are calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the former CBRC in 2012 and relevant requirements. The calculations are based on statutory financial statements of the Bank prepared under Accounting Standards for Business Enterprises.
6. Non-performing loan ratio was calculated by dividing total non-performing loan principal (excluding accrued interests) by gross loan and advance principal to customers (excluding accrued interest); the allowance to non-performing loans was calculated by dividing allowance for impairment losses on loans and advances to customers by the total non-performing loan principal (excluding accrued interest); and the allowance to total loans was calculated by dividing allowance for impairment losses on loans and advances to customers by the gross loan and advance principal to customers (excluding accrued interest).
7. Ratio of loans with principal or interest overdue for more than 90 days to non-performing loans is calculated by total principal of loans with principal or interest overdue for more than 90 days (excluding accrued interest) divided by total principal of non-performing loans (excluding accrued interest).
8. Representing the percentage of net profit for the Reporting Period to the average balance of total assets at the beginning and the end of the period.
9. Calculated by dividing total operating expenses (excluding tax and surcharges) by operating income.
10. Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities based on daily average of the interest-earning assets and the interest-bearing liabilities.
11. Calculated by dividing net interest income by the daily average interest-earning assets based on daily average interest-earning assets.
12. According to the requirements of the Notice on Strictly Implementing Accounting Standards for Business Enterprises and Effectively Enhancing the 2020 Annual Reports of Enterprises (Cai Kuai [2021] No. 2) 《關於嚴格執行企業會計準則切實加強企業2020年年報工作的通知》(財會[2021]2號文)) jointly issued by the MOF, State-owned Assets Supervision and Administration Commission of the State Council, CBIRC and CSRC, the Bank has re-classified its income from credit card repayment by instalments from fee and commission income to interest income since 2020, and restated the figures for the same period in 2019.
13. Percentage of loans to the single largest customer and percentage of loans to the top ten single customers were recalculated in accordance with regulatory criteria based on audited data, other indicators represented data reported to regulatory authorities. Loan migration ratios were based on the criteria of the parent of the Bank.

## CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

### 2 DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

The Bank's net assets as at the end of the Reporting Period and the net profit during the Reporting Period as calculated in accordance with the Accounting Standards for Business Enterprises of the PRC is the same as that calculated in accordance with International Financial Reporting Standards.

### 3 MAJOR FINANCIAL INDICATORS BY QUARTER

Unit: RMB'000

Item	Fourth quarter of 2020	Third quarter of 2020	Second quarter of 2020	First quarter of 2020
Operating income	3,673,528	3,225,617	3,972,822	3,707,702
Net profit attributable to Shareholders of the Bank	(125,107)	874,821	1,322,786	1,095,067
Net cash flow (used in)/generated from operating activities	(10,579,707)	(6,920,364)	(8,373,402)	14,694,164

Note: There is no substantial difference between the aforesaid financial indicators or their sum and those disclosed in the quarterly reports and interim report of the Bank.

# CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

## 1 REVIEW OF THE ECONOMY AND MACRO-ENVIRONMENT

In 2020, faced with the tough and complex environment at home and abroad, especially the serious impact of the COVID-19 pandemic (the “**Pandemic**”), the Chinese government adjusted its economic targets in a timely manner and took special measures at the special time to safeguard economic fundamentals. China was the first country to control the Pandemic and resume work and production, enabling its economy to achieve rapid recovery. Firstly, an overall V-Shaped economic recovery was achieved. Under the impact of the Pandemic, China’s gross domestic product (“**GDP**”) contracted substantially by 6.8% in the first quarter, and recovered for three consecutive quarters with a year-on-year growth of 3.2%, 4.9% and 6.5% respectively, showing a typical asymmetric V-shaped recovery. The GDP for the year reached RMB101,598.6 billion, representing a year-on-year increase of 2.3%. In particular, the primary, secondary and tertiary sectors showed year-on-year growth of 3.0%, 2.6% and 2.1%, respectively. Secondly, industrial production continued to develop, with high-tech manufacturing and equipment manufacturing industries growing more rapidly. The added value of nationwide or larger scaled industries showed a 2.8% year-on-year increase. In particular, the added value of high-tech manufacturing and equipment manufacturing showed a year-on-year increase of 7.1% and 6.6%, respectively. Thirdly, the service sector gradually recovered, and the modern service sector enjoyed a sound growth momentum. The national service industry production index remained flat compared to the previous year. The growth rate of the added value of the information transmission, software and information technology service industry and the financial industry were 14.8 and 4.9 percentage points higher than that of the tertiary sector, respectively, and the expected service sector business activities index was 60.1%, staying in the high boom range for six consecutive months. Fourthly, market sales recovered more rapidly, and the growth of sales of consumption upgrade products was speeding up. The total retail sales of consumer goods decreased year-on-year by 3.9%, which was narrowed down by 7.5 percentage points as compared with that in the first half of the year. Fifthly, investment in fixed assets recovered steadily. The growth of investment in each of the three sectors turned positive, and investment in high-tech industries and social sectors grew at a faster pace. The annual investment in fixed assets (excluding rural households) reached RMB51,890.7 billion, representing a year-on-year increase of 2.9%. In particular, the investment in infrastructure and real estate development increased by 0.9% and 7.0%, respectively. Sixthly, foreign trade achieved positive growth and the trade structure continued to improve. The total imports and exports of goods grew 1.9% year-on-year to RMB32,155.7 billion, including exports of RMB17,932.6 billion (up by 4.0%) and imports of RMB14,223.1 billion (down by 0.7%). Seventhly, the growth rate of consumer prices decreased, and the ratio of per capita disposable income of urban residents to that of rural residents continued to decrease. The consumer price index rose by 2.5% throughout the year, lower than the 2.9% increase in the previous year. The per capita disposable income of residents in China was RMB32,189 (up by 2.1%), in real terms after the deduction of price factors and is basically in line with economic growth. The ratio of per capita disposable income of urban residents to that of rural residents was 2.56, narrowed by 0.08 from the previous year. In 2020, China’s economy gradually overcame the adverse effects of the Pandemic and achieved a steady recovery. However, China’s economic recovery is still shaky amid the ongoing spread of the Pandemic across the world and the increasing external risks and challenges.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, to cope with the impact of the Pandemic, the Chinese government timely adjusted its monetary policy to provide more targeted and effective financial support for the real economy and exerted the precise drip irrigation function of structural monetary policy tools. In 2020, China's volume of social financing was RMB284.83 trillion, representing a year-on-year increase of 13.3%, which is 2.6 percentage points higher than the same period of the previous year; the increase in social financing in 2020 was RMB34.86 trillion, which is RMB9.19 trillion more than the same period of the previous year. The balance of broad money (M2) was RMB218.68 trillion, representing a year-on-year increase of 10.1%, which is 1.4 percentage points higher than the same period of the previous year. The balance of RMB and foreign currency loans reached RMB178.4 trillion, representing a year-on-year increase of 12.5%, of which the balance of RMB loans was RMB172.75 trillion, representing a year-on-year increase of 12.8% or RMB19.63 trillion (representing a year-on-year increase of RMB2.82 trillion). The balance of RMB and foreign currency deposits reached RMB218.37 trillion, representing a year-on-year increase of 10.2%, of which the balance of RMB deposits was RMB212.57 trillion, representing a year-on-year increase of 10.2% or RMB19.65 trillion (representing a year-on-year increase of RMB4.28 trillion). In the interbank RMB market, a total of RMB1,339.66 trillion was traded through interbank lending, spot trading and repo. The weighted average interest rates of interbank lending and pledged repo were 1.3% and 1.36%, which were 0.79 and 0.74 percentage points lower than those for the same period of the previous year, respectively.

In 2020, Henan Province coordinated Pandemic prevention and control and economic development, driving the economy to change for the better. Firstly, the province's economy steadily recovered. In 2020, the province's GDP was RMB5,499,707 million, up by 1.3% year-on-year and is 1.0 percentage point lower than the national average. In particular, the added value of the primary, secondary and tertiary sectors increased by 2.2%, 0.7% and 1.6%, respectively. Secondly, industrial production gradually resumed, and high-tech manufacturing industry developed more rapidly. The added value of provincial or larger scaled industries increased by 0.4%, which is 0.6 percentage point higher than that in the first three quarters. The added value of high-tech manufacturing industry grew by 8.9%, which is 8.5 percentage points higher than that of industries above designated size. Thirdly, the province's investment in fixed assets continued to pick up, and the investment in newly started projects increased rapidly. The province's investment in fixed assets (excluding rural households) increased by 4.3%, which is 0.7 percentage point higher than the first three quarters and 1.4 percentage points higher than the national average. During the year, the province's investment in newly started projects grew by 25.3%, with the investment in newly started projects above RMB100 million increased by 30.8%. Fourthly, consumer demand gradually picked up, and the sales of products relating to consumption upgrade grew rapidly. The province's total retail sales of consumer goods was RMB2,250,277 million, representing a year-on-year decrease of 4.1% and narrowed by 2.9 percentage points from the first three quarters. Fifthly, the increase in consumer price index dropped, and the industrial producer price index decreased. The province's consumer price index rose by 2.8% year-on-year, representing a decrease of 0.8 percentage point from the first three quarters. The province's producer price index for industrial products and industrial producer purchase price index decreased year-on-year by 0.8% and 0.6%, respectively. Sixthly, the total foreign trade volume grew rapidly, and the foreign trade market was diversifying. The province's total value of imports and exports was RMB665.48 billion, representing a year-on-year increase of 16.4%, which is 14.5 percentage points higher than the national growth rate. The annual imports from and exports to the United States, ASEAN and the European Union (27 countries, excluding the United Kingdom) grew swiftly to reach RMB133.45 billion, RMB86.8 billion and RMB84.44 billion, respectively.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

2020 is the final year of building a well-off society in an all-round way and executing the 13th Five-Year Plan, and is also the year of ending the tough battle to prevent and resolve financial risks. Faced with the severe challenges posed by the Pandemic and the complex and ever-changing domestic and international environment, the banking industry provided financial services in accordance with the requirements of “Six Stabilities” and “Six Guarantees” to serve the sound development of the real economy. Overall, in 2020, China’s banking industry ran smoothly with controllable risks, a sound momentum and optimized business structure. The key operating and regulatory indicators of the industry fell within a reasonable range. The total assets of domestic commercial banks grew steadily, and the local and foreign currency assets of financial institutions in the banking industry were RMB319.7 trillion, representing a year-on-year increase of 10.1%. The overall quality of credit assets remained stable. The balance of non-performing loans of commercial banks was RMB2.7 trillion, with a non-performing loan ratio of 1.84%. Profitability declined on a year-on-year basis. Commercial banks achieved a total net profit of RMB1.94 trillion, with an average capital profit margin of 9.48% and an average return on total assets of 0.77%. Risk compensation capability was sufficient. The balance of provisions for non-performing loans of commercial banks was RMB5 trillion, with the provision coverage ratio and loan provision ratio standing at 184.5% and 3.39%, respectively. Financial services continued to expand. The balance of loans from financial institutions in the banking industry for small and micro enterprises reached RMB42.7 trillion. Liquidity remained at a sound level. The liquidity coverage ratio, liquidity ratio, RMB excess reserve ratio, and loan-to-deposit ratio of commercial banks were 146.47%, 58.41%, 2.29% and 76.81% respectively. Due to the Pandemic and other factors, the credit risk of the banking industry has increased, with non-performing loans yet to be fully exposed. Moving on to the next stage, financial institutions, especially small and medium-sized banks, should make adequate preparations in this regard.

### 2 BUSINESS REVIEW

2020 was quite an extraordinary year beset with difficulties. The Bank reaped promising results as all of its senior management members and employees worked together to take on challenges. During the Reporting Period, the Bank’s operations and management exemplified the following characteristics:

Firstly, key operating indicators stabilized with moderate improvement. As at the end of the Reporting Period, the Bank’s total assets amounted to RMB547,813 million, representing an increase of RMB47,335 million or 9.46% from the beginning of the year; deposits from customers amounted to RMB314,230 million, representing an increase of RMB25,014 million or 8.65% from the beginning of the year; gross loans and advances to customers reached RMB237,959 million, representing an increase of RMB42,048 million or 21.46% from the beginning of the year; operating income for 2020 was RMB14,580 million, representing a year-on-year increase of RMB1,139 million or 8.48%; net profit was RMB3,321 million, down by 1.55% year-on-year; net interest margin was 2.40%, up by 0.24 percentage point year-on-year; cost-to-income ratio was 22.53%, down by 4.09 percentage points year-on-year; the capital adequacy ratio, non-performing loan ratio and allowance to non-performing loans were 12.86%, 2.08% and 160.44% respectively, and all key indicators have met the regulatory requirements.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Secondly, the Bank achieved victory for now of the “Four Great Battles”. The Bank won the battle to prevent and control the Pandemic. During the Pandemic, the Bank formulated prevention and control plans, carried out staff screening for COVID-19 and assured the availability of anti-pandemic supplies. There was no confirmed or suspected case across all employees of the Bank. The Bank actively donated cash and goods, and organized and participated in various activities such as free online medical consultations, the caring and assisting of the medical staff in Hubei Province, and deployment of party members serving as community guards, which were fully recognized by the provincial and municipal leaders. The Bank won the tough battle to resume work and production. Standing at the political height, the Bank fulfilled the “Six Stabilities” and “Six Guarantees” requirements, and implemented various policies such as anti-pandemic special re-loans, and the policy for targeted reduction of reserve requirements for small refinancing loans. “Loans for Work Resumption” was initially launched across the province by reducing costs and surrendering part of the Bank’s profits and deferring the repayment of principals and interests. The Bank won the battle to eliminate irregularities. It set up a large-value asset management centre to dispose of risk assets according to their grade and type; strictly implemented the concentration limit management; reduced our business volume with anonymous customers, real estate loans and businesses out of the province; established three technology support centres for the corporate, retail and risk segments; smoothened cases and litigation management responsibilities and institutional standards; and improved the post-loan management policy and credit file management policy across the Bank. As at the end of the Reporting Period, the Bank’s non-performing loan ratio was 2.08%, representing a decrease of 0.29 percentage point from the end of last year, while asset quality continued to improve. The Bank won the battle against chaos. It published the “13 high-tension lines” in relation to employees’ conducts; completed the reform for dispatching the Supervisory Committee of the Zhengzhou Commission for Discipline Inspection; issued opinions on the joint prevention and control of complaints by means of written petitions, cases and public opinion events, and carried out a “Mine-sweeping Operation” to identify potential risks. As a result, the Bank did not have any major cases or complaints throughout the year.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Thirdly, the Bank carried out high-quality development to enhance quality and efficiency. The Bank vigorously developed its corporate business and unlocked its potential. The 4th China Commerce and Logistics Bank Alliance Summit (whose number of members increased to 55) was held, and Cloud Logistics 2.0 was launched to create a new service model for an online freight platform. The Bank obtained qualifications to provide services for provincial treasury central payment, provincial unified salary payment and provincial social security card cooperative banks agent. The Bank opened up new paths for the small and micro businesses. It made good use of various policies such as the inclusive small and micro credit loan support scheme and the deferred repayment of principals and interests. The balance of “Housing e-financing” amounted to RMB14,363 million. The “1,000-Sails Program” of science and technology finance was launched to create a new financial model for technology innovation. The goal of “Two Increases and Two Controls” was successfully completed. The Bank’s retail business reaped outstanding results. The ZhengYin wealth planner platform was launched online, with sales exceeding RMB13 billion in six months; virtual credit cards, namely Le Card (樂卡) and Oscar Cinema Card (奧影卡), were launched. The Bank launched the Jiujiu (久久) version of mobile banking online, and built a four-in-one channel ecosystem comprising micro-banking, WeChat official accounts, applets and corporate WeChat. The financial market business made a breakthrough. The Bank carried out transactions in the primary and secondary markets as a tier-1 trader and market maker in the open market to underwrite and distribute more than RMB100 billion of securities for the first time, with the total amount of bonds and capital transactions exceeding RMB10 trillion.

# CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

## 3 FINANCIAL STATEMENT ANALYSIS

### 3.1 Income Statement Analysis

During the Reporting Period, under the leadership of the Board, the Bank proactively coped with the impact of the Pandemic and the complicated and challenging domestic and international landscape. It stayed true to its original mission, faced the challenges undauntedly, facilitated the resumption of work and production activity and performed its obligations and mission as a local bank with practical actions. The Bank continued to consolidate its positioning with features of “finance for commerce and logistics, finance for residents, and finance for small and micro enterprises” and strengthened the support for small and micro credit loans. Focusing on the main operating theme of high-quality development, the Bank strengthened its risk management and ramped up efforts in the provision and write-off. During the Reporting Period, the Bank recorded operating income of RMB14,580 million, representing a year-on-year increase of 8.48%; net profit of RMB3,321 million, representing a year-on-year decrease of 1.55%; and net profit attributable to Shareholders of the Bank of RMB3,168 million, representing a year-on-year decrease of 3.58%. Major items of and changes in the Bank’s income statement are set out as follows:

Unit: RMB'000

Item	For the year ended 31 December			
	2020	2019 (restated) <sup>(Note)</sup>	Change	Rate of change (%)
Net interest income	11,239,162	9,018,458	2,220,704	24.62
Non-interest income	3,340,507	4,421,756	(1,081,249)	(24.45)
Operating income	14,579,669	13,440,214	1,139,455	8.48
Less: Operating expenses	3,417,780	3,693,321	(275,541)	(7.46)
Less: Impairment losses on assets	7,184,457	5,796,660	1,387,797	23.94
Operating profit	3,977,432	3,950,233	27,199	0.69
Share of profits of associates	35,035	55,793	(20,758)	(37.21)
Profit before taxation	4,012,467	4,006,026	6,441	0.16
Less: Income tax expense	691,596	632,806	58,790	9.29
Net profit	3,320,871	3,373,220	(52,349)	(1.55)
Including: Shareholders of the Bank	3,167,567	3,285,122	(117,555)	(3.58)
Non-controlling interests	153,304	88,098	65,206	74.02

*Note:* According to the requirements of the Notice on Strictly Implementing Accounting Standards for Business Enterprises and Effectively Enhancing the 2020 Annual Reports of Enterprises (Cai Kuai [2021] No. 2) 《關於嚴格執行企業會計準則切實加強企業2020年年報工作的通知》(財會[2021]2號文)) jointly issued by the MOF, State-owned Assets Supervision and Administration Commission of the State Council, CBIRC and CSRC, the Bank has re-classified the income from credit card repayment by instalments from fee and commission income to interest income since 2020, and restated the figures for the same period in 2019.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.1.1 Net Interest Income, Net Interest Spread and Net Interest Margin

During the Reporting Period, the Bank recorded net interest income of RMB11,239 million, representing a year-on-year increase of RMB2,221 million or 24.62% and accounting for 77.09% of the operating income. Specifically, business scale adjustments resulted in an increase of RMB1,824 million in net interest income and changes in yield or cost rate resulted in an increase of RMB396 million in net interest income.

The following table sets forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expenses from these assets, average yield of these interest-earning assets and average cost rate of these interest-bearing liabilities during the Reporting Period:

Unit: RMB'000

Item	2020			2019 (restated) <sup>(7)</sup>		
	Average balance <sup>(6)</sup>	Interest income/expense	Average yield/interest rate (%)	Average balance <sup>(6)</sup>	Interest income/expense	Average yield/interest rate (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	217,308,902	12,335,208	5.68	179,235,899	10,402,881	5.80
Investment securities and other financial assets <sup>(1)</sup>	195,351,678	9,634,456	4.93	184,458,775	9,640,255	5.23
Deposits with central bank	25,873,517	393,146	1.52	30,738,042	465,408	1.51
Amounts due from banks and other financial institutions <sup>(2)</sup>	12,707,428	224,862	1.77	8,652,806	264,148	3.05
Finance lease receivables	17,966,437	1,305,471	7.27	13,599,972	819,135	6.02
<b>Total interest-earning assets</b>	<b>469,207,962</b>	<b>23,893,143</b>	<b>5.09</b>	<b>416,685,494</b>	<b>21,591,827</b>	<b>5.18</b>
<b>Interest-bearing liabilities</b>						
Deposits from customers	304,709,927	7,659,143	2.51	277,077,708	7,140,622	2.58
Amounts due to banks and other financial institutions <sup>(3)</sup>	63,289,022	1,655,175	2.62	55,179,680	1,780,675	3.23
Debt securities issued	95,586,704	2,841,648	2.97	97,570,029	3,465,530	3.55
Due to central bank	16,815,448	498,015	2.96	5,693,017	186,542	3.28
<b>Total interest-bearing liabilities</b>	<b>480,401,101</b>	<b>12,653,981</b>	<b>2.63</b>	<b>435,520,434</b>	<b>12,573,369</b>	<b>2.89</b>
Net interest income		11,239,162			9,018,458	
Net interest spread <sup>(4)</sup>			2.46			2.29
Net interest margin <sup>(5)</sup>			2.40			2.16

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

*Notes:*

1. Consisting of financial investments at amortized cost and bonds at fair value through other comprehensive income.
2. Consisting of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.
3. Consisting of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.
4. Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities based on the average daily interest-earning assets and interest-bearing liabilities.
5. Calculated by dividing net interest income by the average balance of total interest-earning assets based on the average daily interest-earning assets.
6. Calculated as the average daily balance of the Bank.
7. According to the requirements of the Notice on Strictly Implementing Accounting Standards for Business Enterprises and Effectively Enhancing the 2020 Annual Reports of Enterprises (Cai Kuai [2021] No. 2) 《關於嚴格執行企業會計準則切實加強企業2020年年報工作的通知》(財會[2021]2號文)) jointly issued by the MOF, State-owned Assets Supervision and Administration Commission of the State Council, CBIRC and CSRC, the Bank has re-classified the income from credit card repayment by instalments from fee and commission income to interest income since 2020, and restated the figures for the same period in 2019.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, changes in the volume and interest rate of the Bank led to changes in interest income and interest expenses. Changes in volume are measured by changes in the average balance of the interest-earning assets and interest-bearing liabilities while changes in rate are measured by changes in the average rate of the interest-earning assets and interest-bearing liabilities. Combined effects of changes in volume and rate were included in changes in interest.

Unit: RMB'000

Item	For the year ended 31 December		
	2020 vs. 2019		Net increase/ (decrease) <sup>(3)</sup>
	Increase/(decrease) due to Volume <sup>(1)</sup>	Rate <sup>(2)</sup>	
<b>Interest-earning assets</b>			
Loans and advances to customers	2,209,763	(277,436)	1,932,327
Investments securities and other financial assets	569,289	(575,088)	(5,799)
Deposits with central bank	(73,654)	1,392	(72,262)
Amounts due from banks and other financial institutions	123,777	(163,063)	(39,286)
Finance lease receivables	262,995	223,341	486,336
<b>Changes in interest income</b>	<b>3,092,170</b>	<b>(790,854)</b>	<b>2,301,316</b>
<b>Interest-bearing liabilities</b>			
Deposits from customers	712,115	(193,594)	518,521
Amounts due to banks and other financial institutions	261,692	(387,192)	(125,500)
Debt securities issued	(70,445)	(553,437)	(623,882)
Due to central bank	364,447	(52,974)	311,473
<b>Change in interest expenses</b>	<b>1,267,809</b>	<b>(1,187,197)</b>	<b>80,612</b>

Notes:

1. Represents the average balance for the Reporting Period minus the average balance for the previous period, multiplied by the average yield/cost rate for the previous period.
2. Represents the average revenue/(expenses) for the Reporting Period minus the average revenue/(expenses) for the previous period, multiplied by the average balance for the Reporting Period.
3. Represents interest income/(expenses) for the Reporting Period minus interest income/(expenses) for the previous period.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Net interest spread and net interest margin*

During the Reporting Period, the Bank's net interest spread amounted to 2.46%, representing an increase of 0.17 percentage point as compared to the same period of the previous year, while the Bank's net interest margin amounted to 2.40%, representing an increase of 0.24 percentage point as compared to the same period of the previous year. In 2020, monetary policy was relaxed in general, and the Bank actively optimized its liability structure and improved liability cost management, which resulted in a significant drop in the average cost rate of interest-bearing liabilities as compared with the same period of the previous year, leading to an increase in the net interest spread and net interest margin.

### **3.1.2 Interest Income**

During the Reporting Period, the Bank achieved interest income of RMB23,893 million, representing a year-on-year increase of RMB2,301 million or 10.66%, mainly due to the growth in the scale of interest-earning assets.

### *Interest income from loans*

During the Reporting Period, the Bank steadily promoted credit granting. The average balance of loans and advances to customers increased by RMB38,073 million as compared to the same period of the previous year. Interest income from loans amounted to RMB12,335 million, representing an increase of RMB1,932 million or 18.57% as compared to the same period of the previous year. Set out below are the average balance, interest income and average yield for each component of the Bank's loans and advances to customers for the Reporting Period:

*Unit: RMB'000*

Item	For the year ended 31 December			2019		
	Average balance	2020 Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	139,162,951	8,339,607	5.99	117,550,120	6,960,284	5.92
Personal loans	65,684,795	3,643,366	5.55	51,503,213	3,027,437	5.88
Discounted bills	12,461,156	352,235	2.83	10,182,566	415,160	4.08
<b>Gross loans and advances to customers</b>	<b>217,308,902</b>	<b>12,335,208</b>	<b>5.68</b>	179,235,899	10,402,881	5.80



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Interest income from investment securities and other financial assets*

During the Reporting Period, interest income from investment securities and other financial assets of the Bank amounted to RMB9,634 million, representing a year-on-year decrease of RMB6 million or 0.06%, which was principally attributable to the drop in the average yield of investment securities and other financial assets.

### *Interest income from amounts due from banks and other financial institutions*

During the Reporting Period, the Bank's interest income from amounts due from banks and other financial institutions amounted to RMB225 million, representing a decrease of RMB39 million or 14.87% as compared to the same period of the previous year, which was primarily attributable to the decrease in the average yield of such assets.

### *Interest income from finance lease receivables*

During the Reporting Period, the Bank's interest income from finance lease receivables increased by RMB486 million or 59.37% to RMB1,305 million as compared to the same period of the previous year, which was primarily attributable to the increase in the size and average yield of finance lease receivables of Jiuding Financial Leasing Company, a subsidiary of the Bank.

### **3.1.3 Interest Expenses**

During the Reporting Period, the Bank's interest expense increased by RMB81 million or 0.64% to RMB12,654 million as compared to the same period of the previous year, which was affected by comprehensive factors including the increase in the scale of interest-bearing liabilities and the decline in the average cost rate of liabilities.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Interest expenses on deposits from customers*

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB7,659 million, representing a year-on-year increase of RMB519 million or 7.26%, and accounted for 60.53% of all interest expenses. The increase was mainly due to the overall growth of the deposit business as a result of the Bank's vigorous efforts in building its customer base. The decrease in the average cost rate of deposits from customers was mainly due to fluctuations in market interest rates and the Bank's enhancement of its liability structure and improvement in cost management.

*Unit: RMB'000*

Item	For the year ended 31 December			2019		
	Average balance	2020 Interest expenses	Average cost rate (%)	Average balance	Interest expenses	Average cost rate (%)
<b>Corporate deposits</b>						
Demand	74,066,754	439,606	0.59	77,023,727	422,446	0.55
Time	98,303,074	3,427,395	3.49	89,488,182	4,051,364	4.53
Subtotal	172,369,828	3,867,001	2.24	166,511,909	4,473,810	2.69
<b>Personal deposits</b>						
Demand	23,754,413	215,047	0.91	20,154,816	151,565	0.75
Time	79,418,674	3,163,011	3.98	67,428,231	2,255,687	3.35
Subtotal	103,173,087	3,378,058	3.27	87,583,047	2,407,252	2.75
<b>Others</b>	29,167,012	414,084	1.42	22,982,752	259,560	1.13
<b>Total deposits from customers</b>	<b>304,709,927</b>	<b>7,659,143</b>	<b>2.51</b>	<b>277,077,708</b>	<b>7,140,622</b>	<b>2.58</b>

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Interest expenses on debt securities issued*

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB2,842 million, representing a decrease of RMB624 million as compared to the previous year, which was primarily attributable to the decrease in average cost rate of interbank deposits during the Reporting Period.

### *Interest expense on amounts due to banks and other financial institutions*

During the Reporting Period, the Bank's interest expense on amounts due to banks and other financial institutions amounted to RMB1,655 million, representing a year-on-year decrease of RMB126 million or 7.05%, which was primarily attributable to the decrease in the cost of interbank funds as a result of relaxed monetary policy in the monetary market during the Reporting Period.

### *Interest expense arising from amounts due to Central Bank*

During the Reporting Period, interest expense arising from amounts due to central bank amounted to RMB498 million, representing an increase of RMB311 million or 166.97% as compared to the previous year, which was primarily attributable to the increase in medium-term lending facilities, special refinancing for Pandemic prevention and combat, and refinancing to small banks during the Reporting Period as compared to the same period of the previous year.

### **3.1.4 Non-interest Income**

During the Reporting Period, the Bank achieved non-interest income of RMB3,341 million, representing a decrease of RMB1,081 million or 24.45% as compared to the same period of the previous year and accounted for 22.91% of the operating income. Such income includes net fee and commission income of RMB1,730 million, representing an increase of RMB155 million as compared to the previous year. The Bank recorded other non-interest income of RMB1,611 million, representing a decrease of RMB1,236 million as compared to the previous year.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### Net fee and commission income

Unit: RMB'000

Item	For the year ended 31 December			
	2020	2019	Change	Rate of change (%)
<b>Fee and commission income</b>				
Agency and custody services fees	1,308,885	1,160,799	148,086	12.76
Underwriting and advisory fees	281,875	259,983	21,892	8.42
Acceptance and guarantee services fees	186,762	163,492	23,270	14.23
Bank card services fees	125,393	112,681	12,712	11.28
Others	33,686	25,614	8,072	31.51
<b>Subtotal</b>	<b>1,936,601</b>	<b>1,722,569</b>	<b>214,032</b>	<b>12.43</b>
<b>Fee and commission expense</b>	<b>(206,615)</b>	<b>(147,140)</b>	<b>(59,475)</b>	<b>40.42</b>
<b>Net fee and commission income</b>	<b>1,729,986</b>	<b>1,575,429</b>	<b>154,557</b>	<b>9.81</b>

During the Reporting Period, the Bank proactively adapted to the new regulations on asset management and market changes, and made steady progress in the transformation and upgrade of its intermediary business. The net fee and commission income amounted to RMB1,730 million, representing an increase of RMB155 million or 9.81% as compared to the same period of the previous year, which was primarily attributable to an increase in the scale of the agency and custody business, acceptance and guarantee business and securities underwriting business.

### Other non-interest income

Unit: RMB'000

Item	For the year ended 31 December			
	2020	2019	Change	Rate of change (%)
Net trading gains	368,339	708,485	(340,146)	(48.01)
Net gains arising from investment	1,187,922	2,097,656	(909,734)	(43.37)
Other operating income	54,260	40,186	14,074	35.02
<b>Total</b>	<b>1,610,521</b>	<b>2,846,327</b>	<b>(1,235,806)</b>	<b>(43.42)</b>

During the Reporting Period, other non-interest income amounted to RMB1,611 million, representing a decrease of RMB1,236 million or 43.42% as compared to the same period of the previous year, which was primarily due to the fair value change of financial investments at fair value through profit or loss.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.1.5 Operating Expenses

During the Reporting Period, the operating expenses of the Bank were RMB3,418 million, representing a decrease of RMB276 million or 7.46% as compared to the same period of the previous year. Benefited from the state's policies on tax and fee reduction in order to support the prevention and control of the Pandemic and the Bank's improvement of cost management and control, the Bank's operating expenses during the period decreased as compared to the same period of the previous year.

Unit: RMB'000

Item	For the year ended 31 December			
	2020	2019	Change	Rate of change (%)
Staff costs	2,024,774	2,198,718	(173,944)	(7.91)
Depreciation and amortization	439,534	474,790	(35,256)	(7.43)
Rental and property management expenses	99,112	98,819	293	0.30
Office expenses	55,269	51,950	3,319	6.39
Tax and surcharges	133,092	115,617	17,475	15.11
Others	665,999	753,427	(87,428)	(11.60)
<b>Total operating expenses</b>	<b>3,417,780</b>	<b>3,693,321</b>	<b>(275,541)</b>	<b>(7.46)</b>

The following table sets forth the major components of staff costs of the Bank during the Reporting Period:

Unit: RMB'000

Item	For the year ended 31 December			
	2020	2019	Change	Rate of change (%)
Salaries, bonuses and allowances	1,551,670	1,607,809	(56,139)	(3.49)
Social insurance and annuity	151,339	251,867	(100,528)	(39.91)
Supplementary retirement benefits	4,837	15,397	(10,560)	(68.58)
Staff welfare	156,829	172,375	(15,546)	(9.02)
Housing allowances	104,654	89,090	15,564	17.47
Others	55,445	62,180	(6,735)	(10.83)
<b>Total</b>	<b>2,024,774</b>	<b>2,198,718</b>	<b>(173,944)</b>	<b>(7.91)</b>

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.1.6 Impairment Losses on Assets

During the Reporting Period, the Bank's impairment losses on assets increased by RMB1,388 million or 23.94% to RMB7,184 million as compared with the previous year. The impairment losses of loans and advances to customers were RMB5,487 million, representing an increase of RMB748 million or 15.78% as compared to the same period of the previous year. This is mainly due to the fact that the Bank continued to comply with the principle of prudent operation, appropriately increased the provision for asset impairment, and further strengthened risk-resistance capability based on the market operating environment and asset structure changes.

Unit: RMB'000

Item	For the year ended 31 December			
	2020	2019	Change	Rate of change (%)
Impairment losses on loans and advances to customers	5,487,062	4,739,054	748,008	15.78
Impairment losses on financial investments at amortized cost	1,317,666	837,322	480,344	57.37
Impairment losses on finance lease receivables	286,652	170,001	116,651	68.62
Impairment losses on off-balance sheet credit commitments	(76,453)	50,801	(127,254)	(250.50)
Impairment losses on financial investments at fair value through other comprehensive income	169,198	541	168,657	31,175.05
Others <sup>(Note)</sup>	332	(1,059)	1,391	(131.35)
<b>Total impairment losses on assets</b>	<b>7,184,457</b>	<b>5,796,660</b>	<b>1,387,797</b>	<b>23.94</b>

Note: Others consist of impairment losses on items such as deposits with banks and other financial institutions, financial assets held under resale agreements, placements with banks and other financial institutions.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.1.7 Income Tax Expense

During the Reporting Period, the Bank's income tax expense amounted to RMB692 million, representing an increase of RMB59 million or 9.29% as compared to the same period of the previous year. During the Reporting Period, the Bank's effective tax rate was 17.24%, which is lower than the statutory tax rate of 25% and was mainly due to the fact that the interest income from state-owned bonds and local government bonds held by the Bank was tax-exempt income according to the relevant PRC tax law.

Unit: RMB'000

Item	For the year ended 31 December			
	2020	2019	Change	Rate of change (%)
Current tax	1,276,375	1,442,569	(166,194)	(11.52)
Deferred tax	(634,354)	(905,865)	271,511	(29.97)
Adjustment for prior years	49,575	96,102	(46,527)	(48.41)
<b>Total income tax expense</b>	<b>691,596</b>	632,806	58,790	9.29

# CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

## 3.2 Balance Sheet Analysis

### 3.2.1 Assets

As at the end of the Reporting Period, the Bank's total assets amounted to RMB547,813 million, representing an increase of RMB47,335 million or 9.46% from the end of the previous year. The increase of total assets was mainly due to the increase in loans and advances to customers and finance lease receivables. The balances (after provision) and breakdowns of the components of the Bank's total assets are as follows:

Unit: RMB'000

Item	As at 31 December 2020		As at 31 December 2019		Change	
	Amount	% of total (%)	Amount	% of total (%)	Amount	% of total (%)
<b>Assets</b>						
Cash and deposits with central bank	36,492,083	6.66	38,465,676	7.69	(1,973,593)	(1.03)
Deposits with banks and other financial institutions	2,357,591	0.43	1,930,394	0.39	427,197	0.04
Placements with banks and other financial institutions	3,083,574	0.56	2,784,681	0.56	298,893	0.00
Derivative financial assets	362,970	0.07	94,602	0.02	268,368	0.05
Financial assets held under resale agreements	8,585,647	1.57	2,998,744	0.60	5,586,903	0.97
Loans and advances to customers	231,250,013	42.21	189,266,541	37.82	41,983,472	4.39
Finance lease receivables	22,565,825	4.12	12,501,697	2.50	10,064,128	1.62
Financial investments						
– Financial investments at fair value through profit or loss	46,463,308	8.48	55,062,294	11.00	(8,598,986)	(2.52)
– Financial investments at fair value through other comprehensive income	21,983,430	4.01	15,751,610	3.15	6,231,820	0.86
– Financial investments at amortized cost	164,230,569	29.98	173,168,422	34.60	(8,937,853)	(4.62)
Interest in associates	400,250	0.07	376,874	0.08	23,376	(0.01)
Property and equipment	2,686,802	0.49	2,372,354	0.47	314,448	0.02
Deferred tax assets	3,718,962	0.68	2,834,990	0.57	883,972	0.11
Other assets	3,632,420	0.67	2,869,248	0.55	763,172	0.12
<b>Total assets</b>	<b>547,813,444</b>	<b>100.00</b>	<b>500,478,127</b>	<b>100.00</b>	<b>47,335,317</b>	<b>–</b>



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Loans and advances to customers*

As at the end of the Reporting Period, the Bank's total loans and advances to customers amounted to RMB237,959 million, representing an increase of RMB42,048 million or 21.46% as compared with the end of the previous year. The Bank's loans and advances to customers are mainly composed of corporate loans, personal loans and discounted bills. Set out below is a breakdown of the Bank's loans by business line:

*Unit: RMB'000*

Item	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans <sup>(1)</sup>	156,954,032	65.96	124,565,616	63.58
Personal loans	67,328,937	28.29	59,593,823	30.42
Discounted bills	13,676,221	5.75	11,752,226	6.00
<b>Gross loans and advances to customers</b>	<b>237,959,190</b>	<b>100.00</b>	195,911,665	100.00
Add: Accrued interest	1,046,446		682,722	
Less: Provision for impairment losses <sup>(2)</sup>	7,755,623		7,327,846	
<b>Book value of loans and advances to customers</b>	<b>231,250,013</b>		189,266,541	

#### *Notes:*

1. Forfeiting is included in the corporate loans.
2. Excluding provision for impairment losses on forfeiting and discounted bills, provision for impairment losses on forfeiting and discounted bills was included in other comprehensive income.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### (1) Corporate loans

Corporate loan is the largest component of the Bank's loans and advances to customers. As at the end of the Reporting Period, the Bank's corporate loans amounted to RMB156,954 million, accounted for 65.96% of the Bank's total loans and advances to customers and representing an increase of RMB32,388 million or 26.00% from the end of the previous year. During the Reporting Period, the Bank closely focused on the three features of its positioning as "finance for commerce and logistics, finance for small and micro enterprises and finance for citizens", thereby achieving steady growth in corporate loans.

The following table sets forth a breakdown of the Bank's corporate loans by collateral:

Unit: RMB'000

Item	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
Unsecured loans	25,996,452	16.56	18,968,452	15.23
Guaranteed loans	78,812,696	50.21	55,088,693	44.22
Loans secured by tangible assets other than monetary assets	33,346,976	21.25	31,853,512	25.57
Loans secured by intangible assets or monetary assets	18,797,908	11.98	18,654,959	14.98
<b>Total corporate loan principal</b>	<b>156,954,032</b>	<b>100.00</b>	124,565,616	100.00

### (2) Personal loans

As at the end of the Reporting Period, the Bank's total personal loans amounted to RMB67,329 million, accounting for 28.29% of the Bank's total loans and advances to customers and representing an increase of RMB7,735 million or 12.98% from the end of the previous year, of which, total personal business loans and total personal residential mortgage loans were RMB25,640 million and RMB35,965 million, respectively, representing an increase of 22.60% and 19.67% from the end of the previous year, which was mainly due to the growth in the business scale of personal business loans and personal residential mortgage loans.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of the Bank's personal loans by product type:

*Unit: RMB'000*

Item	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
Personal business loans	25,639,981	38.08	20,912,865	35.10
Personal residential mortgage loans	35,964,974	53.42	30,052,807	50.43
Personal consumption loans	2,769,512	4.11	5,807,222	9.74
Credit card loans	2,954,470	4.39	2,820,929	4.73
<b>Total personal loan principal</b>	<b>67,328,937</b>	<b>100.00</b>	59,593,823	100.00

(3) *Discounted bills*

As at the end of the Reporting Period, the Bank's discounted bills amounted to RMB13,676 million, representing an increase of RMB1,924 million or 16.37% from the end of the previous year. During the Reporting Period, the Bank flexibly adjusted the scale of bill financing according to the needs of business development and the financing needs of customers.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Investments in securities and other financial assets*

As at the end of the Reporting Period, the Bank's total investments in securities and equity instruments amounted to RMB234,453 million, representing a decrease of RMB10,334 million or 4.22% from the end of the previous year. Details are set out as follows:

*Unit: RMB'000*

Item	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
Financial investments at amortized cost	166,298,387	70.93	174,300,504	71.20
Financial investments at fair value through other comprehensive income	21,691,216	9.25	15,424,513	6.30
Financial investments at fair value through profit or loss	46,463,308	19.82	55,062,294	22.50
<b>Total investment securities and other financial assets</b>	<b>234,452,911</b>	<b>100.00</b>	244,787,311	100.00
Add: Accrued interest	2,106,004		1,758,957	
Less: Provision for impairment losses <sup>(Note)</sup>	3,881,608		2,563,942	
<b>Book value of investment securities and other financial assets</b>	<b>232,677,307</b>		243,982,326	

*Note:* Excluding provision for impairment losses on financial investments at fair value through other comprehensive income.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

The Bank's investments in securities are classified into debt instruments and equity instruments. Set out below is a breakdown of the Bank's investment in securities by product:

Unit: RMB'000

Item	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
<b>Debt securities investments</b>				
Government bonds	40,538,719	17.29	31,614,484	12.92
Debt securities issued by policy banks	39,543,998	16.87	33,995,748	13.89
Debt securities issued by banks and other financial institutions	1,865,371	0.80	2,974,444	1.22
Debt securities issued by corporate issuers	6,356,024	2.71	8,468,274	3.46
<b>Subtotal</b>	<b>88,304,112</b>	<b>37.67</b>	77,052,950	31.49
Investment products under trust schemes	67,275,604	28.70	77,489,646	31.66
Investment products managed by securities companies	55,741,447	23.78	62,966,123	25.72
Others <sup>(Note)</sup>	23,123,348	9.85	27,270,192	11.13
<b>Total debt instruments</b>	<b>234,444,511</b>	<b>100.00</b>	244,778,911	100.00
Equity instruments	8,400		8,400	
<b>Total investments securities and other financial assets</b>	<b>234,452,911</b>		244,787,311	

Note: Others consist of debt financing schemes.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of the top ten financial bonds held by the Bank as at the end of the Reporting Period:

*Unit: RMB'000*

No.	Type of bonds	Nominal value balance	Interest rate (%)	Maturity date	Impairment
1	2020 Financial bonds	3,753,008	3.70	2030-10-20	–
2	2016 Financial bonds	3,250,000	3.33	2026-02-22	86
3	2016 Financial bonds	2,490,000	3.33	2026-01-06	66
4	2020 Financial bonds	2,426,582	3.09	2030-06-18	56
5	2020 Financial bonds	2,220,000	3.07	2030-03-10	59
6	2016 Financial bonds	2,200,000	3.24	2023-02-25	58
7	2016 Financial bonds	1,900,000	3.32	2023-01-06	50
8	2020 Financial bonds	1,572,513	3.79	2030-10-26	55
9	2019 Financial bonds	1,360,000	3.45	2029-09-20	37
10	2019 Financial bonds	1,170,000	3.74	2029-07-12	32

### *Derivative financial instruments*

During the Reporting Period, there were two-way fluctuations in the exchange rate between US dollar and RMB, the Bank made reasonable use of forward foreign exchange to effectively mitigate market risks and maintain a sound trading style.

*Unit: RMB'000*

Derivative financial instruments	As at 31 December 2020			As at 31 December 2019		
	Contractual/ notional amount	Fair value of assets	Fair value of liabilities	Contractual/ notional amount	Fair value of assets	Fair value of liabilities
Non-deliverable forwards	6,002,908	362,970	–	11,022,396	94,602	(4,944)
<b>Total</b>	<b>6,002,908</b>	<b>362,970</b>	<b>–</b>	<b>11,022,396</b>	<b>94,602</b>	<b>(4,944)</b>

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2.2 Liabilities

As at the end of the Reporting Period, the Bank's total liabilities amounted to RMB501,842 million, representing an increase of RMB41,255 million or 8.96% from the end of the previous year, which was mainly due to the increase in liabilities including deposits from customers and due to central bank.

Unit: RMB'000

Item	As at 31 December 2020		As at 31 December 2019		Change	
	Amount	% of total (%)	Amount	% of total (%)	Amount	% of total (%)
Due to central bank	25,966,645	5.17	9,954,864	2.16	16,011,781	3.01
Deposits from banks and other financial institutions	20,210,404	4.03	18,906,118	4.10	1,304,286	(0.07)
Placements from banks and other financial institutions	20,467,593	4.08	14,113,018	3.06	6,354,575	1.02
Derivative financial liabilities	-	-	4,944	0.01	(4,944)	(0.01)
Financial assets sold under repurchase agreements	21,303,430	4.25	16,385,737	3.56	4,917,693	0.69
Deposits from customers	316,512,735	63.07	292,125,786	63.42	24,386,949	(0.35)
Tax payable	653,304	0.13	745,840	0.16	(92,536)	(0.03)
Debt securities issued	93,164,057	18.56	105,245,667	22.85	(12,081,610)	(4.29)
Other liabilities <sup>(Note)</sup>	3,563,355	0.71	3,104,531	0.68	458,824	0.03
<b>Total</b>	<b>501,841,523</b>	<b>100.00</b>	<b>460,586,505</b>	<b>100.00</b>	<b>41,255,018</b>	

Note: Other liabilities primarily consist of items in the process of clearance and settlement, staff costs payable and estimated liabilities.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### Deposits from customers

As at the end of the Reporting Period, the Bank's gross deposits from customers amounted to RMB314,230 million, representing an increase of RMB25,014 million or 8.65% from the end of the previous year. The steady growth in the Bank's deposits from customers was mainly attributable to the overall growth of the deposit business as a result of the Bank's vigorous efforts in building its customer base. Set out below is a breakdown of the Bank's deposits from customers by product type and maturity profile:

Unit: RMB'000

Item	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
<b>Corporate deposits</b>				
Demand	73,645,804	23.44	79,289,145	27.42
Time	102,023,433	32.47	87,157,489	30.13
<b>Subtotal</b>	<b>175,669,237</b>	<b>55.91</b>	166,446,634	57.55
<b>Personal deposits</b>				
Demand	30,426,964	9.68	23,333,801	8.07
Time	77,347,598	24.61	72,253,415	24.98
<b>Subtotal</b>	<b>107,774,562</b>	<b>34.29</b>	95,587,216	33.05
<b>Other deposits</b>	<b>30,786,621</b>	<b>9.80</b>	27,183,010	9.40
<b>Gross deposits from customers</b>	<b>314,230,420</b>	<b>100.00</b>	289,216,860	100.00
<b>Add: Accrued interest</b>	<b>2,282,315</b>		2,908,926	
<b>Total deposits from customers</b>	<b>316,512,735</b>		292,125,786	



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2.3 Shareholders' Equity

As at the end of the Reporting Period, the Bank's total Shareholders' equity reached RMB45,972 million, representing an increase of RMB6,080 million or 15.24% from the end of the previous year. The total equity attributable to Shareholders of the Bank reached RMB44,495 million, representing an increase of RMB5,905 million or 15.30% from the end of the previous year. The increase in Shareholders' equity was mainly due to the completion of the non-public issuance of A Shares by the Bank and continuous profit. In November 2020, the Bank issued 1 billion A Shares on the SZSE through non-public issuance. After the issuance, the total share capital of the Bank increased to 7,514 million Ordinary Shares. After deducting issuance expenses, the net proceeds amounted to RMB4,632 million.

Unit: RMB'000

Item	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
<b>Shareholders' equity</b>				
Share capital	7,514,125	16.35	5,921,932	14.85
Capital reserve	8,203,903	17.85	5,163,655	12.94
Surplus reserve	2,976,573	6.47	2,675,548	6.71
General risk reserve	7,078,451	15.40	6,619,553	16.59
Fair value reserve	(698,206)	(1.52)	97,063	0.24
Remeasurement of net defined benefit liability	(60,953)	(0.13)	(46,424)	(0.12)
Retained earnings	11,655,496	25.35	10,333,487	25.90
Other equity instruments	7,825,508	17.02	7,825,508	19.62
<b>Total equity attributable to Shareholders of the Bank</b>	<b>44,494,897</b>	<b>96.79</b>	38,590,322	96.73
Non-controlling interests	1,477,024	3.21	1,301,300	3.27
<b>Total Shareholders' equity</b>	<b>45,971,921</b>	<b>100.00</b>	39,891,622	100.00

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2.4 Off-balance Sheet Commitments

The following table sets forth a breakdown of the Bank's off-balance sheet credit commitments as at the end of the Reporting Period:

*Unit: RMB'000*

<b>Item</b>	<b>As at 31 December 2020</b>	<b>As at 31 December 2019</b>
<b>Credit commitments</b>		
Bank acceptances	<b>118,049,727</b>	103,738,951
Letters of credit	<b>9,814,187</b>	8,162,623
Guarantees	<b>2,217,397</b>	2,692,880
Unused credit card commitments	<b>3,890,102</b>	2,785,006
<b>Total</b>	<b>133,971,413</b>	117,379,460

In addition, as at the end of the Reporting Period, there was no material litigation in which the Bank or any of its subsidiaries is a defendant. As at the Latest Practicable Date, the Bank had no significant contingent liabilities. Details of off-balance sheet commitments are disclosed in "Credit commitments" of Commitments and contingent liabilities in Note 42 to the financial statements of the chapter headed "Independent Auditor's Report" of this Report.

### 3.2.5 Asset Right Restriction as at the End of the Reporting Period

Details of pledged assets of the Bank are disclosed in "Pledged Assets" of Commitments and contingent liabilities in Note 42 of the chapter headed "Independent Auditor's Report" of this Report.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3 Loan Quality Analysis

During the Reporting Period, the Bank continuously strengthened credit risk management and accelerated the disposal of non-performing loans, keeping the overall quality of loans under control. As at the end of the Reporting Period, the balance of non-performing loans amounted to RMB4,944 million, and the non-performing loan ratio was 2.08%, down by 0.29 percentage point from the end of the previous year.

#### 3.3.1 Distribution of Loans by Five-Category Loan Classification

Unit: RMB'000

Item	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
Normal	228,182,443	95.89	187,187,713	95.55
Special mention	4,832,965	2.03	4,079,072	2.08
Substandard	3,318,730	1.40	2,669,799	1.36
Doubtful	1,591,666	0.67	1,961,656	1.00
Loss	33,386	0.01	13,425	0.01
<b>Total loans and advances to customers</b>	<b>237,959,190</b>	<b>100.00</b>	195,911,665	100.00
<b>NPLs and NPL ratio<sup>(Note)</sup></b>	<b>4,943,782</b>	<b>2.08</b>	4,644,880	2.37

Note: NPL ratio is calculated by dividing total NPL principal (excluding accrued interest) by total loan and advanced principal to customers (excluding accrued interest).

According to the five-category loan classification system, the Bank classified its NPLs into substandard, doubtful and loss categories.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3.2 Classification of Loans and Non-Performing Loans by Product Type

Unit: RMB'000

Item	As at 31 December 2020				As at 31 December 2019			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
<b>Corporate loans</b>								
Short-term loans	47,708,603	20.05	1,579,417	3.31	44,581,659	22.76	2,198,763	4.93
Medium and long-term loans	109,245,429	45.91	1,856,239	1.70	79,983,957	40.83	1,437,389	1.80
<b>Subtotal</b>	<b>156,954,032</b>	<b>65.96</b>	<b>3,435,656</b>	<b>2.19</b>	<b>124,565,616</b>	<b>63.59</b>	<b>3,636,152</b>	<b>2.92</b>
<b>Discounted bills</b>	<b>13,676,221</b>	<b>5.75</b>	<b>-</b>	<b>-</b>	<b>11,752,226</b>	<b>6.00</b>	<b>-</b>	<b>-</b>
<b>Personal loans</b>								
Personal business loans	25,639,981	10.78	1,033,789	4.03	20,912,865	10.67	671,249	3.21
Personal residential mortgage loans	35,964,974	15.11	185,795	0.52	30,052,807	15.34	34,051	0.11
Personal consumption loans	2,769,512	1.16	226,720	8.19	5,807,222	2.96	259,817	4.47
Credit card loans	2,954,470	1.24	61,822	2.09	2,820,929	1.44	43,611	1.55
<b>Subtotal</b>	<b>67,328,937</b>	<b>28.29</b>	<b>1,508,126</b>	<b>2.24</b>	<b>59,593,823</b>	<b>30.41</b>	<b>1,008,728</b>	<b>1.69</b>
<b>Total</b>	<b>237,959,190</b>	<b>100.00</b>	<b>4,943,782</b>	<b>2.08</b>	<b>195,911,665</b>	<b>100.00</b>	<b>4,644,880</b>	<b>2.37</b>

During the Reporting Period, the Bank adhered to main operation line of high-quality development, intensified risk management, and strengthened the effort on the collection and disposal of non-performing assets. As at the end of the Reporting Period, the NPL ratio of corporate loans (excluding discounted bills) was 2.19%, down by 0.73 percentage point from the end of the previous year; the NPL ratio of personal loans was 2.24%, up by 0.55 percentage point from the end of the previous year.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3.3 Classification of Loans and Non-Performing Loans by Industry

Unit: RMB'000

Item	As at 31 December 2020				As at 31 December 2019			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Wholesale and retail	30,468,072	12.80	1,121,197	3.68	27,095,140	13.83	1,152,189	4.25
Manufacturing	14,981,932	6.30	965,069	6.44	14,577,464	7.44	1,578,003	10.82
Construction	14,887,663	6.26	329,452	2.21	12,156,369	6.21	215,134	1.77
Real estate	30,557,324	12.84	381,888	1.25	26,677,880	13.62	39,897	0.15
Leasing and commercial services	17,666,268	7.42	387,064	2.19	10,892,165	5.56	61,242	0.56
Water, environment and public facility management	25,683,307	10.79	-	-	16,128,317	8.23	43,580	0.27
Agriculture, forestry, animal husbandry and fishery	1,926,802	0.81	124,315	6.45	1,685,307	0.86	360,247	21.38
Transportation, storage and postal services	4,982,485	2.09	29,655	0.60	2,604,391	1.33	57,079	2.19
Production and supply of electricity, heat, gas and water	2,581,881	1.09	-	-	2,369,014	1.21	10,000	0.42
Accommodation and catering	1,311,417	0.55	41,586	3.17	1,317,211	0.67	40,384	3.07
Mining	807,252	0.34	9,070	1.12	322,300	0.16	4,000	1.24
Culture, sports and entertainment	1,660,210	0.70	2,860	0.17	1,808,720	0.92	1,000	0.06
Others	9,439,419	3.97	43,500	0.46	6,931,338	3.54	73,397	1.06
<b>Total corporate loans</b>	<b>156,954,032</b>	<b>65.96</b>	<b>3,435,656</b>	<b>2.19</b>	<b>124,565,616</b>	<b>63.58</b>	<b>3,636,152</b>	<b>2.92</b>
<b>Total personal loans</b>	<b>67,328,937</b>	<b>28.29</b>	<b>1,508,126</b>	<b>2.24</b>	<b>59,593,823</b>	<b>30.42</b>	<b>1,008,728</b>	<b>1.69</b>
<b>Discounted bills</b>	<b>13,676,221</b>	<b>5.75</b>	<b>-</b>	<b>-</b>	<b>11,752,226</b>	<b>6.00</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>237,959,190</b>	<b>100.00</b>	<b>4,943,782</b>	<b>2.08</b>	<b>195,911,665</b>	<b>100.00</b>	<b>4,644,880</b>	<b>2.37</b>

As at the end of the Reporting Period, the non-performing corporate loans of the Bank were mainly concentrated in (1) the wholesale and retail industry; (2) the manufacturing industry; and (3) the leasing and commercial services industry, with NPL ratios of 3.68%, 6.44% and 2.19%, respectively.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3.4 Classification of Loans and Non-Performing Loans by Collateral

The following table sets forth a breakdown of the Bank's loans and non-performing loans by collateral:

Unit: RMB'000

Item	As at 31 December 2020				As at 31 December 2019			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Unsecured loans	31,664,029	13.31	133,808	0.42	26,395,641	13.47	118,447	0.45
Guaranteed loans	82,094,342	34.49	2,501,079	3.05	59,539,001	30.39	3,194,275	5.37
Loans secured by tangible assets other than monetary assets	89,660,694	37.68	2,163,748	2.41	77,715,145	39.67	1,002,805	1.29
Loans secured by intangible assets or monetary assets	34,540,125	14.52	145,147	0.42	32,261,878	16.47	329,353	1.02
<b>Total</b>	<b>237,959,190</b>	<b>100.00</b>	<b>4,943,782</b>	<b>2.08</b>	<b>195,911,665</b>	<b>100.00</b>	<b>4,644,880</b>	<b>2.37</b>

### 3.3.5 Borrower Concentration

As at the end of the Reporting Period, the Bank's loan balance to any single borrower did not exceed 10% of the Bank's net capital. The following table sets forth, as at the end of the Reporting Period, the Bank's loan balance to the ten largest single borrowers (excluding group borrowers), all of which were classified as normal.

Unit: RMB'000

Item	Industry	As at 31 December 2020		
		Principal balance	% of total loans (%)	% of net capital (%)
Borrower A	Water, environment and public facility management	1,900,000	0.80	3.61
Borrower B	Leasing and commercial services	1,831,980	0.77	3.48
Borrower C	Real estate	1,547,100	0.65	2.94
Borrower D	Real estate	1,266,510	0.53	2.40
Borrower E	Water, environment and public facility management	1,250,000	0.53	2.37
Borrower F	Manufacturing	1,240,000	0.52	2.35
Borrower G	Water, environment and public facility management	1,200,000	0.50	2.28
Borrower H	Real estate	1,199,500	0.50	2.28
Borrower I	Real estate	1,176,000	0.49	2.23
Borrower J	Leasing and commercial services	1,173,700	0.49	2.23
<b>Total</b>		<b>13,784,790</b>	<b>5.78</b>	<b>26.17</b>

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3.6 Overdue Loans

Unit: RMB'000

Item	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
Current loans	230,718,299	96.96	188,768,138	96.36
Loans past due for <sup>(Note)</sup>				
3 months (inclusive) or less	2,489,278	1.04	3,025,224	1.54
3 months to 1 year (inclusive)	1,803,362	0.76	1,899,785	0.97
1 year or more	2,948,251	1.24	2,218,518	1.13
<b>Subtotal</b>	<b>7,240,891</b>	<b>3.04</b>	<b>7,143,527</b>	<b>3.64</b>
<b>Gross principal loans</b>	<b>237,959,190</b>	<b>100.00</b>	<b>195,911,665</b>	<b>100.00</b>

Note: Representing the principal amount of the loans on which principal or interest is overdue.

As at the end of the Reporting Period, the Bank's overdue loans amounted to RMB7,241 million, representing an increase of RMB97 million or 1.36% as compared with the end of the previous year. Overdue loans accounted for 3.04% of the total loans, decreased by 0.60 percentage point as compared with the end of the previous year.

### 3.3.7 Repossessed assets and provision for impairment

As at the end of the Reporting Period, the Bank had no repossessed assets.

### 3.3.8 Provision and Write-off of Allowance for Impairment Losses on Loans

During the Reporting Period, the Bank made a total reserve for losses on loans of RMB5,487 million, with RMB5,408 million provided for loans and advances to customers measured at amortized cost, and RMB79 million for loans and advances to customers measured at fair value through other comprehensive income. RMB5,356 million of non-performing loans was written off and disposed, and RMB376 million of written-off loans was recovered. As at the end of the Reporting Period, the balance of the Bank's provision for losses on loans was RMB7,932 million, of which the balance of impairment losses on loans and advances to customers measured at amortized cost was RMB7,756 million and the balance of the impairment losses on loans and advances to customers measured at fair value through other comprehensive income were RMB176 million.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Changes in provision for impairment losses on loans and advances to customers at amortized cost are set out as follows:

*Unit: RMB'000*

Item	For the year ended 31 December	
	2020	2019
Opening balance	7,327,846	6,062,971
Provision for the period	5,407,911	4,676,458
Write-offs and disposals for the period	(5,355,940)	(3,869,583)
Recovery of written-off loans	375,806	458,000
<b>Closing balance</b>	<b>7,755,623</b>	<b>7,327,846</b>

Changes in provision for impairment losses on loans and advances to customers at fair value through other comprehensive income are set out as follows:

*Unit: RMB'000*

Item	For the year ended 31 December	
	2020	2019
Opening balance	97,001	34,405
Provision for the period	79,151	62,596
<b>Closing balance</b>	<b>176,152</b>	<b>97,001</b>



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.4 Cash Flow Statement Analysis

During the Reporting Period, the Bank's net cash outflow from operating activities was RMB11,179 million, where the cash inflow was RMB73,343 million, representing an increase of RMB16,345 million from the same period of the previous year, mainly due to the increase in borrowing from central bank; and the cash outflow was RMB84,523 million, representing an increase of RMB19,674 million from the same period of the previous year, mainly due to the increase in finance lease receivables.

During the Reporting Period, the Bank's net cash inflow from investing activities was RMB24,614 million, where the cash inflow was RMB296,322 million, representing an increase of RMB168,424 million from the same period of the previous year, mainly due to the increase in cash flow received from the recovery of investments; the cash outflow was RMB271,708 million, representing an increase of RMB140,291 million from the same period of the previous year, mainly due to the increase in cash outflow for investment payments.

During the Reporting Period, the Bank's net cash outflow from financing activities was RMB11,477 million, where the cash inflow was RMB120,580 million, representing a decrease of RMB4,159 million from the same period of the previous year, mainly due to the decrease in cash inflows received from the issuance of bonds; the cash outflow was RMB132,057 million, representing an increase of RMB13,906 million from the same period of the previous year, mainly due to the increase in cash outflows for the repayment of the principal of the bonds due.

Unit: RMB'000

Item	For the year ended 31 December		
	2020	2019	Year-on-year change
Subtotal of cash inflows from operating activities	73,343,444	56,998,259	16,345,185
Subtotal of cash outflows from operating activities	84,522,753	64,849,062	19,673,691
<b>Net cash flows used in operating activities</b>	<b>(11,179,309)</b>	<b>(7,850,803)</b>	<b>(3,328,506)</b>
Subtotal of cash inflows from investing activities	296,322,073	127,898,449	168,423,624
Subtotal of cash outflows from investing activities	271,708,226	131,417,013	140,291,213
<b>Net cash flows generated from/(used in) investing activities</b>	<b>24,613,847</b>	<b>(3,518,564)</b>	<b>28,132,411</b>
Subtotal of cash inflows from financing activities	120,579,727	124,738,282	(4,158,555)
Subtotal of cash outflows from financing activities	132,057,065	118,151,408	13,905,657
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(11,477,338)</b>	<b>6,586,874</b>	<b>(18,064,212)</b>
Effect of exchange rate changes on cash and cash equivalents	(123,711)	27,942	(151,653)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,833,489</b>	<b>(4,754,551)</b>	<b>6,588,040</b>

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.5 Business Segment Report

The following table sets forth the Bank's total operating income by business segment for the periods indicated.

*Unit: RMB'000*

Item	As at 31 December 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking business	6,740,760	46.23	5,831,562	43.24
Retail banking business	1,546,570	10.61	1,740,291	12.90
Treasury business	6,238,079	42.79	5,828,175	43.21
Others <sup>(Note)</sup>	54,260	0.37	86,873	0.65
<b>Total operating income</b>	<b>14,579,669</b>	<b>100.00</b>	13,486,901	100.00

*Note:* This segment consists primarily of equity investment and relevant income, and any other businesses that cannot constitute a reporting segment alone.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.6 Significant Accounting Policies, Accounting Estimates and Accounting Methods

#### ***3.6.1 Explanation of changes in accounting policies, accounting estimates and accounting methods as compared with the financial report of the previous year***

The amendments to IFRS 3 – Business Combinations were promulgated by the International Accounting Standards Board in October 2018 to make clarification on the definition of “business”. The Bank has adopted the amendment from 1 January 2020 in compliance with the requirements. No retrospective application was required.

The amendments to IFRS 16 – Leases were promulgated by the International Accounting Standards Board on 28 May 2020, which stipulated that rental concessions directly caused by COVID-19, including rental concessions and postponed payments provided upon the existing tenancy contracts as agreed between lessees and lessors, will not be accounted for as lease modifications to the extent that the conditions of adopting simplified approaches are satisfied, and shall be effective for the annual reporting period beginning on or after 1 June 2020 with early adoption allowed. The Bank has adopted the amendments from the effective date of the amendments.

The changes required by the above documents have no significant impact on the Group’s financial condition and operating results. For details, please refer to Note 2 “SIGNIFICANT ACCOUNTING POLICIES” to the financial statements in the chapter headed “Independent Auditor’s Report” of this report and the announcements dated 31 August 2020 published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange.

#### ***3.6.2 Explanation of major accounting errors correction during the Reporting Period that require retrospective restatement***

During the Reporting Period, the Bank did not have any major accounting errors correction that need to be retrospectively restated.

#### ***3.6.3 Explanation of changes in the scope of the consolidated statements as compared with the financial report of the previous year***

The scope of the consolidated statements for the current period is consistent with that of the financial report for the previous year.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.7 Assets and Liabilities at Fair Value

Unit: RMB'000

Item	Opening balance for the Reporting Period	Gains and losses from changes in fair value for the Reporting Period	Accumulated changes in fair value recognized in equity	Impairment accrued during the Reporting Period	Closing balance for the Reporting Period
Financial investments at fair value through profit or loss (excluding derivative financial assets)	55,062,294	842,568	–	–	46,463,308
Derivative financial assets	94,602	268,368	–	–	362,970
Financial investments at fair value through other comprehensive income	15,751,610	–	(1,106,530)	(169,198)	21,983,430
<b>Subtotal of financial assets</b>	<b>70,908,506</b>	<b>1,110,936</b>	<b>(1,106,530)</b>	<b>(169,198)</b>	<b>68,809,708</b>
Derivative financial liabilities	4,944	(4,944)	–	–	–
<b>Subtotal of financial liabilities</b>	<b>4,944</b>	<b>(4,944)</b>	<b>–</b>	<b>–</b>	<b>–</b>

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 3.8 Major Statement Items and Financial Indicators with Changes of More Than 30% and the Main Reasons for the Changes

Unit: RMB'000

Item	For the year ended 31 December			Main reason analysis
	2020	2019	Change compared to the same period of the previous year (%)	
Fee and commission expense	206,615	147,140	40.42	Mainly due to the increase in business scale.
Net trading gains	368,339	708,485	(48.01)	Due to the exchange rate fluctuations of US dollar against RMB and the changes in gains from trading bonds during the Reporting Period.
Net gains arising from investments	1,187,922	2,097,656	(43.37)	Due to the change in fair value of financial investments at fair value through profit or loss.
Other operating income	54,260	40,186	35.02	The increase in government grants as compared with the previous period.
Share of profits of associates	35,035	55,793	(37.21)	Mainly due to the decrease in profits of associates as compared with the previous period.
Net profit attributable to non-controlling interests	153,304	88,098	74.02	Mainly due to the increase in the profits of subsidiaries during the period as compared with the previous period.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	As at 31 December 2020	As at 31 December 2019	Change compared to the end of the previous year (%)	Main reason analysis
Derivative financial assets	362,970	94,602	283.68	During the Reporting Period, there were two-way fluctuations in the exchange rate of US dollar against RMB; the Bank reasonably increased forward foreign exchange to effectively mitigate market risks.
Derivative financial liabilities	-	4,944	(100.00)	
Financial assets held under resale agreements	8,585,647	2,998,744	186.31	The Bank adjusted the size of such assets upon comprehensive evaluation of market liquidity and the Bank's capital needs.
Financial investments at fair value through other comprehensive income	21,983,430	15,751,610	39.56	Due to the increase in bonds at fair value through other comprehensive income.
Finance lease receivables	22,565,825	12,501,697	80.50	Mainly due to the increase in the finance lease receivables of Jiuding Financial Leasing Company, a subsidiary of the Bank.
Deferred income tax assets	3,718,962	2,834,990	31.18	Due to the increase in temporary deductible difference arising from provision for asset impairment losses and change in fair value of financial assets.
Due to central bank	25,966,645	9,954,864	160.84	The increase in medium-term lending facility and refinancing to small banks.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Item	As at 31 December 2020	As at 31 December 2019	Change compared to the end of the previous year (%)	Main reason analysis
Placements from banks and other financial institutions	20,467,593	14,113,018	45.03	The Bank adjusted the size of such liabilities upon comprehensive evaluation of market liquidity and the Bank's capital needs.
Financial assets sold under repurchase agreements	21,303,430	16,385,737	30.01	
Capital reserve	8,203,903	5,163,655	58.88	The Bank completed the non-public issuance of A Shares during the Reporting Period, leading to an increase in domestic equity premium.
Fair value reserve	(698,206)	97,063	(819.33)	Mainly due to the change in fair value of financial assets at fair value through other comprehensive income as at the end of the Reporting Period.
Remeasurement of net defined benefit liability	(60,953)	(46,424)	31.30	The decrease in the remeasurement of net defined benefit liability.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 4 INVESTMENT ANALYSIS

#### 4.1 Overview

The following table sets out details of the Bank's equity investment as at the end of the Reporting Period:

*Unit: RMB'000*

Item	As at 31 December 2020	As at 31 December 2019	The Bank's share of the interest in the investee (%)
Jiuding Financial Leasing Company	1,020,000	1,020,000	51.00
Fugou Zhengyin County Bank	30,120	30,120	50.20
Xinmi Zhengyin County Bank	64,000	64,000	51.20
Xunxian Zhengyin County Bank <sup>(1)</sup>	51,000	25,500	51.00
Queshan Zhengyin County Bank	25,500	25,500	51.00
Zhongmu Zhengyin County Bank <sup>(2)</sup>	208,000	104,000	18.53
Yanling Zhengyin County Bank <sup>(3)</sup>	34,950	18,000	49.58
Xinzheng Zhengyin County Bank	17,280	17,280	25.00
China UnionPay Co., Ltd.	8,000	8,000	0.27
Service Centre for City Commercial Banks (formerly known as Funds Clearing Centre for City Commercial Banks)	400	400	1.29
<b>Total</b>	<b>1,459,250</b>	1,312,800	



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

*Notes:*

1. During the Reporting Period, Xunxian Zhengyin County Bank passed the resolution to increase registered capital and shares at its general meeting, pursuant to which, shareholders shall make a capital contribution on at 1:1 ratio. The total share capital changed from 50,000,000 shares to 100,000,000 shares. The number of shares held by the Bank in Xunxian Zhengyin County Bank changed from 25,500,000 shares to 51,000,000 shares, and there was no change in the percentage of shareholding.
2. During the Reporting Period, Zhongmu Zhengyin County Bank passed the resolution on the profit distribution scheme to convert undistributed profit into share capital at its general meeting. The total share capital changed from 561,350,000 shares to 1,122,700,000 shares. The number of shares held by the Bank in Zhongmu Zhengyin County Bank changed from 104,000,000 shares to 208,000,000 shares, and there was no change in the percentage of shareholding.
3. During the Reporting Period, Yanling Zhengyin County Bank passed the resolution on plan to increase registered capital and shares at its general meeting, pursuant to which 10,495,000 shares were created and the total share capital changed from 60,000,000 shares to 70,495,000 shares. The Bank acquired 13,500,000 shares of Yanling Zhengyin County Bank from former shareholders, and subscribed for 3,450,000 newly issued shares, resulting in a change of shares held by the Bank from 18,000,000 shares to 34,950,000 shares, and there was a change in the percentage of shareholding from 30% to 49.58%.

For details of the Bank's other investments as at the end of the Reporting Period, please refer to the paragraph headed "Balance Sheet Analysis" in the chapter headed "Management Discussion and Analysis".

### **4.2 Significant Equity Investments Made During the Reporting Period**

During the Reporting Period, the Bank did not make any significant equity investment.

### **4.3 Significant Non-equity Investments in Progress During the Reporting Period**

During the Reporting Period, the Bank did not have any significant non-equity investment in progress.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 4.4 Use of Proceeds

The Bank completed the issuance of 1 billion A Shares by way of non-public issuance in November 2020, with a nominal value of RMB1.00 per Share at an issue price of RMB4.64 per Share, and the premium of RMB3.632 billion generated from the issuance was recognized in capital reserve. The scale of financing and the amount and use of proceeds raised are as follows:

#### 4.4.1 Overview on Use of Proceeds

Unit: RMB'000

Year	Method	Net proceeds	Net proceeds used during the Reporting Period	Cumulative net proceeds used	Net proceeds involving change of use during the Reporting Period	Cumulative net proceeds involving change of use	Proportion of cumulative net proceeds involving change of use	Total amount of unused proceeds	Uses and whereabouts of unused proceeds	Amount of proceeds idle over two years
2020	Non-public issuance of A Shares	4,632,442	4,632,442	4,632,442	-	-	-	-	-	-
<b>Total</b>	-	<b>4,632,442</b>	<b>4,632,442</b>	<b>4,632,442</b>	-	-	-	-	-	-
Explanation on general use of proceeds	After deducting the issuance expenses, all proceeds from the issuance were used to replenish the Bank's core tier-one capital, which was in line with the committed use of proceeds.									

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 4.4.2 Use of Proceeds in Projects Committed

Unit: RMB'000

Amount of proceeds <sup>(1)</sup>	4,632,442	Amount of proceeds used during the year	4,632,442
Total amount of proceeds involving change of use during the Reporting Period	Nil	Cumulative amount of proceeds used	4,632,442
Cumulative total amount of proceeds involving change of use	Nil		
Proportion of cumulative total amount of proceeds involving change of use	Nil		

Project undertaken for investment and the use of excess proceeds	Project involving change, including those partially changed (if any)	Total amount of proceeds undertaken for investment	Total investment amount after adjustment (1)	Invested amount during the Reporting Period	Cumulative amount invested as of the end of the period (2)	Progress of investment as of the end of the period (3) = (2)/(1) (%)	Date of the project reaching the intended working condition	Results achieved during the Reporting Period	Cumulative results achieved as at the end of the Reporting Period	Achieving its expected results	Any material changes in the feasibility of the project
Replenished capital	Nil	4,632,442	4,632,442	4,632,442	4,632,442	100%	N/A	N/A	N/A	N/A	No
<b>Total</b>	<b>-</b>	<b>4,632,442</b>	<b>4,632,442</b>	<b>4,632,442</b>	<b>4,632,442</b>	<b>100%</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>	<b>-</b>

Reason for not meeting the schedule (by specific project)	Nil
Explanation on material changes in the feasibility of the project	Nil
Amount and use of the excess proceeds and progress of use	Nil
Change in the place for applying the proceeds	Nil
Adjustment to the way of applying the proceeds	Nil
Application and replacement of the proceeds in the initial stage	Nil
Application of idle proceeds for temporary replenishment of working capital	Nil
Amount of positive balance of proceeds upon commencement of the project and the relevant reason <sup>(2)</sup>	The Bank's proceeds were used up and there were no remaining proceeds for investment projects funded by proceeds.
Whereabouts of unused proceeds	The Bank's proceeds were used up and there were no unused proceeds.
Issues or other matters regarding the use and disclosure of proceeds	Nil

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

*Notes:*

1. The amount of proceeds represented the net proceeds after deducting sponsor and underwriting fees and other issuance expenses.
2. The proceeds were fully used to replenish the Bank's core tier-one capital. As the proceeds used for funding investment projects included the Bank's own capital and proceeds, it was unable to gauge the results achieved by the proceeds as at the end of the Reporting Period independently.

### **4.4.3 Change of Use of Proceeds in Projects**

During the Reporting Period, there was no change of use of proceeds in projects of the Bank.

### **4.5 Significant Investments Not Funded by Proceeds**

During the Reporting Period, the Bank did not have any significant investments not funded by proceeds.

### **4.6 Financial Assets at Fair Value**

For details of the Bank's fair value measurement methods and items measured at fair value as at the end of the Reporting Period, please refer to the information contained in the paragraph headed "Assets and Liabilities at Fair Value" in the chapter headed "Management Discussion and Analysis".

### **4.7 Operations of Subsidiaries**

#### **4.7.1 Operations of Subsidiaries**

##### *Jiuding Financial Leasing Company*

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Jiuding Financial Leasing Company, a subsidiary of the Bank with a registered capital of RMB2 billion. Jiuding Financial Leasing Company was established in China where it carries out its business. Its principal businesses include: (1) financial leasing business; (2) outward or inward transfer of financial leasing assets; (3) fixed income securities investment business; (4) acceptance of leasing deposits from lessees; (5) taking time deposits with a term of three months or more from non-banking shareholders; (6) interbank lending; (7) borrowing from financial institutions; (8) offshore borrowing; (9) sale and disposal of leased assets; (10) economic consultancy; (11) other business approved by the CBIRC (business activities subject to approval according to law may be carried out only after approval by the competent authorities). As at the end of the Reporting Period, Jiuding Financial Leasing Company had total assets of RMB24,430 million, net assets of RMB2,771 million, and total financial leasing of RMB23,258 million. During the Reporting Period, it recorded operating income of RMB753 million, operating profit of RMB372 million and net profit of RMB279 million.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Fugou Zhengyin County Bank*

As at the end of the Reporting Period, the Bank held 50.20% equity interest in Fugou Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB60 million. Fugou Zhengyin County Bank was established in China where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) debit card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent; (9) other business approved by the banking regulatory authority of the PRC (business activities requiring licensing shall be carried out with valid permits or qualification certificates). As at the end of the Reporting Period, Fugou Zhengyin County Bank had total assets of RMB885 million, net assets of RMB65 million, total loans and advances to customers of RMB536 million, total deposits from customers of RMB722 million. During the Reporting Period, it recorded operating income of RMB27 million, operating profit of RMB3 million, and net profit of RMB2 million.

### *Xinmi Zhengyin County Bank*

As at the end of the Reporting Period, the Bank held 51.20% equity interest in Xinmi Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB125 million. Xinmi Zhengyin County Bank was established in China where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) banking card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business activities subject to approval according to law may be carried out only after approval by the competent authorities). As at the end of the Reporting Period, Xinmi Zhengyin County Bank had total assets of RMB1,043 million, net assets of RMB160 million, total loans and advances to customers of RMB662 million, total deposits from customers of RMB864 million. During the Reporting Period, it recorded operating income of RMB26 million, operating profit of RMB3 million, and net profit of RMB2 million.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Xunxian Zhengyin County Bank*

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Xunxian Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB100 million. Xunxian Zhengyin County Bank was established in China where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) acting as issuing agent, cashing agent and underwriter of government bonds; (6) interbank lending; (7) debit card business; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business operations requiring permits shall be carried out after obtaining relevant permits from the competent authorities) (business activities subject to approval according to law may be carried out only after approval by the competent authorities). As at the end of the Reporting Period, Xunxian Zhengyin County Bank had total assets of RMB1,223 million, net assets of RMB110 million, total loans and advances to customers of RMB657 million, total deposits from customers of RMB1,017 million. During the Reporting Period, it recorded operating income of RMB46 million, operating profit of RMB20 million, and net profit of RMB13 million.

### *Queshan Zhengyin County Bank*

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Queshan Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB50 million. Queshan Zhengyin County Bank was established in China where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) banking card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Queshan Zhengyin County Bank had total assets of RMB449 million, net assets of RMB49 million, total loans and advances to customers of RMB260 million, total deposits from customers of RMB361 million. During the Reporting Period, it recorded operating income of RMB19 million, operating profit of RMB7 million, and net profit of RMB5 million.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### ***4.7.2 Operations of Investee Companies***

As at the end of the Reporting Period, the Bank held 18.53%, 49.58% and 25.00% equity interest in Zhongmu Zhengyin County Bank, Yanling Zhengyin County Bank and Xinzheng Zhengyin County Bank, respectively. Three county banks had total assets of RMB23,183 million, total loans and advances to customers of RMB15,364 million, and total deposits from customers of RMB20,733 million.

Zhengyin county banks have always committed to serving “agriculture, farmers and rural areas” and supporting “small and medium-sized enterprises”. With a growing asset size and an increasingly balanced structure of deposits and loans, the bank has stepped up its efforts to support agricultural enterprises and increased shareholder returns year by year. As a result, Zhongmu Zhengyin County Bank is ranked at the forefront among all county banks in the country in terms of comprehensive strength.

### ***4.7.3 Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures During the Reporting Period***

During the Reporting Period, the Bank had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

## **4.8 Structured Entities Controlled by the Bank**

Details of the structured entities controlled by the Bank are set out in Note 43 to the financial statements of the chapter headed “Independent Auditor’s Report” of this Report.

# CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

## 5 CAPITAL MANAGEMENT

The Bank's goals of capital management include: (1) satisfying regulatory requirements on an ongoing basis, and making reasonable room for normal operations and development from a capital perspective; (2) ensuring that the capital level is commensurate with major risk exposure and risk management capacity; (3) ensuring that capital planning is in line with the status of operation, risk movement trends, and long-term development strategy; (4) using a variety of capital tools to optimize the scale and structure of capital, continuously strengthening the endogenous capacity of capital, and controlling the cost of capital with the support of reasonable financing strategies; (5) implementing Bank-wide capital performance evaluation, enhancing the efficiency of capital use, and fully guaranteeing the level of return on capital through capital allocation, risk pricing and performance evaluation; (6) appropriately implementing counter-cyclical capital management, and smoothing the impact of cyclical fluctuations on sustainable and stable operations through active capital management.

The Bank continuously improves its comprehensive risk management structure and internal capital management procedures, prudently evaluates various risks, and fully identifies, measures, monitors and reports on major risks. In accordance with the relevant requirements of the regulatory authorities and the needs of the Bank for future development strategies, the Bank conducts capital planning once a year to set a capital adequacy ratio target for at least three years. The capital planning is dynamically adjusted every year in a timely manner in accordance with changes in regulatory requirements, development situations, and other circumstances. When conducting capital planning, the Bank prudently evaluates asset quality, profit growth and capital market volatility, fully considers factors that may have a significant negative impact on capital levels, including contingent risk exposure, severe and prolonged market recession, and other events exceeding risk tolerance, ensure that the target capital level is commensurate with the business development strategy, risk appetite, risk management capability, and external operating environment, balance short-term and long-term capital needs, and consider the long-term sustainability of various sources of capital replenishment.

Based on the requirements of external regulatory authorities and internal risk management, the Bank conducts stress tests on capital adequacy ratio on a regular or irregular basis as an important part of the internal capital adequacy assessment procedures to evaluate the risks exposures of the Bank under stressful conditions, the interaction between risks, the ability of capital to absorb losses and support business continuity, as well as the reasonableness of capital management objectives, capital replenishment arrangements and response measures. The results of the stress test are applied in medium and long-term capital planning. For severe stress scenarios, the Bank formulates contingency capital plans to meet unplanned capital needs, specifying corresponding capital replenishment policies and response measures to ensure stable operations.

Capital financing management aims to further strengthen capital capacity, improve capital structure and enhance capital quality. The Bank focuses on the endogenous growth of capital; strives to realize the balance and coordination between expansion, profitability and capital constraints; replenishes capital via measures like profit growth, keeping surplus reserve and allocating sufficient provision for impairment losses on loans; optimizes capital structure and raises capital adequacy ratio level, so as to further improve the Bank's capability to resist risks and support the development of the real economy.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 5.1 Capital Adequacy Ratio Analysis

The Bank continued to refine its business structure and strengthen its capital management. Set out below are the Bank's capital adequacy ratios as at the end of the Reporting Period and the end of the previous year calculated in accordance with the Administrative Measures for Capital of Commercial Banks (Provisional) issued by the Former CBRC in 2012 and other relevant requirements issued:

Unit: RMB'000

Item	As at 31 December 2020	As at 31 December 2019
<b>Core tier-one capital</b>		
Share capital	7,514,125	5,921,932
Valid portion of capital reserve	8,203,903	5,163,655
Fair value reserve	(698,206)	97,063
Remeasurement of net defined benefit liability	(60,953)	(46,424)
Surplus reserve	2,976,573	2,675,548
General reserve	7,078,451	6,619,553
Retained earnings	11,655,496	10,333,487
Valid portion of minority interests	947,757	601,657
<b>Total core tier-one capital</b>	<b>37,617,146</b>	31,366,471
Core tier-one capital deductions	(1,074,912)	(918,036)
<b>Net core tier-one capital</b>	<b>36,542,234</b>	30,448,435
<b>Additional tier-one capital</b>		
Additional tier-one capital instruments and related premium	7,825,508	7,825,508
Valid portion of minority interests	125,176	79,185
<b>Net tier-one capital</b>	<b>44,492,918</b>	38,353,128
<b>Tier-two capital</b>		
Qualifying portion of tier-two capital instruments issued	5,000,000	5,000,000
Surplus provision for loan impairment	2,932,817	2,701,779
Valid portion of minority interests	253,634	160,589
<b>Net tier-two capital</b>	<b>8,186,451</b>	7,862,368
<b>Net capital base</b>	<b>52,679,369</b>	46,215,496
<b>Total risk-weighted assets</b>	<b>409,505,750</b>	381,759,225
<b>Core tier-one capital adequacy ratio (%)</b>	<b>8.92</b>	7.98
<b>Tier-one capital adequacy ratio (%)</b>	<b>10.87</b>	10.05
<b>Capital adequacy ratio (%)</b>	<b>12.86</b>	12.11

Note: For details, please refer to the column headed "Financial Summary" under Investor Relations on the Bank's website.

# CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

## 5.2 Leverage Ratio Analysis

Unit: RMB'000

Item	31 December 2020	30 September 2020	30 June 2020	31 March 2020
Net tier-one capital	45,574,048	42,223,905	41,628,919	40,921,229
Balance of on/off-balance sheet assets after adjustment	686,993,391	678,584,802	687,554,034	672,368,001
Leverage ratio (%)	6.63	6.22	6.05	6.09

*Note:* Indicators related to leverage ratio as at the end of the Reporting Period, the end of the third quarter of 2020, the end of the first half of 2020 and the end of the first quarter of 2020 are calculated based on the requirements of the Administrative Measures for Leverage Ratio Management of Commercial Banks (Amended) (Former CBRC Order [2015] No. 1) coming into effect on 1 April 2015 which are consistent with the data reported to the regulatory authorities. For details, please refer to the column headed “Financial Summary” under Investors Relation of the Bank’s website.

## 6 BUSINESS OPERATION

### 6.1 Corporate Banking Business

#### 6.1.1 Corporate Deposits

During the Reporting Period, due to the Pandemic, the economic situation at home and abroad was tough, and China’s economy was going through a recovery period. In this context, the traditional banking industry and other related sectors including consumer finance, insurance, securities and funds faced tightening regulation. In an effort to promote business upgrade, the Bank vigorously advanced the online and offline transaction banking business and the construction of the “Five Clouds” platforms, and leveraged on financial technologies to build a one-stop service ecosystem for corporate customers through the development of online corporate asset business, supply chain finance, treasury management, scenario finance, value-added and tailored services, thus driving the steady growth of corporate deposits. The Bank focused on increasing low-cost corporate deposits and corporate-private synergy, improved the construction and assessment of customer base, and constantly strengthened the marketing and management of corporate deposit business to ensure the stable growth of corporate deposits. As at the end of the Reporting Period, the Bank’s corporate deposits was RMB206,456 million, representing an increase of RMB12,826 million or 6.62% from the end of the previous year.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### **6.1.2 Corporate Loans**

During the Reporting Period, the Bank followed the national policies to give strong support for enterprises to resume work and production, reduced corporate financing costs by cutting fees and charges, and took various measures to help boost the real economy. Based on the unique positioning as a “commerce and logistics bank”, the Bank continued to expand its basic customer base, vigorously developed capital-light services, strictly controlled the issuance of new loans, and strengthened risk screening on existing loans. As a result, the Bank’s asset structure continued to improve and its corporate loans grew steadily with improving asset quality. As at the end of the Reporting Period, the total principal of corporate loans (including advances, forfeiting and discounted bills) of the Bank amounted to RMB170,630 million, representing an increase of RMB34,312 million or 25.17% from the end of the previous year.

### **6.1.3 Corporate Customers**

During the Reporting Period, the Bank further promoted customer base management, integrated the sales management system, customer relationship management system and big data intelligent marketing system to achieve one-stop customer discovery, marketing and management and enable online and intelligent customer base management. The Bank continued to establish a sales management mechanism and sales review mechanism, used upstream and downstream customer profiles to carry out in-depth marketing and management of upstream and downstream customers, strengthened the dynamic management of corporate customers, and improved the work efficiency of the marketing team, thus promoting the sustainable and sound development of customer base.

# CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

## **6.1.4 Institutional Business**

During the Reporting Period, the Bank completed the strategic planning of government finance and further focused on the development strategy of institutional business. The Bank continued to improve its agency qualifications for key business lines, successfully obtained the cooperative banks agency qualifications for provincial central treasury payment, provincial unified salary payment and provincial social security card, and achieved full coverage of the agency qualifications for non-tax revenue collection in Zhengzhou. As such, the Bank covered more than 70% central treasury payments at the city and county (district) levels of Zhengzhou, served as the sole bankruptcy administration agency for the local courts in Zhengzhou, and became one of the three agent banks for rural collective economic institutions in Zhengzhou, laying a solid foundation for subsequent business development. The Bank rapidly scaled up its institutional customer base. During the Reporting Period, 755 new institutional accounts were opened; as at the end of the Reporting Period, the Bank had 4,200 institutional customers. In addition, the Bank highlighted the advantages of its characteristic segments and introduced the “Bank-Court Connect 2.0” product which has been used by 11 courts and has covered over 60% of the areas of Zhengzhou. The Bank cooperated with 69 courts in the province on litigation fees. As the influence of the “Smart Government” brand continued to improve, the Bank has acquired a total of 229 e-government services customers. As at the end of the Reporting Period, the daily average deposits of the Bank’s institutional customers amounted to RMB53,798 million, representing an increase of RMB3,015 million from the end of the previous year and accounting for 28% of the daily average of the Bank’s corporate deposits (excluding foreign-currency, agreement and treasury deposits).

## **6.2 Retail Banking Business**

### **6.2.1 Personal Deposits**

As a local financial institution in Zhengzhou, the Bank upholds its distinctive positioning as a “boutique bank for residents”, strengthens product innovation based on customer needs, and focuses on key customers to improve the service system; deepens wealth management, consolidates individual customer base, continuously improve customer loyalty by providing high-quality financial services. As at end of the Reporting Period, the total balance of the principal of Bank’s personal deposits amounted to RMB107,775 million, representing an increase of RMB12,187 million or 12.75% from the end of the previous year.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 6.2.2 Personal Loans

During the Reporting Period, the Bank continued to refine key products. It launched the “Housing E-finance” (房e融) applet which integrates online credit approval, online mobile valuation, online contract signing and mortgage processing, in an effort to provide convenient and efficient financial services for customers. The balance of loans under “Housing E-finance” exceeded RMB10 billion in October 2020, and reached RMB14,363 million as at the end of the Reporting Period. The Bank improved the online process of the “Preferential Loan” (優先貸) product, built a “full-process online” customer service channel, and increased marketing efforts through marketing based on list screening, model triggering and big data forecasting. In addition, the Bank successfully issued housing mortgage assets backed securities (ABS). During the Reporting Period, the “Yuding 2020 Phase I Personal Housing Mortgage-backed Securities” were transferred, representing a total amount of assets of RMB3,499 million and 9,606 transactions were transferred. As at end of the Reporting Period, the Bank’s personal loans amounted to RMB67,329 million, representing an increase of RMB7,735 million or 12.98% from the end of the previous year.

### 6.2.3 Bank Cards

With Shangding Card (商鼎卡) as the basic debit card, the Bank constantly enriches debit card types and improves their functions. During the Reporting Period, the Bank issued a series of featured cards including Taihang Changxing Logistics Card (太行暢興物流卡), with a steady growth in new card issuances. As of the end of the Reporting Period, the Bank had issued a total of 6,591,300 debit cards, representing an increase of 521,000 cards as compared with the end of the previous year.

The Bank continued to optimize the credit card environment, improve business functions and enhance service quality. During the Reporting Period, the Bank issued three credit cards, namely Le Card (樂卡), Virtual Card (虛擬卡) and Oscar Cinema Card (奧影卡). As at the end of the Reporting Period, the Bank had issued a total of 492,814 Shangding credit cards, with an aggregate spending of RMB76.5 billion. During the Reporting Period, the Bank’s credit card spending amounted to RMB22.8 billion and achieved a revenue of RMB191 million (cumulative revenue: RMB568 million).

# CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

## 6.3 Treasury Business

### 6.3.1 Money Market Transactions

During the Reporting Period, according to its business plan indicators and liquidity management requirements, the Bank, while ensuring the safety of liquidity, scientifically adjusted the debt maturity structure through effective pre-judgment on money supply to control financing costs and increase gains. Meanwhile, the Bank performed its obligation as a tier-1 trader to provide funds to the market. As at the end of the Reporting Period, the total balance of the Bank's deposits with banks and other financial institutions and financial assets held under resale agreements was RMB14,027 million, accounting for 2.56% of the Bank's total assets; and the total balance of deposits from banks and other financial institutions and financial assets sold under repurchase agreements was RMB61,981 million, accounting for 12.35% of the Bank's total liabilities.

### 6.3.2 Investment in Securities and Other Financial Assets

During the Reporting Period, the Bank paid close attention to the changes in international dynamics, changes in the domestic and international economic environment and the capital market, strengthened the study and trend analysis on the bond market, capital market, external regulatory policies and the impact of the Pandemic on the domestic and international macroeconomic environment, timely adjusted the direction of capital investment and business development strategies, and seized appropriate business opportunities, so as to attain maximum interest margin of capital investment while keeping risks under control. As at the end of the Reporting Period, the Bank's total investment in bonds, trust products, investment products managed by securities companies and other securities financial assets amounted to RMB234,445 million, down by 4.22% from the end of the previous year. Among them, the total investment in bonds was RMB88,304 million, representing an increase of 14.60% from the end of the previous year; and the total investment in trust products and investment products managed by securities companies was RMB123,017 million, representing a decrease of 12.42% from the end of the previous year.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### **6.3.3 Investment Banking Business**

During the Reporting Period, the Bank's lead underwriting business of non-financial corporate debt financing instruments grew rapidly. The Bank partnered with a number of large enterprises in Henan Province to issue debt instruments of RMB14.65 billion in total. In terms of underwriting amount, the Bank ranked fourth in Henan Province and third among Class B city commercial banks in China. The Bank acted as the lead underwriter for Henan's first ultra-short-term debentures for Pandemic prevention and control to help Henan to fight the Pandemic and resume work and production. The Bank became the first city commercial bank in Henan to obtain the qualification for entrusted management of debt financing instruments in accordance with the policy requirements on entrusted management of the National Association of Financial Market Institutional Investors.

### **6.3.4 Wealth Management Business**

During the Reporting Period, pursuant to regulatory requirements, the Bank continued to scale down interbank and principal-guaranteed wealth management products and develop personal non-principal-guaranteed wealth management business, thus enhancing the liquidity management for wealth management business and achieving the strategic transformation goal of reducing interbank wealth management products. As at the end of the Reporting Period, the balance of the Bank's interbank wealth management products was RMB4 billion, down by 18.86% from the end of the previous year; the balance of principal-guaranteed wealth management products was RMB879 million, down by 80.89% from the end of the previous year; and the balance of non-principal-guaranteed wealth management products was RMB45,054 million, up by 20.25% from the end of the previous year. During the Reporting Period, the Bank issued a total of 268 wealth management products, raising RMB104,177 million in total. As at the end of the Reporting Period, the scale of the Bank's existing wealth management products was RMB49,932 million, up by 6.25% from the end of the previous year. Meanwhile, the Bank sped up the shift to net-worth wealth management business in an effort to shift to 100% net-worth products during the transition period. As at the end of the Reporting Period, the scale of net-worth wealth management products was RMB38,418 million, representing an increase of 86.19% from the end of the previous year and accounting for 76.94% of the total; the scale of retail wealth management products was RMB45,752 million, representing an increase of 49.91% from the end of the previous year and accounting for 91.63% of the total.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 6.4 Featured Business

#### 6.4.1 Commerce and Logistics Finance

During the Reporting Period, the Bank vigorously developed commerce and logistics finance, improved the business quality and quantity of “Five Clouds”, enriched the “Five Clouds” products, continuously explored innovative models, introduced inter-platform open APIs, successfully issued standard notes, and explored the integration of finance, industry and technology to empower the real economy and provide more convenient and efficient financial services for small and micro enterprises and private enterprises. Meanwhile, the Bank continued to improve the technological capabilities in providing supply chain finance services, and leveraged on advanced financial technologies to establish an Internet-based “four-in-one” platform combining the flows of business, information, capital, and goods based on the real transactions between key enterprises and the upstream and downstream players, so as to provide “settlement + financing”, “domestic + overseas”, and “standard + tailored” integrated solutions for key enterprises in industry chains and their upstream and downstream partners through rich solutions, efficient response mechanism and professional service capabilities.

##### *Cloud Trading*

The “Cloud Trading” platform flexibly combines various cloud products and services such as corporate online banking, cash management, bank-enterprise direct link, and cross-bank treasury management to “tailor” financial solutions for customers. During the Reporting Period, the Bank collected and conducted analysis on customer needs by means such as online questionnaires and offline follow-up visits, and then efficiently iterated and upgraded products and systems to improve customer experience. In particular, the Bank launched a virtual cash management account with four product models (easy bookkeeping, easy collection, one connect, and user-defined mode), which supports four types of cash pools (physical cash pool, legal cash pool, virtual cash pool, and inter-bank cash pool) and can manage other bank accounts through the Bank’s corporate online banking, and added products like budget management and receivables and payables management where product parameterized configuration is implemented, thereby providing customers with a complete package of treasury management services. As of the end of the Reporting Period, the Bank’s corporate online banking had over 40,000 customers signed up; its cash management platform had provided treasury management solutions for almost 2,500 large and medium-sized enterprises and public institutions; its bank-enterprise direct link had connected with almost 100 large and medium-sized group customers; the Bank had issued over 3,700 corporate settlement cards in total.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Cloud Financing*

The “Cloud Financing” platform boasts innovative products, convenient services, efficient response and leading technology as its core competitiveness, and uses e-signature, big data, the Internet and other innovative financial technologies to extend the credit of key enterprises along industry chains, so as to serve the supply chain ecosystem in line with the national strategic initiative to support the development of SMEs. In doing so, the Bank strives to provide customers with end-to-end online experience with multi-port access and one-stop convenient and efficient services. During the Reporting Period, a new model of online supply chain financing was introduced for e-commerce prepayments, forming a characteristic public-private business scenario. As of the end of the Reporting Period, the “Cloud Financing” platform had helped over 600 enterprises to raise over RMB16 billion.

### *Cloud Business*

The “Cloud Business” platform is built on the Commerce and Logistics Bank Alliance, leveraging advanced financial technology to build a supply chain finance ecosystem. Based on the transaction information throughout the supply chain, the Bank extends the credit of high-quality enterprises to their upstream customers through the electronic settlement voucher “Ding E Credit” (鼎e信) to provide key enterprises, suppliers and financial institutions with financing, asset trading, asset management and related information consulting services, in an effort to help upstream SMEs to reduce financing costs and improve financing efficiency. As at the end of the Reporting Period, the Cloud Business platform had more than 1,100 registered members, including approximately 60 key enterprises, and had helped almost 650 upstream partners of the key enterprises to raise approximately RMB8 billion in total.

### *Cloud Logistics*

The “Cloud Logistics” platform provides customers with one-stop financial services through products such as treasury management, financing services and logistics support to build a strategic brand as a commerce and logistics bank. During the Reporting Period, a cloud logistics freight payment agency product integrating the flows of cargo, information and capital was launched to build a complete online freight platform. The Bank explored financial innovations in “platform + data + scenario”, introduced a new model featuring public-private linkage, and tailored financial products for the logistics industry and its upstream and downstream players, with a view to serving the real economy while committing to the logistics sector. As at the end of the Reporting Period, 440,000 payments had been made under the D+0 payment agency service with a total amount of RMB600 million; an aggregate of 2.83 million entrusted logistics transactions had been completed with a total transaction amount of over RMB4.6 billion.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Cloud Service*

The “Cloud Service” platform provides value-added and tailored services for customers and scenario-based financial services for SMEs by developing different financial products and bespoke solutions for diverse scenarios. In addition, Cloud Service uses the WeChat Official Account of “Zhengzhou Bank Trade Finance” (鄭州銀行商貿金融) and various innovative scenario-based financial platforms to push industry insight reports and forward-looking industry analysis in a targeted manner, and to provide value-added financial services such as online appointment for account opening, electronic invoicing, fund supervision and office collaboration. During the Reporting Period, the Bank launched the Cloud Service app, added value-added services for smart office, and introduced four business scenarios, i.e. easy-to-pay school catering, medical insurance prepayment, supervision of migrant workers’ salary payments, and home purchase deposit. The catering fee collection system for primary and secondary schools has been put into use; the medical insurance prepayment management product has been applied in approximately 20 designated hospitals; the migrant workers’ payroll supervision service has been used by almost 50 enterprises, covering seven rural banks; and the home purchase deposit service is well received by customers.

### **6.4.2 Financial Services for Small and Micro Enterprises**

During the Reporting Period, the Bank adhered to the original intention of “serving the real economy”, and enhanced the small and micro finance model to continuously improve the influence and market share of the Bank’s small and micro finance business and build a characteristic brand. First, the Bank improved product design and promoted product innovation. It accelerated product research and development (“R&D”) and upgrade and expanded the product portfolio for targeted customer groups, including home owners, housing provident fund customers, assets under management (AUM) customers, trade union membership card holders, tax-paying customers, medical suppliers, etc. Second, the Bank set up a green channel for credit approval to improve approval efficiency. In an effort to offer low-cost funding to meet the production and operation needs of key enterprises, the Bank further improved the efficiency of loan review and release, introduced differentiated approval policies with special and urgent approval procedures for special situations and emergencies, and streamlined the loan application process while ensuring compliance to help enterprises tide over the tough time. Third, the Bank used technology to enhance risk prevention and control capabilities. The Bank improved the quality of its data and introduced third-party data sources to lay a solid foundation to improve its risk control capabilities. It employed special technologies such as decision-making engine to build its own risk control system based on internal and external data and alongside rules, strategies and models. As at the end of the Reporting Period, the balance of the Bank’s outstanding loans to small and micro enterprises each with a credit facility of not more than RMB10 million (inclusive) amounted to RMB34.23 billion, representing an increase of 21.87% from the end of the previous year, which is 0.48 percentage point higher than the growth rate of all loans of the Bank. The number of small and micro enterprises receiving inclusive loans with loan balance stood at 65,522, representing an increase of 262 from the end of the previous year, marking the successful achievement of the regulatory goals of “two increases and two controls”. During the year, the Bank issued in aggregate inclusive loans of RMB30,039 million to small and micro enterprises at an average interest rate of 4.97%, representing a decrease of 1.64 percentage points as compared with the previous year.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### **6.4.3 Financial Services for Residents**

The Bank upholds its distinctive positioning as a “boutique bank for residents” to continuously develop financial products based on customer needs and improve customer experience. Considering the liquidity needs of residents, the Bank launched the low-risk, high-liquidity net-worth wealth management product “Golden Wutong Zhengyinbao” which has a low entry barrier and allows for flexible subscription and redemption. The purchase amount is subject to a minimum of RMB10,000 and may increase by any multiple of one Renminbi, with the interest accruing from T day of subscription and the redeemed amount arriving on T+1 day of redemption. The Bank developed Internet channels for commission-based agency sales of precious metals. In May 2020, the Bank’s mobile banking launched the precious metal agency sales business. In August 2020, the Bank’s Tmall flagship store officially opened and began to serve customers nationwide for commission-based sales of precious metals. In an effort to serve local customers, the Bank created the exclusive brand of “Trade Union Membership Card”, and constantly launched tailored products and special activities to meet the diverse needs of trade union members. Such products and services are well received by the members. As part of the effort to develop innovative financial services, the Bank launched the WeChat applet of “Zhengzhou Bank Wealth Manager” to create an Internet-based new retail marketing model driven by technology which achieved a sales amount of over RMB13 billion within six months of its launch. In December 2020, the applet received the “User Experience Case Award of the Year” in the Chinese Financial Brand Case of the Year Competition.

## **6.5 Distribution Channels**

### **6.5.1 Physical outlets**

As at the end of the Reporting Period, the Bank established its head office in Zhengzhou, Henan, 14 branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe, Xinyang, Puyang, Pingdingshan, Zhumadian, Kaifeng, Zhoukou and Hebi of Henan Province, 158 sub-branches and one special entity. Meanwhile, the Bank enhanced the layout of its self-service equipment outlets, established a network of 158 internal and 66 external self-service equipment outlets, forming proper area coverage and providing convenient 24-hour services.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 6.5.2 Electronic banking

#### *Self-service banking*

Adhering to the customer-oriented approach, the Bank continued to develop self-service equipment with new functions, actively promoted the transformation of self-service equipment and focused on developing multifunctional non-cash self-service equipment. As at the end of the Reporting Period, the Bank had a total of 1,508 self-service facilities, including 233 automated cash withdrawal machines, 347 automated teller machines, 339 smart counters, 258 online banking terminals, 162 easy payment terminals, and 169 automated queueing terminals. During the Reporting Period, the total number of cash deposit and withdrawal transactions through self-service equipment was 5,473,000, representing a year-on-year decrease of 24.72%, while the amount was RMB15,972 million, representing a year-on-year decrease of 17.28%.

#### *Online banking*

The Bank's online banking provides customers with online services with more convenient experiences, more stable systems, more flexible security certifications, and more product features through three major segments including financial products, wealth management products, and life service products. During the Reporting Period, the Bank had 385,400 new online banking users, and 1,778,400 transactions contributing to transaction amount of RMB52,042 million. As at the end of the Reporting Period, the accumulative number of personal online banking customers was 1,807,100 (excluding closed accounts). During the Reporting Period, the Bank had over 41,000 contracted corporate online banking customers; the number of transactions was over 3,370,000 while the transaction amount was over RMB1.2 trillion.

#### *Mobile banking*

The Bank's mobile banking provides customers with safe and efficient financial and utilities services. Financial services include mobile payment, remittance express, wealth management supermarket, insurance supermarket, fund supermarket, precious metals, credit card and personal loan; utilities services include utility payments, gas refilling and value top-up, charity donations, travelling, electronic trade union cards, movie and video memberships and takeaways, creating a financial ecosystem with local characteristics. During the Reporting Period, the Bank had 438,800 new mobile bank customers contributing to 8,011,300 transactions and transaction amount of RMB108,032 million. As at the end of the Reporting Period, the accumulative number of mobile banking accounts was 2,090,400.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *Online payment*

The Bank's online payment business covers the mainstream payment methods such as Alipay, Tenpay, Baifubao, JD.com online and Yifubao, providing diversified payment channels for bank cards and enhancing customers' payment experience. During the Reporting Period, the number and amount of transactions for the Bank amounted to 92,092,000 and RMB33,490 million, respectively, representing a year-on-year increase of 10.04% and 17.73%. As at the end of the Reporting Period, the number of accumulative transactions was 258,653,200, amounting to transaction amount of RMB95,878 million.

### *Telephone banking*

We offer uninterrupted 24-hour telephone banking service to customers through the nationwide customer service hotline 95097, including business consultation, transaction inquiry, loss reporting, bill payment, loan business consultation, investment and wealth management services, PIN services, credit card services, outbound calls and customer care. The customer service centre continued to enhance user experience and actively expanded the scope of service based on customer needs. During the Reporting Period, our telephone banking service department handled a total of 3,293,200 cases.

### *Online customer service*

The Bank's online customer service connects with the Bank's official website, online banking, mobile banking, and WeChat public account channels to answer business inquiries online, accept customer complaints, and integrate featured functions such as intelligent knowledge bases, 7x24 self-service responses, and multi-channel marketing, providing customers with intelligent online services. During the Reporting Period, the Bank's manual customer service handled a total of 26,300 cases and its automated response handled a total of 272,600 cases.

### *Video banking*

In August 2020, the Bank launched video banking that connects with its mobile banking and online banking to provide eight types of scenario-based services including review, consultation and guidance. Video banking had delivered 13,000 service transactions, including 7,000 review transactions and 6,000 consulting transactions.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### *WeChat banking*

Based on the WeChat eco-system (WeChat official account, applets, WeChat corporate account, etc.), the Bank provides customers with a variety of financial services such as business and brand marketing and promotion, financial transactions for payment and settlement, and life services. During the Reporting Period, the Bank created an applet ecosystem by launching Zhengzhou Bank Online Business Centre (鄭州銀行線上營業廳), Housing E-finance (房e融) applet, credit card applet, small business loan applet, and bank-enterprise reconciliation applet, in order to remedy shortcomings in business, expand service handling channels, cater to different customer needs, and facilitate the digital transformation of the Bank. As at the end of the Reporting Period, the “Zhengzhou Bank WeChat Bank” official account had 1.36 million users with cards linked.

### *Ding Rong Yi*

The Bank’s internet financial service platform “Ding Rong Yi” (鼎融易), based on the “Internet +” strategy, focuses on key scenarios including micro, small and medium-sized enterprises, and resident financial services, providing online account opening application, online wealth management, payment and receipt, convenient payment, e-commerce service and other diversified service features. During the Reporting Period, Ding Rong Yi had 1,385,900 accumulative transactions amounting to RMB12,529 million; intermediary business revenue (after tax) was RMB2,585,600. As at the end of the Reporting Period, number of Ding Rong Yi accounts was 726,600.

# CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

## 7 RISK MANAGEMENT

During the Reporting Period, the Bank proactively adapted to economic changes and regulatory requirements, placed focus on the mindset of high-quality development, upheld prudent and sound development philosophy, further implemented the capital return and risk pricing concept, continuously optimized the comprehensive risk management system, established a sound compliance and risk management culture, continuously provided and improved a diverse range of risk management and control tools, and committed to balancing and effectively promoting risk management and business development together with value creation to assure that the Bank conducts its business operations in an ongoing and stable manner. In its business operations, the Bank is mainly exposed to the risks and has the control initiatives as follows.

### 7.1 Credit Risk

Credit risk refers to the risk of loss caused by the failure by a debtor or counterparty to perform its contractual obligations or responsibilities. The Bank's credit risk exposure mainly comes from loan portfolios, investment portfolios, guarantees and other types of on- and off-balance sheet credit risk. We have built a credit risk management framework covering all credit business processes, and developed policies and procedures to identify, assess, measure, monitor, mitigate and control credit risks. For credit risk management, we mainly adopt the following measures:

Firstly, we promoted policy research and innovation and strengthened credit policy guidance. The Bank initiated the "one branch, one policy" research to conduct analysis on the advantages of regional economy in depth and explore development paths with regional characteristics; established standard industry research models, strengthened industry research, and enhanced industry foresight to improve front-end risk prevention and control. Secondly, we strengthened customer access management and strictly controlled access to new credit facilities. The Bank set a basic access threshold for each customer based on its industry, size and other factors, formulated and tightened the concentration limit indicator, strengthened credit concentration management, strictly controlled the granting of facilities in large amounts, and developed plans to reduce existing credit facilities. Thirdly, we improved the approval mechanism to enhance approval efficiency and quality. The Bank established a hierarchical approval process covering the head office, branches and sub-branches, carried out credit review within the scope of authority, and improved the efficiency of credit review; and conducted unified credit management throughout the Bank to prevent credit extension by multiple outlets and excessive credit extension, thus reducing credit risk.

As at the end of the Reporting Period, the Bank's single customer loan concentration was 3.61%, which met the 10% cap requirement as stipulated by the CBIRC; single group customer credit concentration was 6.15%, which met the 15% cap requirement stipulated by the CBIRC; the balance of loans to the top ten customers was RMB13,785 million, and the loan concentration of the top ten customers was 26.17%; the balance of credit facilities to a single related party customer was RMB2,580 million, with a credit concentration of 5.24%; and the credit concentration of all related parties was 32.83%, which met the 50% cap requirement as stipulated by the CBIRC.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 7.2 Market Risk

Market risk refers to the risk of on- or off-balance-sheet loss arising from adverse changes in market prices. The market risks that the Bank is exposed to are mainly interest rate risk and exchange rate risk. The Bank's market risk management objective is to ensure that potential market losses are controlled at an acceptable level based on risk tolerance while striving to obtain maximum risk-adjusted returns. The Bank's market risk management covers the whole process of identifying, measuring and monitoring market risks. For market risk management, we mainly adopt the following measures:

Firstly, we continued to optimize the market risk management system. The Bank has established a hierarchical market risk management system which covers account book keeping, risk measurement, stress testing, risk reporting and special business risk management, and defines the functions of the Board, senior management and the three lines of defense. Secondly, we strengthened market risk limit management. Based on comprehensive analysis of the historical fluctuations, gains and losses of risk assets in the market, investment strategies and allocation of products, the Bank enhanced the market risk limit system, scientifically set risk limit indicators for new business lines and new products, and developed an annual market risk limit plan, so as to consolidate the foundation for market risk management. Thirdly, we conducted daily risk monitoring. The Bank set up a market risk monitoring system covering monitoring objects, monitoring scope and monitoring indicators, achieved front- and mid-office information sharing on market dynamics, asset structure and limit implementation through daily market risk monitoring reports, established an account book for market risk limit management to improve the quality and efficiency of risk monitoring. Fourthly, we vigorously promoted the digital management of market risk. The Bank adopted the idea to build a platform-based, modular and standardized digital management system, and tested the core measurement functions such as valuation, value at risk and stress testing after comprehensively considering the completeness of functions of the risk management system of the financial market business and mid- and long-term business development needs.



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 7.3 Operational Risk

Operational risk refers to the risk of loss caused by imperfect or problematic internal procedures, personnel or information technology systems, and external events, mainly including internal and external frauds, employment system and workplace safety incidents, customers, products and business activities incidents, damage of tangible assets, information technology system incidents, execution, delivery and process management incidents. The Bank's operational risk management objective is to effectively manage operational risks by establishing a sound operational risk management framework so as to keep the losses of operational risk to a minimum. For operational risk management, we mainly adopt the following measures:

Firstly, we conducted strict procedural control and deepened the identification and assessment of procedural risks. The Bank used the Risk Control Self-Assessment (RCSA) tool to scientifically identify the key operational risk events, types of risk event, risk reasons, risk factors and control measures in management procedures and assess the inherent and residual risk exposures based on the probability and degree of impact of risk occurrence and control its effectiveness. Secondly, we strengthened management of employee behavior. The Bank revised the Measures for the Management of Employees' Violation Points and formulated "13 red lines" for employee behaviors to deter non-compliant conducts effectively. Thirdly, we enriched technological approaches for risk prevention and control. The Bank expanded the scope of recovery for approval-related business using intensive and systematic methods, straightened out the risk characteristics of fraud cases using a big data system, defined the criteria for credit access of those on the risk list, improved the risk event review process, and enhanced the capability to investigate related party relationships, thus effectively preventing ex-ante business risks. Fourthly, we stepped up accountability for risk business. Based on the results of due diligence on non-performing assets, the Bank conducted analysis on the problems found in due diligence, designed a systematic management scheme, held those in charge of risk operations accountable, and stepped up deterrence and warning. Fifthly, we enhanced our risk management capabilities. The Bank arranged employees to receive internal control compliance training and dispatched employees to attend Associate International Financial Risk Officer (AFRO) risk training, thereby enhancing the Bank's risk management capabilities.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 7.4 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain sufficient funds in time or failure to obtain sufficient funds at a reasonable cost to pay off debts falling due, to perform other payment obligations and to meet other capital requirements for normal business operations. The objective of the Bank's liquidity risk management is to ensure sufficient fund positions to satisfy repayment obligations and capital requirements for business settlement. The Bank observes changes in liquidity closely, monitors the surplus and deficiency of funds on a real-time basis, sets the term structure in a rational manner, gradually enhances the allocation of assets and liabilities, achieves a balance in the asset-liability structure and steps up liquidity risk monitoring to assure liquidity is safe and under control. For liquidity management, we mainly adopt the following measures:

Firstly, we stepped up liquidity management during daytime. We closely monitored the changes of macro and monetary policies, predicted the changes of cash flows, arranged the financing term structure in a rational manner to ensure that the requirement of positions during daytime can be met. Secondly, we optimized the allocation of assets and liabilities, and strengthened the balanced management of assets and liabilities plans and liquidity risks. We focused on the structure of assets and liabilities and duration management to maintain a safe and reasonable level of maturity mismatch. Thirdly, we strengthened liquidity risk limits management. We improved the liquidity limits management systems, strengthened the alert on risk limit monitoring and timely integrated the assets and liabilities plans to adjust the risk metrics in order to ensure the liquidity limit metrics operate within a safe level. Fourthly, we conducted stress tests and emergency liquidity drills. The stress tests analyze the potential vulnerabilities of liquidity risks and the results from the stress tests are applied to the assets and liabilities plans. Meanwhile, we conducted emergency liquidity drills after fully taking into account the results from stress tests to enhance emergency responses, command coordination and emergency handling mechanisms.

As at the end of the Reporting Period, the Bank's liquidity ratio was 70.41%, which met the requirement of not less than 25% as stipulated by the CBIRC; its liquidity coverage rate was 353.94%, which met the requirement of not less than 90% as stipulated by the CBIRC; the net stable funding ratio was 111.00%, which met the requirement of not less than 100% as stipulated by the CBIRC. Overall, the Bank's key liquidity indicators met the regulatory requirements and its overall liquidity risk was under control.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 7.5 Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and management flaws in the course of applying information technology. Based on its own conditions and the external environment, the Bank develops and constantly improves management measures to identify, measure, monitor, control and report information technology risk, thus effectively controlling information technology risk. For information technology risk management, we mainly adopted the following measures:

Firstly, we promoted the construction of an information technology risk management system. The Bank revised the Measures for Information Technology Risk Management, improved the methodology for information technology risk management, reshaped the closed-ring management of the life cycle of information technology risk, and built a dynamic management system for information technology risk. Secondly, we conducted information technology risk monitoring. The Bank established and improved a complete set of monitoring indicators covering all areas, defined the thresholds of the risk indicators, reinforced monitoring and early warning, conducted dynamic monitoring using key indicators, and prepared the Information Technology Risk Monitoring Report on a quarterly basis. Thirdly, we deepened information technology risk assessment. Based on the new methodology for information technology risk assessment and pursuant to the regulatory guidelines, the Bank carried out risk assessment covering various areas of information technology, with a focus on special assessment on outsourcing and development testing. Fourthly, we strengthened business continuity management. The Bank revised the Measures for Business Continuity Management and the Management Measures for Business Continuity Emergency Plans and Drills, and prepared the 2020 business continuity drill summary which covers various drill scenarios such as information technology projects, major business interruptions, outsourcing service interruptions, customer information protection, and public service events.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 7.6 Reputational Risk

Reputational risk refers to the risk of negative reporting and comments about the Bank due to its operations, management and other activities or external events. The objective of the Bank's reputational risk management is to identify, monitor, control and eliminate reputational risk by establishing a positive, reasonable and effective mechanism for reputational risk management in order to build and maintain a good corporate image and boost its sustainable development. For reputational risk management, we mainly adopt the following measures:

Firstly, we strengthened our reputational risk management system. The Bank formulated the Implementation Rules for Reputational Risk Management which stipulates the basic principles of "proactive management, prudent management, full participation, central management, and hierarchical accountability"; and revised the Reputational Risk Emergency Plan based on the Implementation Rules for Reputational Risk Management to provide more detailed and comprehensive guidance for the efficient handling of sudden negative public opinions. Secondly, we strengthened public opinion monitoring. The Bank pursued a proactive response strategy to address public opinions, selected an optimal monitoring platform, used big data for daily information collection, and gave full play to the role of professionals in analysis and management to ensure timely detection and accurate research and judgment of negative public opinions, so as to buy time for effective response. Thirdly, we carried out self-inspection to screen out potential risks. The Bank conducted in-depth screening of hidden dangers, made great efforts to tackle important and difficult problems with hidden dangers and historical problems, and improved accountability.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 7.7 Anti-Money Laundering Management

In strict compliance with the Anti-Money Laundering Law of the PRC and other applicable laws and regulations promulgated by the PBoC and with adherence to the “risk-based” anti-money laundering method, we established a sound anti-money laundering institutional structure, improved the internal control and operating procedures for anti-money laundering, enhanced the business system for anti-money laundering, continued to carry out promotion and training programmes, and effectively performed various anti-money laundering obligations. In carrying out anti-money laundering, we mainly adopt the following measures:

Firstly, we established a sound governance structure for money laundering risks. We governed the responsibilities of the Board, the Board of Supervisors, senior management members, the anti-money laundering leading group and the member departments of the group, thus establishing a well-defined and efficient anti-money laundering operation mechanism. Secondly, we strengthened the construction of the internal control system for anti-money laundering. We improved the internal control management system for anti-money laundering by having formulated 11 sets of special rules and regulations for anti-money laundering, covering various aspects of anti-money laundering. Thirdly, we enhanced the functions of the anti-money laundering monitoring and reporting system. We strengthened risk monitoring and early warning activities; continuously enhanced anti-money laundering and anti-terrorist financing capabilities; and revamped the information analysis, reporting and related supporting module functions of the anti-money laundering monitoring and reporting system to assure that anti-money laundering information was reported in a stable manner. We also collected more blacklist information on money laundering and terrorist financing, and improved the blacklist screening and control mechanism. Fourthly, we stepped up in our promotion on anti-money laundering. We continued with both thematic publicity and daily publicity means by carrying out diversified publicity campaigns by means of anti-money laundering information desks, publicity display boards, distribution of promotional materials, official websites and official WeChat, LED screens and other publicity channels to popularize anti-money laundering and anti-terrorism knowledge so as to raise public awareness and enthusiasm in anti-money laundering activities. Fifthly, we raised employees’ awareness on anti-money laundering. Based on the principle of “different objects, different methods, different levels and different contents”, we enhanced employees’ overall awareness, knowledge and skills in respect of anti-money laundering through central training programmes and training programmes in the form of meetings.

# CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

## 8 RECEIVING RESEARCH DELEGATIONS, COMMUNICATION AND INTERVIEW ACTIVITIES

During the Reporting Period, the Bank did not receive any research delegations, and had no communication and interview activities.

## 9 SOCIAL RESPONSIBILITY

### 9.1 Fulfilment of Social Responsibility

For details, please refer to the 2020 Corporate Social Responsibility Report published on the websites of CNINFO and the Hong Kong Stock Exchange on 30 March 2021 by the Bank.

### 9.2 Fulfilment of Social Responsibility in Calibrated Poverty Alleviation

#### 9.2.1 Calibrated Poverty Alleviation Planning

Based on top-level design and with a focus on credit support, the Bank launched special credit products and innovated credit service models for poverty alleviation, and had all business lines and departments work together to ensure the full implementation of poverty alleviation policies. Starting from product R&D, the Bank introduced the “five-in-one” credit service model for targeted poverty alleviation- the “Cooperative Poverty Alleviation Loan” which covers the government, key enterprises, banks, cooperatives and poverty-stricken households, designated its Nanyang branch as the lead bank for cooperative poverty alleviation, encouraged poverty-stricken households to join cooperatives to develop, increase income and get rid of poverty, and encouraged key enterprises to share their development gains with poverty-stricken households while achieving development.

#### 9.2.2 Overview of Targeted Poverty Alleviation of the Year

During the Reporting Period, the Bank followed the guidance of socialism with Chinese characteristics in the new era and the spirit of the Nineteenth National Congress of the Communist Party of China and observed the requirements of the provincial and municipal government for poverty alleviation to give full play to the role of finance in targeted poverty alleviation by focussing on industrial poverty alleviation. With a focus on the core mission of “helping poor areas develop advantageous and characteristic industries, promoting the employment of poverty-stricken households and increasing the income of poverty-stricken households” and the objectives of “One Core” and “No Worry About Food and Clothing and Guarantee of Compulsory Education, Basic Healthcare and Housing Safety”, the Bank took a package of measures for targeted poverty alleviation and firmly fought against poverty to support rural revival, help build characteristic villages and serve rural financial works.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Industrial poverty alleviation: Poverty-stricken areas enjoyed the Bank's preferential offers in projects, funds, and product design, as we carefully developed and designed agricultural loan products based on our research, streamlined loan approval process by reducing approval procedures, and established a "financial supermarket" to provide professional, refined, characteristic, efficient and convenient financial services for "agriculture, rural areas and farmers" enterprises. Meanwhile, the Bank established service outlets in lower-tier cities and counties, continued to improve infrastructure construction in rural areas through green credit and other channels, promoted financial knowledge to farmers to increase their awareness of financial risk prevention, so as to support the construction and development of rural areas. As at the end of the Reporting Period, the Bank had issued agriculture-related loans of RMB56,279 million and loans for targeted industrial poverty alleviation of RMB628.01 million, lifting 3,520 registered poverty-stricken people out of poverty.

Health poverty alleviation: The Bank donated RMB100,000 to the "Let Children Drink Safe Water" project under the Women and Children's Development Foundation in Henan Province to improve and alleviate the current situation regarding unsafe drinking water in children's institutions such as primary and secondary schools.

Basic living security: The Nanyang branch of the Bank donated RMB5,800 to impoverished households, which was used to buy and distribute rice, noodles, oil, milk and other necessities to them.

Social poverty alleviation: The Bank's Hebi Branch and subsidiary Xinmi Zhengyin Village Bank donated a total of RMB928,000 for financing charitable activities; the Bank's subsidiary Junxian Zhengyin Village Bank donated RMB1.5 million for financing the development of poverty relief and public welfare projects. In accordance with the requirements of Zhengzhou Municipal Committee for targeted poverty alleviation, the Bank incorporated village stationing into the key tasks of the party building work for the current session of the party committee, and deployed the chief Party secretary and two Party members to stationing areas to carry out poverty alleviation work at the frontline. During the Reporting Period, the Bank donated RMB30,000 to support the repair of village roads, carried out four joint educational and joint construction activities, and paid consolatory visits to Party members in need and registered poverty-stricken households and distributed life necessities to them.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 9.2.3 Results of Calibrated Poverty Alleviation

Indicator	Amount/performance
I. Overview	
Including: 1. Funds	RMB630,573,800
2. Material support	–
3. Number of registered poverty-stricken people lifted out of poverty	3,520
II. Items	–
1. Poverty alleviation by industrial development	RMB628,010,000 of targeted industrial poverty alleviation loans were issued, lifting 3,520 registered poverty-stricken people out of poverty
2. Poverty alleviation by transfer of employment	–
3. Poverty alleviation by relocation	–
4. Educational poverty alleviation	–
5. Health poverty alleviation	RMB100,000
6. Poverty alleviation by ecological protection	–
7. Basic living security	RMB5,800
8. Social poverty alleviation	RMB2,458,000
9. Other items	–
III. Awards (content, class)	Lankao Sub-branch of the Bank was awarded the title of Advanced Unit for Supporting Local Development by Lankao County Government.

### 9.2.4 Subsequent Plan for Targeted Poverty Alleviation

The Bank will continue to promote targeted poverty alleviation and ensure that the targeted poverty alleviation work is closely aligned with rural revival. Specifically, the Bank will integrate rural poverty alleviation into the rural revival initiatives by broadening credit channels, investing more resources, enhancing product designs, refining industrial poverty alleviation policy and improving rural infrastructure, so as to achieve a smooth transition and integrated development of the two in terms of institutional leadership, product designs and technology support.

The Bank will continuously enhance its product innovation capabilities, and focus on supporting operating entities like registered poverty-stricken farmers, agricultural enterprises and farmers' cooperatives; further explore the inclusion of the right to operate contracted land in rural areas, rural housing, forest property rights, the right to use water areas and tidal flats, and large agricultural machinery and tools in the scope of loan collateral to revive rural resources, assets and elements, in order to solve the problems of lacking loan guarantees and medium and long-term credit funds for agricultural production and operation; actively engage financial technologies and apply big data, artificial intelligence, Internet of Things and other technologies to financial poverty alleviation to improve the efficiency of poverty



## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

alleviation loan approval and reduce service costs; open up a green approval channel for loan projects for targeted poverty alleviation, offer sufficient funds with preferential interest rates, ensure the timely and effective release of poverty alleviation loans, with a view to benefiting more poor people.

### 9.3 Issues Related to Environmental Protection

The Bank and its subsidiaries do not belong to key waste charge units published by environmental protection authorities.

## 10 OUTLOOK

### 10.1 Industry Landscape and Trend

In 2020, the sudden outbreak of the Pandemic has brought unprecedented impact on the domestic and global economy. Faced with a challenging macro environment, China's banking industry adhered to a new development concept, insisted on deepening reform and opening up, ceded profits to the real economy, strictly guarded the bottom line of risks, and vigorously supported Pandemic prevention and control, resumption of work and production and the development of the real economy. While improving the quality and efficiency of financial services to the real economy and accelerating the pace of transformation, the industry as a whole was running smoothly with rapid growth in assets and liabilities, controllable credit risk and sufficient risk compensation capability. Looking ahead, thanks to the successful control of the Pandemic and economic recovery, the overall operating environment of China's banking industry is gradually improving.

In this context, the Bank will pursue coordinated development that balances speed, efficiency and quality, and concentrate on promoting comprehensive transformation and refined management to move towards high-quality development. Firstly, the Bank will push forward capital-light transformation by encouraging the steady development of low-risk, capital-light business lines, scaling up capital-light investment banking business such as mergers and acquisitions, matchmaking and underwriting of standard bonds, establishing a long-term mechanism for circulation of credit assets, promoting the invigoration of existing assets, and gradually optimizing the credit structure. Secondly, the Bank will continue to focus on product innovation and regard innovation as the main driving force for future development. To this end, we will enhance the transformation of innovative ideas, encourage product diversification and innovation and business model innovation, improve the institutional structure and workflow for innovation, strengthen assessment on innovation performance, and invest more resources in innovation. Thirdly, the Bank will accelerate digital transformation by setting up supporting line departments with full-time technical personnel, promoting the deep integration of technology and business operations, improving the application of big data in marketing and risk control, and stepping up the effort to attract technology talents. Fourthly, the Bank will continue to deepen the development of the three distinctive business lines. In terms of trade financing, we will scale up business volume and create highlights, improve the service and exchange mechanism of the Commerce and Logistics Bank Alliance, and increase the service volume for the alliance, in a drive to expand the influence of the alliance; in terms of small and micro financing, we will keep "positioning in good customer base

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

and focusing on good products”, speed up product development and iteration, ensure to achieve the goals of “Two Increases and Two Controls”, continue to strengthen the application of big data, and create a safety net against credit risk for small and micro financing; in terms of finance for residents, we will continue to develop innovative hit products based on customer needs, create a comprehensive financial service model, carry out differentiated marketing with a focus on key customer groups and important cities and counties, and endeavor to increase the contribution from long-tail customers including holders of dormant accounts. Fifthly, the Bank will continue to operate in compliance with laws and regulations, and shift the focus of compliance management from ex-post inspection to ex-ante prevention and process management, so as to close compliance loopholes and prevent misconduct at the source.

### 10.2 Corporate Development Strategy

During the Reporting Period, the Bank formulated the Strategic Development Plan for 2021-2025. The new five-year strategic plan adheres to the principle of “high-quality” development and “refined” management, sets the strategic vision of building a “leading bank with high-quality development”, upholds the three distinctive business positions as “a commerce and logistics bank, a financing expert for SMEs, and a boutique bank for residents”, and aims to drive the development of four segments-retail finance, corporate finance, government finance and financial market business with technological innovations. Under the plan, the Bank will coordinate the “customer-oriented” omni-channel construction, and continuously improve the construction of core capabilities including risk management capabilities, institutional and personnel capabilities, resource allocation capabilities, and technical support capabilities, so as to balance the development of scale, profitability and risks and promote high-quality and sustainable business development. Based on the internal and external dynamics, in the next 3-5 years, the Bank will continue to shift to high-quality organic development and make great efforts to adjust business structure, improve asset quality and control non-performing assets, so as to prepare for accelerated development in the next strategic cycle.

### 10.3 Operating Plan

2021 marks the first year of the Bank’s new strategic plan. The Bank will thoroughly implement the spirit of the central, provincial and municipal economic work conferences and the national banking and insurance regulatory work conference, adhere to the guidance for Party building, and focus on strictly implementing the new strategic plan to begin a new chapter for high-quality development.

Firstly, we will focus on the implementation of the new strategic plan. We will continue to promote high-quality development through various tasks with a focus on carrying out the new strategic plan. To do so, we will give full play to the role of the PMO mechanism and strictly perform bi-weekly reporting, monthly reporting, quarterly review and annual appraisal to ensure the completion of various tasks and goals. In 2021, the appraisal will be performance-based and strategy-oriented, give priority to debts, and be focused on the assessment of transformation-related key performance indicators for high-quality development, so as to unleash the vitality of business development.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Secondly, we will drive the development of key business lines. In respect of retail banking, we will increase the efforts to pilot and promote rural service outlets and continue to expand liabilities under management (LUM) and asset under management (AUM). In respect of small and micro finance, we will focus on “hit products”, optimize our financial technology business model, and strengthen asset pricing management, team building and post-loan management for small and micro finance. In respect of corporate banking, we achieved breakthroughs in key provincial and municipal projects, and will seek to improve the business quality and quantity of “Five Clouds”, and raise awareness on our brand among institutional clients such as the housing provident fund authorities and property maintenance funds in Henan Province. In respect of investment banking, we will focus on bond issuance and matchmaking services for high-quality customers in the province while actively exploring new investment banking products. In respect of financial market and asset management, we will constantly improve our capabilities in investment research, credit evaluation and trading capabilities to build a high-caliber financial market team.

Thirdly, we will speed up “reducing outstanding risk assets and controlling new ones”. We will define the responsibilities of departments, branches and sub-branches, increase the efforts to dispose of existing risk assets through means such as collection, revitalization, resolution and transfer, and supervise and assess risk disposal on a quarterly and monthly basis. We will follow the principle of “risk control first, revenue second” to conduct risk prevention and control for new loans. In addition, we will strictly implement the policies on risk appetite, limit management and non-local credit extension, continue to perform credit risk consulting projects, and strengthen capacity building for risk management.

Fourthly, we will coordinate “three key business lines” to promote transformation. In terms of customer base building, we will connect with elderly customers, middle-aged wealthy customers, payroll agent customers and trade union card customers with a focus on increasing the proportion of mid- and high-end customers; make good use of hierarchical management and “whitelist” access to optimize products, services and marketing strategies, and continuously improve the quality and efficiency of customer base building. In terms of capital-light transformation, we will continue to promote capital-light transformation, strengthen assessment on capital-light performance, encourage the growth of capital-light business lines such as wealth management and small and micro financing, and increase the proportion of “intermediary business income”. In terms of digital transformation, we will develop omni-channel application scenarios, continuously optimize the experience of online services such as mobile banking and online banking, and enhance the intelligent and light transformation of service outlets.

## CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

### 10.4 Potential Risks

Despite the disruption of global industry chains and negative growth recorded by major economies in 2020, China's economic growth pulled off a remarkable turnaround in the third quarter through proactive fiscal policy and prudent monetary policy. However, given that the economic impacts of the Pandemic still persist, the banking industry is under fairly high pressure to prevent risks and maintain stable growth. The Bank principally carries out its business in Henan Province and most of its customers and businesses are based in Zhengzhou. In this context, economic changes in Henan Province and Zhengzhou may have a significant impact on the business growth, asset quality, operating results and financial position of the Bank. Guided by the strategy of high-quality development, the Bank will adhere to its positioning of "serving the local economy, small and micro enterprises, and urban and rural residents", refocus on its original business, continuously improve institutional construction, personnel capabilities and system technology, expedite digital transformation and technology application, and enrich risk prevention and control tools and means to enhance the ability to resist risks.

The Bank has been closely watching and evaluating the impact of the Pandemic on its business operations, and has taken measures to deal with it, in order to ensure that its financial position and operating results remain stable. The Bank vigorously supports enterprises to resume work and production by deferring repayment of principal and interest in a reasonable manner, and actively implements policies such as refinancing on anti-pandemic initiatives and targeted cuts to required reserve ratios regarding refinancing to small banks, fulfilling its social responsibilities. However, the ability of small and medium-sized enterprises to resist risks is low, and the gradual exposure of subsequent risks will put great pressure on the quality of the Bank's assets. In addition, the Pandemic has profound impacts on residents' living and consumption patterns, leading to an explosive growth in consumers' online and personalized needs, which puts higher requirements on the innovation of the Bank's products and services.

# CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## 1 CHANGES IN ORDINARY SHARES

### 1.1 Table of Changes in Ordinary Shares

Unit: Shares

	As at 31 December 2019		Increase/decrease during the Reporting Period (+/-)					As at 31 December 2020	
	Number	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization Issue <sup>(1)</sup>	Others	Sub-total	Number	Proportion (%)
<b>I. Shares subject to trading moratorium</b>	<b>2,904,889,763</b>	<b>49.05</b>	<b>+1,000,000,000</b>	<b>-</b>	<b>+289,809,867</b>	<b>-6,982,602</b>	<b>+1,282,827,265</b>	<b>4,187,717,028</b>	<b>55.73</b>
1. State-owned shares	490,904,755	8.29	-	-	+49,090,475	-	+49,090,475	539,995,230	7.19
2. Shares held by state-owned legal persons	1,061,006,531	17.92	+521,844,800	-	+106,100,652	-	+627,945,452	1,688,951,983	22.48
3. Shares held by other domestic investors	1,352,978,477	22.84	+478,155,200	-	+134,618,740	-6,982,602	+605,791,338	1,958,769,815	26.07
Including: Shares held by domestic legal persons	1,322,509,778	22.33	+478,155,200	-	+131,571,868	-6,982,602	+602,744,466	1,925,254,244	25.62
Shares held by domestic natural persons	30,468,699	0.51	-	-	+3,046,872	-	+3,046,872	33,515,571	0.45
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
<b>II. Shares not subject to trading moratorium</b>	<b>3,017,042,137</b>	<b>50.95</b>	<b>-</b>	<b>-</b>	<b>+302,383,323</b>	<b>+6,982,602</b>	<b>+309,365,925</b>	<b>3,326,408,062</b>	<b>44.27</b>
1. Ordinary Shares denominated in RMB	1,499,042,137	25.31	-	-	+150,583,323	+6,982,602	+157,565,925	1,656,608,062	22.05
2. Domestically-listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	1,518,000,000	25.64	-	-	+151,800,000	-	+151,800,000	1,669,800,000	22.22
4. Others	-	-	-	-	-	-	-	-	-
<b>III. Total</b>	<b>5,921,931,900</b>	<b>100.00</b>	<b>+1,000,000,000</b>	<b>-</b>	<b>+592,193,190</b>	<b>-</b>	<b>+1,592,193,190</b>	<b>7,514,125,090</b>	<b>100.00</b>

#### Notes:

- Any fractional part of a Share arising from the Capitalization Issue shall be handled pursuant to relevant requirements of the share registrar. The above number of Shares may deviate slightly due to the existence of fractional Shares.
- The minor differences in the last digits are caused by rounding.
- During the Reporting Period, the Bank did not conduct any Share repurchase.

As at the end of the Reporting Period, the Bank issued 7,514,125,090 Ordinary Shares, including 1,669,800,000 H Shares and 5,844,325,090 A Shares.

# CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## 1.2 Description of Changes in Ordinary Shares

Changes in Ordinary Shares were mainly due to (1) the two Share replacement registrations for 22 Shareholders by the Bank in January 2020 and September 2020, respectively, the transfer-out of a total of 6,982,602 A Shares held by those Shareholders from the Bank's unrecognized holders' securities special accounts; and (2) the Bank implemented the Capitalization Issue upon consideration and approval at the 2019 AGM, the 2020 first class meeting of the A Shareholders and the 2020 first class meeting of the H Shareholders convened by the Bank in May 2020, pursuant to which one new Share was issued for every 10 Shares and a total of 592,193,190 Shares were issued, upon which the total Ordinary Shares of the Bank increased from 5,921,931,900 Shares to 6,514,125,090 Shares; (3) and upon consideration and approval at the 2019 AGM, the 2020 first class meeting of the A Shareholders and the 2020 first class meeting of the H Shareholders convened by the Bank in May 2020, and pursuant to the Approval in relation to the Non-public Issuance of Shares by Bank of Zhengzhou Co., Ltd. (Zheng Jian Xu Ke [2020] No. 1485) 《關於核准鄭州銀行股份有限公司非公開發行股票的批覆》(證監許可[2020]1485號)) received by the Bank from the CSRC in July 2020, the Bank completed the non-public issuance of 1 billion A Shares in November 2020, all of which were Shares subject to trading moratorium. Upon the completion of issuance, the total number of Ordinary Shares of the Bank increased from 6,514,125,090 Shares to 7,514,125,090 Shares.

## 1.3 The Impact of Changes in Ordinary Shares on Financial Indicators Such as Earnings per Share and Net Assets per Share in the Previous Year and the Latest Period

In June 2020, the Bank issued one new Share to the Ordinary Shareholders for every 10 Shares by way of capitalization issue. After the implementation of the Capitalization Issue, the number of Ordinary Shares of the Bank changed from 5,921,931,900 Shares to 6,514,125,090 Shares. Pursuant to the requirements of Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision), basic earnings per Share, diluted earnings per Share, and net assets per Share attributable to Ordinary Shareholders of the Bank for the comparison periods were recalculated based on the number of Shares after the Capitalization Issue.

In November 2020, the Bank completed non-public issuance of 1 billion A Shares with a par value of RMB1.00 per Share at an issue price of RMB4.64 per Share. The premium of RMB3.632 billion generated from the issuance was recognized in capital reserve. After the issuance, the number of Ordinary Shares of the Bank changed from 6,514,125,090 Shares to 7,514,125,090 Shares.

The impact of the above matters on financial indicators such as earnings per Share and net assets per Share for the previous year and latest period is set out as follows:

Major financial indicators	2020	2019 (after restatement)	2019 (before restatement)
Basic earnings per Share (RMB/Share)	0.41	0.43	0.47
Diluted earnings per Share (RMB/Share) (Note)	0.41	0.43	0.47

	As at 31 December 2020	As at 31 December 2019 (after restatement)	As at 31 December 2019 (before restatement)
Net assets per Share attributable to Ordinary Shareholders of the Bank (RMB/Share)	4.88	4.72	5.20

Note: Diluted earnings per Share is calculated by dividing the adjusted net profit of the diluted potential Ordinary Shares attributable to Ordinary Shareholders of the Bank by the weighted average of the adjusted outstanding Ordinary Shares of the Bank. During the Reporting Period and the comparison period, there were no diluted potential Ordinary Shares of the Bank, therefore, diluted earnings per Share equals basic earnings per Share.

# CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## 1.4 Changes in Shares Subject to Trading Moratorium during the Reporting Period

Unit: Shares

Name of Shareholder	Number of Shares subject to trading moratorium at the beginning of the Reporting Period	Increase in the number of Shares subject to trading moratorium during the Reporting Period	Number of Shares lifted from trading moratorium during the Reporting Period	Number of Shares subject to trading moratorium at the end of the Reporting Period	Reasons for being subject to trading moratorium	Date of lifting from trading moratorium
Three legal persons including Henan Provincial People's Hospital	6,771,828	-	6,771,828	-	Initial public offering	22 January 2020
Five natural persons including CHU Ligui (褚禮貴)	19,270	-	19,270	-	Initial public offering	22 January 2020
Two legal persons including Zhengzhou Erqi Township and Rural Renovation Construction Development Limited (鄭州市二七城鄉更新建設開發有限公司)	66,555	6,656 <sup>(1)</sup>	73,211	-	Initial public offering	13 October 2020
12 natural persons including WU Tianxi (吳天璽)	107,540	10,753 <sup>(1)</sup>	118,293	-	Initial public offering	13 October 2020
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	215,678,764	21,567,876 <sup>(1)</sup>	-	408,746,640	Initial public offering	19 September 2021
		171,500,000 <sup>(2)</sup>	-		Share subscription from non-public issuance	27 November 2025
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	199,046,474	19,904,647 <sup>(1)</sup>	-	318,951,121	Initial public offering	19 September 2021
		100,000,000 <sup>(2)</sup>	-		Share subscription from non-public issuance	27 November 2025
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	114,697,149	11,469,714 <sup>(1)</sup>	-	311,511,663	Initial public offering	19 September 2021
		185,344,800 <sup>(2)</sup>	-		Share subscription from non-public issuance	27 May 2022
23 target subscribers of the non-public issuance including Zhengzhou High-tech Investment Holding Group Co., Ltd. (鄭州高新投資控股集團有限公司)	-	543,155,200 <sup>(2)</sup>	-	543,155,200	Share subscription from non-public issuance	27 May 2021
Shareholders whose Shares were still subject to trading moratorium period (excluding the above Shareholders)	2,368,502,183	236,850,221 <sup>(1)</sup>	-	2,605,352,404	Initial public offering	-
Total	2,904,889,763	1,289,809,867	6,982,602	4,187,717,028	-	-

### Notes:

- This increase in Shares subject to trading moratorium was due to the implementation of the Capitalization Issue based on one new Share for every 10 Shares in June 2020; the new Shares issued to such Shareholders in the Capitalization Issue are subject to the trading moratorium as they are subject to the trading moratorium conditions under the initial public offering.
- This increase in Shares subject to trading moratorium was due to the completion of non-public issuance of 1,000,000,000 A Shares by the Bank in November 2020, all of which were subject to trading moratorium. In particular, the 171,500,000 A Shares and 100,000,000 A Shares subscribed by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) and Henan Guoyuan Trade Co., Ltd., (河南國原貿易有限公司), the substantial Shareholders of the Bank, respectively, are prohibited from listing and trading or transfer between the date of the completion of the issuance and within 60 months from the listing; the 185,344,800 A Shares subscribed by Bridge Trust Co., Ltd. (百瑞信託有限責任公司) are prohibited from listing and trading or transfer between the date of the completion of the issuance and within 18 months from the listing; a total of 543,155,200 A Shares subscribed by 23 other target subscribers of the issuance are prohibited from listing and trading or transfer between the date of the completion of the issuance and within six months from the listing.

# CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## 2 ISSUANCE AND LISTING OF SECURITIES

### 2.1 Issuance of Securities (Excluding Preference Shares) during the Reporting Period

#### 2.1.1 Non-public Issuance of A Shares

On 3 September 2019, to increase the capital adequacy ratio of the Bank, improve the capital structure, establish and improve the long-term capital management mechanism, and enhance the capability for sustainable development, the Bank convened the 2019 first extraordinary general meeting, 2019 first class meeting of the A Shareholders and 2019 first class meeting of the H Shareholders to consider and approve resolutions in relation to the non-public issuance of A Shares by the Bank, proposed to issue no more than 1 billion (inclusive) A Shares by way of non-public issuance to no more than 10 (inclusive) target investors (including Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Bridge Trust Co., Ltd. (百瑞信託有限責任公司) and Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)), and to raise no more than RMB6 billion (inclusive) of proceeds. For details, please refer to the announcements published by the Bank on CNINFO dated 17 July 2019, 16 August 2019 and 3 September 2019, as well as the announcements published on the website of the Hong Kong Stock Exchange dated 17 July 2019, 16 August 2019 and 3 September 2019, and the circular dated 16 August 2019.

In November 2019, the CBIRC Henan Office approved the Bank's non-public issuance of A Shares proposal. For details, please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange dated 12 November 2019.

On 20 May 2020, the Bank convened the 2019 AGM, 2020 first class meeting of the A Shareholders and 2020 first class meeting of the H Shareholders to consider and approve the resolutions in relation to the revision of the non-public issuance of A Shares, proposed to issue no more than 1 billion (inclusive) A Shares by way of non-public issuance to no more than 35 (inclusive) target investors (including Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Bridge Trust Co., Ltd. (百瑞信託有限責任公司) and Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)), and to raise a total proceeds of no more than RMB6 billion (inclusive). For details, please refer to the announcements published by the Bank on CNINFO dated 31 March 2020, 28 April 2020, and 21 May 2020 as well as the announcements published on the website of Hong Kong Stock Exchange dated 30 March 2020, 6 April 2020, and 20 May 2020, and the circular dated 28 April 2020.

On 3 July 2020, the Issuance Examination Committee of CSRC approved the Bank's application for the revised non-public issuance of A Shares. On 21 July 2020, the Bank received the Approval in relation to the Non-public Issuance of Shares by Bank of Zhengzhou Co., Ltd. (Zheng Jian Xu Ke [2020] No. 1485) (《關於核准鄭州銀行股份有限公司非公開發行股票的批覆》(證監許可[2020]1485號)) from the CSRC. For details, please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange dated 6 July 2020 and 22 July 2020.



## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

On 26 November 2020, all conditions precedent of the subscription agreements entered into in relation to the non-public issuance of A Shares came into effect, and the Bank completed the relevant registration and trading moratorium procedures with the Shenzhen branch of China Securities Depository and Clearing Corporation Limited, thereby completing the non-public issuance of A Shares. Pursuant to the non-public issuance, 1,000,000,000 A Shares with a par value of RMB1.00 each (i.e. total par value of RMB1 billion) were issued at the offering price of RMB4.64 per Share and subscribed by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Bridge Trust Co., Ltd. (百瑞信託有限責任公司), Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), and 23 other specified institutional investors. The A Shares issued were listed on the SZSE on 27 November 2020. The gross proceeds from the non-public issuance amounted to RMB4,640,000,000.00, and the actual net proceeds was RMB4,632,441,660.00 after deduction of offering expenses of RMB7,558,340.00 (excluding value-added tax), which has been fully utilized to replenish the core tier 1 capital of the Bank. For details, please refer to the announcements published by the Bank on the websites of CNINFO and Hong Kong Stock Exchange dated 26 November 2020.

### 2.1.2 Capitalization Issue

On 20 May 2020, the Bank held the 2019 AGM, the 2020 first class meeting of the A Shareholders, and the 2020 first class meeting of the H Shareholders to consider and approve the Capitalization Issue plan, pursuant to which one new Share for every 10 Shares shall be issued to the Ordinary Shareholders whose names appeared on the register of Shareholders of the Bank as at the dividend distribution registration date by way of capitalization issue, amounting to issuance of 592,193,190 Shares in total. Upon completion of the implementation of the Capitalization Issue in June 2020, the number of Ordinary Shares of the Bank changed from 5,921,931,900 to 6,514,125,090. On 30 June 2020, the Shares issued under the Capitalization Issue were listed. For details, please refer to the announcements published by the Bank on CNINFO dated 31 March 2020, 28 April 2020, 21 May 2020, and 19 June 2020 and the announcements published on the website of the Hong Kong Stock Exchange dated 30 March 2020, 6 April 2020, 20 May 2020, and 24 June 2020 and the circular dated 28 April 2020.

In August 2020, the Bank received the Approval of CBIRC Henan Office in relation to the Change of Registered Capital of Bank of Zhengzhou Co., Ltd. (Yu Yin Bao Jian Fu [2020] No. 295) (《河南銀保監局關於同意鄭州銀行股份有限公司變更註冊資本的批覆》(豫銀保監覆[2020] 295號)), which permitted the increase of the Bank's registered capital from RMB5,921,931,900 to RMB6,514,125,090 as its ordinary share capital has increased as a result of the implementation of the Capitalization Issue. In September 2020, the Bank received the Approval of CBIRC Henan Office in relation to the Amendments to the Articles of Association of Bank of Zhengzhou Co., Ltd. (Yu Yin Bao Jian Fu [2020] No. 335) (《河南銀保監局關於同意鄭州銀行股份有限公司修訂公司章程的批覆》(豫銀保監覆(2020)335號)), pursuant to which the amended Articles of Association considered at the 2019 AGM, the 2020 first class meeting of the A Shareholders and the 2020 first class meeting of the H Shareholders were approved by the CBIRC Henan Office and took effect from the date of approval. In November 2020, the Bank completed the change of the registered capital with the relevant industrial and commercial administrations and the filing of the amended Articles of Association with the relevant industrial and commercial administrations, and obtained a new business license. For details, please refer to the announcements published by the Bank on the websites of CNINFO and Hong Kong Stock Exchange dated 19 August 2020, 2 September 2020 and 27 November 2020.

## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

During the Reporting Period, the Bank did not have any corporate bonds which were publicly issued and listed on any stock exchanges.

### 2.2 Description of Changes in the Total Number of Ordinary Shares and the Composition of Shareholders, and Changes in the Structure of Assets and Liabilities

In June 2020, the Bank issued one new Share for every 10 Shares to Ordinary Shareholders by way of capitalization issue, upon which the number of Ordinary Shares of the Bank changed from 5,921,931,900 Shares to 6,514,125,090 Shares. In November 2020, the Bank completed the non-public issuance of 1 billion A Shares, upon which the total number of Ordinary Shares of the Bank changed from 6,514,125,090 Shares to 7,514,125,090 Shares. For details of the Shareholders structure of the Bank, please refer to section headed “CHANGES IN ORDINARY SHARES” in this chapter.

As at the end of the Reporting Period, the Shareholders' equity of the Bank reached RMB45,972 million, representing an increase of RMB6,080 million or 15.24% from the end of the previous year. The equity attributable to Shareholders of the Bank reached RMB44,495 million, representing an increase of RMB5,905 million or 15.30% from the end of the previous year.

### 2.3 Existing Internal Employee Shares

The existing internal employee Shares are mainly, among others, acquired by shareholders of the original urban credit cooperatives and the joint urban credit cooperative through taking part in the establishment of the Bank in 1996, and through succession. As at the end of the Reporting Period, certain Shares of the Bank were lifted from trading moratorium and listed for circulation. To date, the date of issuance, offering price and shareholdings after the circulation of the internal employee Shares could not be accurately verified.

# CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## 3 INFORMATION ON ORDINARY SHAREHOLDERS

### Number of Ordinary Shareholders and Their Shareholdings

As at the end of the Reporting Period, the total number of Ordinary Shareholders of the Bank was 112,155, among which 112,098 were holders of A Shares and 57 were holders of H Shares. As at the end of the month prior to the publication Latest Practicable Date, the total number of Ordinary Shareholders was 115,272, among which 115,216 were holders of A Shares and 56 were holders of H Shares.

The direct shareholdings of the top 10 Ordinary Shareholders of the Bank at the end of the Reporting Period are set out as follows:

Unit: Shares

Name of Shareholder	Nature of Shareholder	Class of Shares	Shareholdings percentage (%)	Number of Ordinary Shares held at the end of the Reporting Period	Changes over the Reporting Period (+/-)	Number of Ordinary Shares held subject to trading moratorium	Number of Ordinary Shares held not subject to trading moratorium	Pledged or frozen Status of Shares	Number
HKSCC Nominees Limited	Overseas legal person	H Shares	21.75	1,634,351,213	116,487,383	-	1,634,351,213	Unknown	-
Zhengzhou Finance Bureau	State-owned	A Shares	7.23	543,178,769	52,274,014	539,995,230	3,183,539	Pledged	242,990,000
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	State-owned legal person	A Shares	5.44	408,918,926	193,240,162	408,746,640	172,286	-	-
Henan Guoyuan Trade Co., Ltd. (河南國源貿易有限公司)	Domestic non state-owned legal person	A Shares	4.24	318,951,121	119,904,647	318,951,121	-	Pledged	164,450,000
Bridge Trust Co., Ltd. (百瑞信託有限公司)	State-owned legal person	A Shares	4.15	311,511,663	196,814,514	311,511,663	-	-	-
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic non state-owned legal person	A Shares	3.84	288,200,000	26,200,000	288,200,000	-	Pledged Frozen	288,200,000 288,200,000
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic non state-owned legal person	A Shares	3.66	275,000,200	25,000,200	275,000,000	200	Pledged	137,500,000
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned legal person	A Shares	3.50	263,369,118	23,942,647	263,369,118	-	-	-
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	Domestic non state-owned legal person	A Shares	3.31	248,600,000	22,600,000	248,600,000	-	Pledged	124,299,998
Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	Domestic non state-owned legal person	A Shares	1.46	110,000,000	10,000,000	110,000,000	-	Pledged	110,000,000
Henan Zhengzhong Real Estate Co., Ltd. (河南正弘置業有限公司)	Domestic non state-owned legal person	A Shares	1.46	110,000,000	10,000,000	110,000,000	-	Pledged	108,911,000

Strategic investors or ordinary legal persons becoming top 10 Shareholders by way of placing of new Shares (if any) None

Description of related party relationships or concerted actions of the above Shareholders Mr. FAN Yutao, deputy director of Zhengzhou Finance Bureau, was a director of Bridge Trust Co., Ltd. during the Reporting Period. Zhengzhou Finance Bureau wholly owns Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which in turn wholly owns Zhengzhou Investment Holdings Co., Ltd. The Bank is not aware of any related party relationship among the above other Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).

Description of entrusting/being entrusted voting rights or waiving voting rights of the above Shareholders None

Description of the top 10 Ordinary Shareholders participating in margin financing and securities lending business (if any) None

## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

The direct shareholdings of the top 10 Ordinary Shareholders not subject to trading moratorium of the Bank as at the end of the Reporting Period are set out as follow:

*Unit: Shares*

Name of Shareholder	Number of Ordinary Shares held not subject to trading moratorium at the end of the Reporting Period	Type of Shares	
		Class of Shares	Number
HKSCC Nominees Limited	1,634,351,213	H Shares	1,634,351,213
Henan Communications Industrial Development Co., Ltd. (河南交通實業發展有限公司)	46,075,157	A Shares	46,075,157
YOUNGHENG HOLDINGS LIMITED	35,268,200	H Shares	35,268,200
Henan Shenli Concrete Co., Ltd. (河南神力混凝土有限公司)	33,000,000	A Shares	33,000,000
Zhengzhou Hailong Industrial Co., Ltd. (鄭州海龍實業有限公司)	33,000,000	A Shares	33,000,000
Wugang Sino-Canada Mining Development Co., Ltd. (舞鋼中加礦業發展有限公司)	33,000,000	A Shares	33,000,000
Henan Juhe Real Estate Co., Ltd. (河南省聚合置業有限責任公司)	22,000,000	A Shares	22,000,000
Henan Zhiqiang Real Estate Co., Ltd. (河南志強置業有限公司)	22,000,000	A Shares	22,000,000
Changge Xianghe Aluminium Materials Co., Ltd. (長葛市祥合鋁材有限責任公司)	22,000,000	A Shares	22,000,000
Zhengzhou Yijian Group Co., Ltd. (鄭州一建集團有限公司)	22,000,000	A Shares	22,000,000
Henan Tian Lun Investment Holdings Company Limited (河南省天倫投資控股集團有限公司)	22,000,000	A Shares	22,000,000

Description of related party relationships or concerted actions among the top 10 Ordinary Shareholders not subject to trading moratorium, and between the top 10 Ordinary Shareholders not subject to trading moratorium and the top 10 Ordinary Shareholders

The Bank is not aware of any related party relationship among the top 10 Ordinary Shareholders not subject to trading moratorium, and between the top 10 Ordinary Shareholders not subject to trading moratorium and the top 10 Ordinary Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).

### Notes:

1. The data above is obtained from the register of Shareholders of the Bank as at 31 December 2020.
2. The Shares held by HKSCC Nominees Limited are held by it in the capacity of agent and represents the aggregate number of H Shares held by all institutional and individual investors registered in HKSCC Nominees Limited as at the end of the Reporting Period.

During the Reporting Period, none of the top 10 Ordinary Shareholders and the top 10 Ordinary Shareholders not subject to trading moratorium carried out any agreed buy-back transactions.

# CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## 4 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS

Based on the knowledge of the Directors, Supervisors and chief executive of the Bank, as at the end of the Reporting Period, the following persons, other than Directors, Supervisors and chief executive of the Bank, had, or were deemed or taken to have interests or short positions in the Shares and underlying shares which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Bank under section 336 of the SFO, details of which are set out as follows:

Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Zhengzhou Finance Bureau	A Shares	Long	Beneficial owner and interest of controlled corporation <sup>(1)</sup>	1,133,882,575	19.40	15.09
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	A Shares	Long	Beneficial owner	408,918,926	7.00	5.44
Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	A Shares	Long	Interest of controlled corporation <sup>(1)</sup>	408,918,926	7.00	5.44
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	A Shares	Long	Beneficial owner and interest of controlled corporation <sup>(2)</sup>	362,115,251	6.20	4.82
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	A Shares	Long	Beneficial owner	318,951,121	5.46	4.24
ZHU Zhihui (朱志暉)	A Shares	Long	Interest of controlled corporation <sup>(3)</sup>	318,951,121	5.46	4.24
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	A Shares	Long	Beneficial owner	311,511,663	5.33	4.15
SPIC Capital Holding Co., Ltd. (國家電投集團資本控股有限公司)	A Shares	Long	Interest of controlled corporation <sup>(4)</sup>	311,511,663	5.33	4.15
SPIC Dongfang New Energy Corp. (國家電投集團東方新能源股份有限公司)	A Shares	Long	Interest of controlled corporation <sup>(4)</sup>	311,511,663	5.33	4.15
State Power Investment Corporation Limited (國家電力投資集團有限公司)	A Shares	Long	Interest of controlled corporation <sup>(4)</sup>	311,511,663	5.33	4.15
China Goldjoy Securities Limited (中國金洋證券有限公司)	H Shares	Long	Custodian	414,891,400	24.85	5.52
Yunnan International Holding Group Limited	H Shares	Long	Beneficial owner	250,098,885	14.98	3.33
Yunnan Energy Investment (HK) Co., Limited	H Shares	Long	Interest of controlled corporation <sup>(5)</sup>	250,098,885	14.98	3.33
Yunnan Provincial Energy Investment Group Co., Ltd	H Shares	Long	Interest of controlled corporation <sup>(5)</sup>	250,098,885	14.98	3.33
Hong Kong Oriental Sage Limited (香港東智有限公司)	H Shares	Long	Beneficial owner	245,300,000	14.69	3.26
Oriental Sage Limited (東智有限公司)	H Shares	Long	Interest of controlled corporation <sup>(6)</sup>	245,300,000	14.69	3.26
Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司)	H Shares	Long	Interest of controlled corporation <sup>(7)</sup>	141,900,000	8.50	1.89
WEI Lidong (尉立東)	H Shares	Long	Interest of controlled corporation <sup>(7)</sup>	141,900,000	8.50	1.89
Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司)	H Shares	Long	Beneficial owner	110,000,000	6.59	1.46
Zhengzhou Airport Zone Xingrui Industrial Group Co., Ltd. (鄭州航空港區興瑞實業集團有限公司), formerly known as Zhengzhou Airport Zone Xingrui Industrial Co., Ltd. (鄭州航空港區興瑞實業有限公司)	H Shares	Long	Interest of controlled corporation <sup>(8)</sup>	110,000,000	6.59	1.46
Zhengzhou Airport Xinggang Investment Group Co., Ltd. (鄭州航空港興港投資集團有限公司), formerly known as Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited	H Shares	Long	Interest of controlled corporation <sup>(8)</sup>	110,000,000	6.59	1.46

## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Ltd. (深圳前海瑞茂通供應鏈平台服務有限公司)	H Shares	Long	Interest of controlled corporation <sup>9)</sup>	110,000,000	6.59	1.46
Jiangsu Jinhe Electricity and Fuel Co., Ltd. (江蘇晉和電力燃料有限公司)	H Shares	Long	Interest of controlled corporation <sup>9)</sup>	110,000,000	6.59	1.46
Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司)	H Shares	Long	Interest of controlled corporation <sup>9)</sup>	110,000,000	6.59	1.46
Zhengzhou Ruimaotong Supply Chain Management Co., Ltd. (鄭州瑞茂通供應鏈有限公司)	H Shares	Long	Interest of controlled corporation <sup>9)</sup>	110,000,000	6.59	1.46
Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司), formerly known as Henan Zhongrui Investment Co., Ltd. (河南中瑞投資有限公司)	H Shares	Long	Interest of controlled corporation <sup>9)</sup>	110,000,000	6.59	1.46
Henan Zhongrui Holding Co., Ltd. (河南中瑞控股有限公司)	H Shares	Long	Interest of controlled corporation <sup>9)</sup>	110,000,000	6.59	1.46
Zhengzhou Ruichang Enterprise Management Consulting Co., Ltd. (鄭州瑞昌企業管理諮詢有限公司)	H Shares	Long	Interest of controlled corporation <sup>9)</sup>	110,000,000	6.59	1.46
WAN Yongxing (萬永興)	H Shares	Long	Interest of controlled corporation <sup>9)</sup>	110,000,000	6.59	1.46
Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司)	H Shares	Long	Beneficial owner <sup>9)</sup>	110,000,000	6.59	1.46
Haitong International Financial Products (Singapore) Pte. Ltd.	H Shares	Long	Person having a security interest <sup>10)</sup>	110,000,000	6.59	1.46
Haitong International Securities Group (Singapore) Pte. Ltd.	H Shares	Long	Person having a security interest Interest of controlled corporation <sup>10)</sup>	110,000,000	6.59	1.46
Haitong International Securities Group Limited	H Shares	Long	Person having a security interest Interest of controlled corporation <sup>11)</sup>	118,000,000	7.07	1.57
Haitong International Holdings Limited	H Shares	Long	Person having a security interest Interest of controlled corporation <sup>11)</sup>	118,000,000	7.07	1.57
Haitong Securities Co., Ltd.	H Shares	Long	Person having a security interest Interest of controlled corporation <sup>11)</sup>	118,000,000	7.07	1.57
CITIC Securities Company Limited	H Shares	Long	Interest of controlled corporation <sup>12)</sup>	574,693,936	34.42	7.65
	H Shares	Short	Interest of controlled corporation <sup>12)</sup>	568,846,654	34.07	7.57
Goncius I Limited	H Shares	Long	Beneficial owner <sup>13)</sup>	115,501,859	6.92	1.54
	H Shares	Short	Beneficial owner <sup>13)</sup>	115,501,859	6.92	1.54
Chinalines Holding Group Co., Ltd. (華華控股集團有限公司)	H Shares	Long	Beneficial owner	92,466,000	5.54	1.23
Shenzhen Chinalines Industrial Co., Ltd. (深圳華華實業有限公司)	H Shares	Long	Interest of controlled corporation <sup>14)</sup>	92,466,000	5.54	1.23
Shenzhen Xincheng Huaxiang Industrial Co., Ltd. (深圳新成華翔實業有限公司)	H Shares	Long	Interest of controlled corporation <sup>14)</sup>	92,466,000	5.54	1.23
XIE Tinggui (謝廷貴)	H Shares	Long	Interest of controlled corporation <sup>14)</sup>	92,466,000	5.54	1.23
YAO Jianhui (姚建輝)	H Shares	Long	Interest of controlled corporation <sup>15)</sup>	93,548,000	5.60	1.24
Huarong International Financial Holdings Limited	H Shares	Long	Beneficial owner <sup>16)</sup>	90,957,714	5.45	1.21
China Huarong Asset Management Co., Ltd.	H Shares	Long	Interest of controlled corporation <sup>16)</sup>	90,957,714	5.45	1.21

## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

As far as the Bank is aware, the above number of Shares represents the respective Shareholders' interests and short positions as at the end of the Reporting Period, but the relevant number of Shares and information may be different from the summary of DI Forms submitted to the Hong Kong Stock Exchange by relevant Shareholders. This is mainly because the Bank made the calculation based on public information disclosed such as summary of DI Forms and the register of members of the Bank as well as the issuance of one Share for every 10 Shares in accordance with the 2019 Capitalization Issue plan completed on 30 June 2020.

### Notes:

1. These 1,133,882,575 Shares are directly or indirectly held by Zhengzhou Finance Bureau, including 543,178,769 Shares directly held by Zhengzhou Finance Bureau, 408,918,926 Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), 71,784,880 Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), 55,000,000 Shares held by Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and 55,000,000 Shares held by Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) is wholly-owned by Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which is in turn wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局). Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) are directly or indirectly wholly-owned by Zhengzhou Finance Bureau. By virtue of the SFO, Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) is deemed to be interested in the Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), while Zhengzhou Finance Bureau is deemed to be interested in the Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Mr. FAN Yutao (樊玉濤), a non-executive Director of the Bank, is the deputy director of Zhengzhou Finance Bureau.
2. These 362,115,251 Shares are directly or indirectly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司), including 98,746,133 Shares directly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and 263,369,118 Shares held through Zhongyuan Trust Co., Ltd. (中原信託有限公司). Zhongyuan Trust Co., Ltd. (中原信託有限公司) is held as to 58.97% by Henan Investment Group Co., Ltd. (河南投資集團有限公司). By virtue of the SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司) is deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). Mr. JI Hongjun (姬宏俊), a non-executive Director of the Bank, is a vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司).
3. Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is owned as to 90% and 10% by Mr. ZHU Zhihui and his spouse Ms. WANG Linhui, respectively. By virtue of the SFO, Mr. ZHU Zhihui is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司). Mr. ZHU Zhihui, a Supervisor of the Bank, is the legal representative, executive director and general manager of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司).
4. Bridge Trust Co., Ltd. (百瑞信託有限責任公司) is owned as to 50.24% by SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), which is in turn wholly-owned by SPIC Dongfang New Energy Corp. (國家電投集團東方新能源股份有限公司), while SPIC Dongfang New Energy Corp. (國家電投集團東方新能源股份有限公司) is owned as to 58.10% by State Power Investment Corporation Limited (國家電力投資集團有限公司). By virtue of the SFO, SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), SPIC Dongfang New Energy Corp. (國家電投集團東方新能源股份有限公司) and State Power Investment Corporation Limited (國家電力投資集團有限公司) are deemed to be interested in the Shares held by Bridge Trust Co., Ltd. (百瑞信託有限責任公司). Mr. FAN Yutao (樊玉濤), a non-executive Director of the Bank, had been a director of Bridge Trust Co., Ltd. (百瑞信託有限責任公司) during the Reporting Period.
5. These 250,098,885 Shares are directly held by Yunnan International Holding Group Limited, which is owned as to 40% by Yunnan Energy Investment (HK) Co., Limited, while Yunnan Energy Investment (HK) Co., Limited is wholly-owned by Yunnan Provincial Energy Investment Group Co., Ltd. By virtue of the SFO, Yunnan Energy Investment (HK) Co., Limited and Yunnan Provincial Energy Investment Group Co., Ltd. are deemed to be interested in the Shares held by Yunnan International Holding Group Limited.

## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

6. These 245,300,000 Shares are directly held by Hong Kong Oriental Sage Limited (香港東智有限公司), which is wholly-owned by Oriental Sage Limited (東智有限公司). By virtue of the SFO, Oriental Sage Limited (東智有限公司) is deemed to be interested in the Shares held by Hong Kong Oriental Sage Limited (香港東智有限公司).
7. Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) is owned as to 99.90% by Mr. WEI Lidong (尉立東) and Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) holds a total of 141,900,000 Shares through certain subsidiaries. By virtue of the SFO, Mr. WEI Lidong (尉立東) is deemed to be interested in the Shares held by Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司).
8. Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司) (“**Hong Kong Xingrui**”) is wholly-owned by Zhengzhou Airport Zone Xingrui Industrial Group Co., Ltd. (鄭州航空港區興瑞實業集團有限公司), formerly known as Zhengzhou Airport Zone Xingrui Industrial Co., Ltd. (鄭州航空港區興瑞實業有限公司) (“**Xingrui Industrial**”), being a state-owned company under the Zhengzhou Airport Zone Economic Integrated Experimental Zone (Zhengzhou Xinzheng Integrated Free Trade Zone) Management Committee (鄭州航空港經濟綜合實驗區(鄭州新鄭綜合保稅區)管理委員會), formerly known as Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Management Committee (鄭州新鄭綜合保稅區(鄭州航空港區)管理委員會)). Xingrui Industrial is owned as to 51% and 49% by Zhengzhou Airport Xinggang Investment Holdings Co., Ltd. (鄭州航空港興港投資集團有限公司) (formerly known as: Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Ltd. (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司)) (“**Zhengzhou Xinggang**”), and Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Ltd. (深圳前海瑞茂通供應鏈平台服務有限公司) (“**Ruimaotong**”). Ruimaotong is wholly-owned by Jiangsu Jinhe Electricity and Fuel Co., Ltd. (江蘇晉和電力燃料有限公司) (“**Jiangsu Jinhe**”), which is in turn wholly owned by a company (being listed on the Shanghai Stock Exchange) under Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司) (“**Ruimaotong Supply Chain Management**”). Ruimaotong Supply Chain Management is owned as to 57.65% by Zhengzhou Ruimaotong Supply Chain Management Co., Ltd. (鄭州瑞茂通供應鏈有限公司) (“**Zhengzhou Ruimaotong**”), which is wholly-owned by Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司) (formerly known as Henan Zhongrui Investment Co., Ltd. (河南中瑞投資有限公司) (“**Zhengzhou Zhongrui**”). Zhengzhou Zhongrui is owned as to 90% by Henan Zhongrui Holding Co., Ltd. (河南中瑞控股有限公司) (“**Henan Zhongrui Holding**”), while Henan Zhongrui Holding is wholly-owned by Zhengzhou Ruichang Enterprise Management Consulting Co., Ltd. (鄭州瑞昌企業管理諮詢有限公司) (“**Zhengzhou Ruichang**”), which is owned as to 70% by Mr. WAN Yongxing (萬永興). By virtue of the SFO, each of Xingrui Industrial, Zhengzhou Xinggang, Ruimaotong, Jiangsu Jinhe, Ruimaotong Supply Chain Management, Zhengzhou Ruimaotong, Zhengzhou Zhongrui, Henan Zhongrui Holding, Zhengzhou Ruichang and Mr. WAN Yongxing are deemed to be interested in the Shares held by Hong Kong Xingrui.
9. Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司) was established by the Zhengzhou Zhengdong New District Management Committee (鄭州鄭東新區管理委員會).
10. Haitong International Financial Product (Singapore) Pte. Ltd. has a security interest in these 110,000,000 Shares. Haitong International Financial Products (Singapore) Pte. Ltd. is wholly-owned by Haitong International Securities Group (Singapore) Pte. Ltd., which is in turn wholly-owned by Haitong International (BVI) Limited. By virtue of the SFO, Haitong International Securities Group (Singapore) Pte. Ltd. and Haitong International (BVI) Limited are deemed to be interested in the Shares held by Haitong International Financial Products (Singapore) Pte. Ltd.
11. 8,000,000 Shares are directly held by Haitong International Securities Company Limited, which is wholly-owned by Haitong International (BVI) Limited. By virtue of the SFO, Haitong International (BVI) Limited is deemed to be interested in the Shares held by Haitong International Securities Company Limited. As mentioned in note 10 of this table, Haitong International Securities Group (Singapore) Pte. Ltd. is wholly-owned by Haitong International (BVI) Limited. Accordingly, Haitong International (BVI) Limited is deemed to be interested in a total of 118,000,000 Shares. Haitong International (BVI) Limited is wholly-owned by Haitong International Securities Group Limited, which is 64.40% owned by Haitong International Holdings Limited, which is in turn wholly-owned by Haitong Securities Co., Ltd. By virtue of the SFO, Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd. are all deemed to be interested in a total of 118,000,000 Shares held by Haitong International Financial Products (Singapore) Pte. Ltd. and Haitong International Securities Company Limited.



## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

12. CITIC Securities Company Limited held 574,693,936 H Shares (long position) of the Bank and 568,846,654 H Shares (short position) of the Bank through certain of its wholly-owned subsidiaries. These 574,693,936 H Shares (long position) and 568,846,654 H Shares (short position) involve derivatives in the classes below:

285,939,289 H Shares (long position)	– Convertible instruments (on-exchange transaction)
288,754,647 H Shares (long position) and 568,846,654 H Shares (short position)	– Settled in cash (curb trading)

13. These 115,501,859 H Shares (long position) and 115,501,859 H Shares (short position) held by Goncius I Limited involve derivatives in the classes below:

115,501,859 H Shares (long position)	– Convertible instruments (on-exchange transaction)
115,501,859 H Shares (short position)	– Settled in cash (curb trading)

As the relevant interests involve derivatives, the information disclosed has not taken into account the calculation made by the Bank regarding the issuance of one Share for every 10 Shares held pursuant to the Capitalization Issue completed during the Reporting Period.

14. These 92,466,000 Shares are directly held by Chinalines Holding Group Co., Ltd. (萊華控股集團有限公司), which is in turn wholly-owned by Shenzhen Chinalines Industrial Co., Ltd. (深圳萊華實業有限公司), while Shenzhen Chinalines Industrial Co., Ltd. (深圳萊華實業有限公司) is owned as to 68.75% and 30.63% by Shenzhen Xincheng Huaxiang Industrial Co., Ltd. (深圳新成華翔實業有限公司) and Mr. YAO Jianhui (姚建輝), and Shenzhen Xincheng Huaxiang Industrial Co., Ltd. (深圳新成華翔實業有限公司) is owned as to 70% by Mr. XIE Tinggui (謝廷貴). By virtue of the SFO, Shenzhen Chinalines Industrial Co., Ltd. (深圳萊華實業有限公司), Shenzhen Xincheng Huaxiang Industrial Co., Ltd. (深圳新成華翔實業有限公司), Mr. YAO Jianhui (姚建輝) and Mr. XIE Tinggui (謝廷貴) are deemed to be interested in the Shares held by Chinalines Holding Group Co., Ltd. (萊華控股集團有限公司).

15. The 1,082,000 Shares are directly held by Tinmark Development Limited, which is in turn wholly-owned by Mr. YAO Jianhui (姚建輝). By virtue of the SFO, Mr. YAO Jianhui (姚建輝) is deemed to be interested in the Shares held by Tinmark Development Limited. As mentioned from note 14 of this table, Mr. YAO Jianhui (姚建輝) is deemed to be interested in the Shares held by Chinalines Holding Group Co., Ltd. (萊華控股集團有限公司). Accordingly, Mr. YAO Jianhui (姚建輝) is deemed to be interested in 93,548,000 Shares.

16. Huarong International Financial Holdings Limited is owned as to 51% by Camellia Pacific Investment Holding Limited, which is wholly-owned by China Huarong International Holdings Limited. China Huarong International Holdings Limited is owned as to 88.10% and 11.90% by Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd., respectively, while Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd. are both wholly owned by China Huarong Asset Management Co., Ltd. By virtue of the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Huarong International Financial Holdings Limited. Furthermore, such 90,957,714 H Shares (long position) involve derivatives in the class below:

90,957,714 H Shares (long position)	– Others (on-exchange transaction)
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As the relevant interests involve derivatives, the information disclosed has not taken into account the calculation made by the Bank regarding the issuance of one Share for every 10 Shares held pursuant to the Capitalization Issue completed during the Reporting Period.

Save as disclosed above, as at the end of the Reporting Period, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive of the Bank) having any interests or short positions in the Shares or underlying shares as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

# CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## 5 INFORMATION ON CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As at the end of the Reporting Period, the Bank did not have any controlling Shareholders or de facto controllers.

## 6 SUBSTANTIAL SHAREHOLDERS

### 6.1 Holders with 5% or More Shareholding in the Bank

Zhengzhou Finance Bureau: Unified Social Credit Code is 11410100005252522X; the person in charge is Mr. ZHAO Xinmin (趙新民). As at the end of the Reporting Period, Zhengzhou Finance Bureau directly held 543,178,769 A Shares, accounting for 7.23% of the total issued Ordinary Shares of the Bank. In addition, Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) which are directly or indirectly wholly owned by Zhengzhou Finance Bureau hold a total of 590,703,806 A Shares. These Shares in total accounted for 1,133,882,575 A Shares and 15.09% of the total issued Ordinary Shares of the Bank. Mr. FAN Yutao, a non-executive Director of the Bank, is the deputy director of Zhengzhou Finance Bureau. The related parties of Zhengzhou Finance Bureau include Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), and Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司). The ultimate beneficiary of Zhengzhou Finance Bureau is itself.

Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司): incorporated on 25 October 2005; the registered capital is RMB3.51 billion; the Unified Social Credit Code is 91410100780545414U; the legal representative is Mr. LIANG Songwei (梁嵩巍); the main business scope covers investment and management of state-owned assets, real estate development and sales as well as house leasing. As at the end of the Reporting Period, Zhengzhou Investment Holdings Co., Ltd. held 408,918,926 A Shares, accounting for 5.44% of the total issued Ordinary Shares of the Bank. Mr. LIANG Songwei, a non-executive Director of the Bank, is the chairman and general manager of Zhengzhou Investment Holdings Co., Ltd. The controlling shareholder of Zhengzhou Investment Holdings Co., Ltd. is Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), and the de facto controller is Zhengzhou Finance Bureau. Related parties include Zhengzhou State-owned Holding Xicheng Construction Co., Ltd. (鄭州國控西城建設有限公司), Zhengzhou National Investment Real Estate Co., Ltd. (鄭州國投置業有限公司) and Zhengzhou Industry Development Guidance Fund Co., Ltd. (鄭州市產業發展引導基金有限公司), etc. The ultimate beneficiary of Zhengzhou Investment Holdings Co., Ltd. is itself.

*Note:* As at the end of the Reporting Period, Henan Investment Group Co., Ltd. (河南投資集團有限公司) directly held 98,746,133 A Shares, and Zhongyuan Trust Co., Ltd. (中原信託有限公司), which is controlled by Henan Investment Group Co., Ltd. (河南投資集團有限公司), directly held 263,369,118 A Shares. The two companies held 362,115,251 A Shares in total. In November 2020, the Bank completed the non-public issuance of A Shares, upon which the total number of Ordinary Shares increased from 6,514,125,090 Shares to 7,514,125,090 Shares, and the total shareholding of Henan Investment Group Co., Ltd. (河南投資集團有限公司) decreased from 5.56% to 4.82%.

# CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## 6.2 Other Substantial Shareholders

According to the requirement of the Provisional Measures on the Management of the Equity of Commercial Banks 《商業銀行股權管理暫行辦法》 (Former CBRC Order 2018 No. 1), information on other substantial Shareholders is as below:

Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司): incorporated on 5 December 2005; the registered capital is RMB200 million; the Unified Social Credit Code is 91410100783405337J; the legal representative is Mr. ZHU Zhihui (朱志暉); the main business scope covers the sales of building and decorative materials, mechanical and electrical products (excluding automobiles), hardware and electrical equipment etc.; house leasing; wholesale and retail as well as pre-packaged food. As at the end of the Reporting Period, Henan Guoyuan Trade Co., Ltd. held 318,951,121 A Shares, accounting for 4.24% of the total issued Ordinary Shares of the Bank. Mr. ZHU Zhihui, a Supervisor of the Bank, is the legal representative, executive director and general manager of Henan Guoyuan Trade Co., Ltd. The controlling shareholder and de facto controller of Henan Guoyuan Trade Co., Ltd. is Mr. ZHU Zhihui. Related parties include Zhengzhou Huida Industrial Development Co., Ltd. (鄭州暉達實業發展有限公司), Henan Huida Construction & Investment Co., Ltd. (河南暉達建設投資有限公司) and Huida Holdings Co., Ltd. (暉達控股有限公司), etc. The ultimate beneficiary of Henan Guoyuan Trade Co., Ltd. is itself.

Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司): incorporated on 31 December 1998; the registered capital is RMB200 million; the Unified Social Credit Code is 914101001699781784; the legal representative is Mr. Huang Kefei (黃可飛); the main business scope covers the development and operation of real estate (licensed), sales of building materials and house leasing. As at the end of the Reporting Period, Henan Xingye Real Estate Development Co., Ltd. held 275,000,200 A Shares, accounting for 3.66% of the total issued Ordinary Shares of the Bank. The controlling shareholder of Henan Xingye Real Estate Development Co., Ltd. is Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展集團有限責任公司). The de facto controller is Ms. ZHANG Huiqi (張惠琪), who is the daughter, being above the age of 18, of Mr. ZHANG Jiangguo (張敬國), a non-executive Director of the Bank. Related parties include Henan Zensun Enterprise Development Co., Ltd., Henan Zensun Property Co., Ltd. (河南正商置業有限公司), Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程集團有限公司), etc. The ultimate beneficiary of Henan Xingye Real Estate Development Co., Ltd. is itself.

Zhongyuan Trust Co., Ltd. (中原信託有限公司): incorporated on 27 November 2002; the registered capital is RMB4 billion; the Unified Social Credit Code is 91410000169953018F; the legal representative is Mr. ZHAO Weihua (趙衛華); the main business scope covers the trusting of funds, movable property, immovable property, negotiable securities, other property or property rights; and engaged in the investment fund business, etc. as an investment fund or a sponsor of a fund management company. As at the end of the Reporting Period, Zhongyuan Trust Co., Ltd. held 263,369,118 A Shares, accounting for 3.50% of the total issued Ordinary Shares of the Bank. Mr. JI Hongjun (姬宏俊), a non-executive Director of the Bank, is the vice president of Zhongyuan Trust Co., Ltd. The controlling shareholder of Zhongyuan Trust Co., Ltd. is Henan Investment Group Co., Ltd. (河南投資集團有限公司), and the de facto controller is Henan Provincial Department of Finance (河南省財政廳). Related parties include Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) and Great Wall Fund Management Co., Ltd. (長城基金管理有限公司). The ultimate beneficiary of Zhongyuan Trust Co., Ltd. is itself.

*Note:* The legal representative of Zhongyuan Trust Co., Ltd. (中原信託有限公司) has been changed from Mr. CUI Zejun (崔澤軍) to Mr. ZHAO Weihua (趙衛華). The change of industrial and commercial registration was completed and the business license was obtained on 4 February 2021.

## CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### **7 RESTRICTIONS ON REDUCTION OF SHAREHOLDINGS OF CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS, PARTIES TO RESTRUCTURING OR OTHER ENTITIES WITH UNDERTAKINGS**

During the Reporting Period, the Bank had no cases involving restrictions on reduction of shareholdings of controlling Shareholders, de facto controllers, parties to restructuring or other entities with undertakings.

### **8 PLEDGE AND FREEZING OF SHARES OF THE BANK**

As at the end of the Reporting Period, to the knowledge of the Bank, 2,037,826,797 Ordinary Shares of the Bank (accounting for 27.12% of the total issued Ordinary Shares) were subject to pledges and 312,206,450 Ordinary Shares were subject to freezing. No Shares were subject to judicial auction during the Reporting Period. The Bank has no controlling Shareholders and therefore, there is no pledging of Shares of the Bank by controlling Shareholders.

# CHAPTER V PREFERENCE SHARES

## 1 ISSUANCE AND LISTING OF PREFERENCE SHARES IN THE LAST THREE YEARS AS AT THE END OF THE REPORTING PERIOD

The Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,191 million at a dividend rate of 5.50% on 18 October 2017 through a private offering in the overseas market. The Offshore Preference Shares (abbreviation of preference share: ZZBNK 17USDPREF; stock code: 04613) were listed on the Hong Kong Stock Exchange on 19 October 2017 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 59,550,000, all of which were issued and fully paid in US dollars.

Based on the Renminbi central parity rate against the US dollar published by the China Foreign Exchange Trade System on 18 October 2017, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB7,860 million. Pursuant to applicable laws and regulations and approval from the CBIRC, the CSRC and other relevant regulatory authorities, the proceeds raised from the Offshore Preference Shares issuance, after deduction of the issuance expenses, have been fully utilized to replenish the additional tier-one capital of the Bank, which is consistent with the specific use disclosed previously.

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to the relevant announcements and circulars of the Bank published on the websites of the Hong Kong Stock Exchange and the Bank.

## 2 NUMBER OF SHAREHOLDERS OF OFFSHORE PREFERENCE SHARES AND PARTICULARS OF SHAREHOLDING

As at the end of the Reporting Period, the total number of holders (or nominees) of Offshore Preference Shares of the Bank was one. As at the end of the month prior to the publication Latest Practicable Date, the total number of holders (or nominees) of Offshore Preference Shares was one.

The following table sets out shareholdings of the top 10 shareholders of Offshore Preference Shares (or nominees) of the Bank as at the end of the Reporting Period:

*Unit: Shares*

Name of shareholder	Type of shareholder	Shareholding percentage <sup>(3)</sup> (%)	Number of shares held as at the end of the Reporting Period	Changes over the Reporting Period	Number of shares held subject to trading moratorium	Number of shares held without trading moratorium	Shares pledged or frozen	
							Status of shares	Number
The Bank of New York Depository (Nominees) Limited	Overseas legal person	100	59,550,000	-	-	59,550,000	Unknown	Unknown
Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution				None				
Description of the related party relationships or concerted actions among top 10 shareholders of preference shares and between top 10 shareholders of preference shares and top 10 Ordinary Shareholders				The Bank is not aware of any related party relationships between the above shareholders of preference shares and the top 10 Ordinary Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).				

## CHAPTER V PREFERENCE SHARES

*Notes:*

1. The above data are based on the register of the shareholders of Offshore Preference Shares of the Bank as at 31 December 2020.
2. The above Offshore Preference Shares were issued through a private offering, information of nominees of the allottees was recorded on the register of shareholders of preference shares.
3. “Shareholding percentage” refers to the percentage of Offshore Preference Shares held by shareholders of preference shares in the total issued Offshore Preference Shares.

### 3 PROFIT DISTRIBUTION OF OFFSHORE PREFERENCE SHARES

The dividend on the Offshore Preference Shares is paid in cash on an annual basis. After receiving the dividends at the prescribed dividend rate, the shareholders of preference shares shall not be entitled to any distribution of residual profits of the Bank together with the Ordinary Shareholders. The Bank shall have the right to cancel dividends in whole or in part and this will not constitute an event of default. Any amount of dividends not paid to the shareholders of preference shares in full by the Bank will not be accumulated to the following dividend period. During the Reporting Period, the Bank did not adjust or change its profit distribution policy for preference shares.

During the Reporting Period, as considered and approved at the meeting of the Board of the Bank held on 28 August 2020, the Bank distributed the dividends on the Offshore Preference Shares pursuant to the terms of the Offshore Preference Shares. The total dividends on the Offshore Preference Shares distributed by the Bank amounted to US\$72,783,333.33, of which US\$65,505,000 was paid to the holders of Offshore Preference Shares at a coupon dividend rate of 5.50%, and US\$7,278,333.33 was withheld as the income tax. Relevant taxes were covered by the Bank. For details, please refer to the announcements dated 31 August 2020 published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange. On 19 October 2020, the Bank completed the dividend payment of Offshore Preference Shares. Such dividend distribution of Offshore Preference Shares is in compliance with the dividend distribution conditions and relevant procedures.

The Bank will hold a Board meeting at least ten working days prior to the next dividend payment date of the Offshore Preference Shares (i.e. 18 October 2021) to consider issues related to the dividend payment and issue announcement to notify holders of the Offshore Preference Shares.

## CHAPTER V PREFERENCE SHARES

### Distribution of Offshore Preference Shares for the Past Three Years

Unit: RMB'000

Year of distribution	Distributed amount (tax inclusive)	Net profit attributable to Ordinary Shareholders of the Bank under the consolidated financial statements for the distribution year	Percentage to the net profit attributable to Ordinary Shareholders of the Bank under the consolidated financial statements (%)	Explanation of shortfall accumulating to the next accounting year due to insufficient distributable profits or portion that can be allocated to remaining profit distribution
2020	493,442	3,167,567	15.58	–
2019	512,790	3,285,122	15.61	–
2018	502,343	3,058,831	16.42	–

#### 4 REPURCHASE OR CONVERSION OF OFFSHORE PREFERENCE SHARES

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

#### 5 RESUMPTION AND EXERCISE OF VOTING RIGHTS OF OFFSHORE PREFERENCE SHARES DURING THE REPORTING PERIOD

During the Reporting Period, and between the end of the Reporting Period and the end of the month prior to the publication Latest Practicable Date, no voting rights of the Offshore Preference Shares were resumed or exercised.

#### 6 ACCOUNTING POLICIES ADOPTED FOR OFFSHORE PREFERENCE SHARES AND REASONS

In accordance with Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments and Rules on the Difference between Financial Liabilities and Equity Instruments and Relevant Accounting Treatment promulgated by the MOF, as well as International Financial Reporting Standards No. 9 – Financial Instruments and International Accounting Standards No. 32 – Financial Instruments: Presentation, the provisions of the issued and existing Offshore Preference Shares conform to the requirements as equity instruments, and will be calculated as equity instruments.

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## 1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DIRECT SHAREHOLDINGS

### Directors

Name	Gender	Date of birth	Position	Status	Term of Office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period (Shares)	Increase in the number of Shares held during the Reporting Period (Shares)	Decrease in the number of Shares held during the Reporting Period (Shares)	Other increase and decrease (Shares)	Number of Shares held as at the end of the Reporting Period (Shares)
WANG Tianyu (王天宇)	M	March 1966	Chairman	In office	2011.3.9-2021.6.14	A Shares	25,003	2,500	-	-	27,503
			Executive Director	In office	2005.12.16-2021.6.14						
SHEN Xueqing (申學清)	M	July 1965	President	In office	Since 2012.4.5	-	-	-	-	-	-
			Executive Director	In office	2012.7.12-2021.6.14						
XIA Hua (夏華)	M	August 1967	Vice Chairman	In office	2020.7.2-2021.6.14	-	-	-	-	-	-
			Executive Director	In office	2020.7.2-2021.6.14						
FAN Yutao (樊玉濤)	M	May 1966	Non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-
ZHANG Jingguo (張敬國)	M	July 1963	Non-executive Director	In office	2012.7.12-2021.6.14	-	-	-	-	-	-
Ji Hongjun (姬宏俊)	M	June 1963	Non-executive Director	In office	2012.7.12-2021.6.14	-	-	-	-	-	-
LIANG Songwei (梁嵩巍)	M	August 1968	Non-executive Director	In office	2012.7.12-2021.6.14	-	-	-	-	-	-
WANG Shihao (王世家)	M	April 1950	Non-executive Director	In office	2018.7.5-2021.6.14	-	-	-	-	-	-
XIE Taifeng (謝太峰)	M	August 1958	Independent non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-
WU Ge (吳革)	M	May 1967	Independent non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-
CHAN Mei Bo Mabel (陳美貴)	F	November 1971	Independent non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-
LI Yanyan (李燕燕)	F	January 1968	Independent non-executive Director	In office	2018.7.5-2021.6.14	-	-	-	-	-	-
FENG Tao (馮濤)	M	September 1963	Vice Chairman	Resigned	2016.8.4-2020.4.24	-	-	-	-	-	-
			Executive Director	Resigned	2016.8.4-2020.4.24						

### Notes:

1. The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.
2. The increase in the number of Shares is due to the completion of the Capitalization Issue by the Bank by way of issuing one Share for every 10 Shares on 30 June 2020.



# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## Supervisors

Name	Gender	Date of birth	Position	Status	Term of Office	Class of Shares	Number of	Increase	Decrease	Other increase and decrease	Number of
							Shares held as at the beginning of the Reporting Period (Shares)	in the number of Shares held during the Reporting Period (Shares)	in the number of Shares held during the Reporting Period (Shares)		Shares held as at the end of the Reporting Period (Shares)
ZHAO Lijuan (赵麗娟)	F	September 1962	Chairwoman of the Board of Supervisors	In office	2016.6.17-2021.6.14	-	-	-	-	-	-
			Employee Supervisor	In office	2018.6.15-2021.6.14	-	-	-	-	-	-
ZHU Zhihui (朱志輝)	M	August 1969	Shareholder Supervisor	In office	2015.6.18-2021.6.14	-	-	-	-	-	-
MA Baojun (馬寶軍)	M	March 1963	External Supervisor	In office	2018.1.19-2021.6.14	-	-	-	-	-	-
SONG Ke (宋科)	M	April 1982	External Supervisor	In office	2017.5.19-2021.6.14	-	-	-	-	-	-
CHENG Jie (成潔)	F	December 1968	Employee Supervisor	In office	2018.6.15-2021.6.14	A Shares	6,309	631	-	-	6,940
LI Hualbin (李懷斌)	M	September 1969	Employee Supervisor	In office	2018.6.15-2021.6.14	-	-	-	-	-	-

*Note:* The increase in the number of Shares is due to the completion of the Capitalization Issue by the Bank by way of issuing one Share for every 10 Shares on 30 June 2020.

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## Senior Management

Name	Gender	Date of birth	Position	Status	Term of Office	Class of Shares	Number of	Increase	Decrease	Number of
							Shares held as at the beginning of the Reporting Period (Shares)	in the number of Shares held during the Reporting Period (Shares)	in the number of Shares held during the Reporting Period (Shares)	
SHEN Xueqing (申學清)	M	July 1965	President	In office	Since 5 April 2012	-	-	-	-	-
GUO Zhibin (郭志彬)	M	October 1968	Vice President	In office	Since 30 December 2015	A Shares	37,320	3,732	-	41,052
SUN Haigang (孫海剛)	M	August 1977	Vice President	In office	Since 28 February 2018	-	-	-	-	-
ZHANG Wenjian (張文建)	M	June 1965	Vice President	In office	Since 28 February 2018	-	-	-	-	-
FU Chunqiao (傅春喬)	M	October 1973	Vice President	In office	Since 29 March 2019	-	-	-	-	-
			Secretary of the Board	In office	Since 18 October 2013	-	-	-	-	-
LI Lei (李磊)	M	August 1973	Assistant to President	In office	Since 21 November 2017	A Shares	74,344	7,434	-	81,778
ZHANG Houlin (張厚林)	M	June 1976	Assistant to President	In office	Since 21 November 2017	-	-	-	-	-
LI Hong (李紅)	F	February 1973	Assistant to President	In office	Since 29 March 2019	A Shares	26,746	2,675	-	29,421
LIU Jiuqing (劉久慶)	M	March 1978	Assistant to President	In office	Since 29 March 2019	-	-	-	-	-
JIANG Tao (姜濤)	M	April 1972	Chief Information Officer	In office	Since 31 December 2015	A Shares	5,000	500	-	5,500
WANG Yanli (王艷麗)	F	October 1970	Chief Risk Officer	In office	Since 12 February 2018	A Shares	111,515	11,151	-	122,666
WANG Zhaoqi (王兆琪)	F	November 1967	Chief Auditor	In office	Since 8 March 2018	A Shares	70,617	7,062	-	77,679
XIA Hua (夏華)	M	August 1967	Vice President	Resigned	2012.2.6-2020.7.7	-	-	-	-	-

### Notes:

- The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.
- The increase in the number of Shares is due to the completion of the Capitalization Issue by the Bank by way of issuing one Share for every 10 Shares on 30 June 2020.

The table above discloses the Shares directly held by the Directors, the Supervisors and senior management of the Bank. For the interests and short positions that the Directors, Supervisors and chief executive have in the Bank under the SFO and in accordance with the Stock Exchange Listing Rules, please refer to the chapter headed “Report of the Board of Directors”.

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## 2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reason
FENG Tao (馮濤)	Vice Chairman, Executive Director	Resigned	24 April 2020	Resigned due to age
XIA Hua (夏華)	Vice Chairman, Executive Director	Elected	2 July 2020	Work adjustment
XIA Hua (夏華)	Vice Chairman	Resigned	7 July 2020	Work adjustment

On 24 April 2020, Mr. FENG Tao resigned from the posts of vice chairman and executive Director of the Bank due to age. For details, please refer to the announcement dated 27 April 2020 published by the Bank on the website of CNINFO and the announcement dated 26 April 2020 published by the Bank on the website of the Hong Kong Stock Exchange.

On 24 April 2020, the Board considered and approved to appoint Mr. XIA Hua as an executive Director candidate of the sixth session of the Board of the Bank. On 20 May 2020, it was considered and approved at the 2019 AGM of the Bank to appoint Mr. XIA Hua as executive Director of the sixth session of the Board of the Bank. On 20 May 2020, the Board considered and approved to appoint Mr. XIA Hua as vice chairman of the Bank. The qualifications of Mr. XIA as executive Director and vice chairman were approved by the CBIRC Henan Office on 2 July 2020. For details, please refer to the announcements dated 27 April 2020, 21 May 2020 and 7 July 2020 published by the Bank on the website of CNINFO and the announcements dated 26 April 2020, 27 April 2020, 20 May 2020 and 6 July 2020 published by the Bank on the website of the Hong Kong Stock Exchange.

On 7 July 2020, Mr. XIA Hua resigned from the post of vice chairman of the Bank due to work adjustment. For details, please refer to the announcements dated 8 July 2020 published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange.

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

### 3 CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

Mr. FAN Yutao, a non-executive Director, has ceased to serve as a director of Bridge Trust Co., Ltd. (百瑞信託有限責任公司) since August 2020. The Bank was informed during the Reporting Period that Mr. LIANG Songwei, a non-executive Director, has been serving as vice chairman of Zhengzhou Xinghe Cultural Development Co., Ltd. (鄭州星河文化發展有限公司) since August 2019, and Mr. WANG Shihao, a non-executive Director, has been serving as independent director of Shanghai Shinovation Capital Corporation Co., Ltd. (上海城創投資管理股份有限公司) since January 2019.

Mr. XIE Taifeng, an independent non-executive Director, has been serving as an independent director of Everbright Xinglong Trust Co., Ltd. (光大興隴信託有限責任公司) since January 2021. The Bank was informed during the Reporting Period that Mr. WU Ge, an independent non-executive Director, has been serving as deputy director of the Constitution and Administrative Law Committee of the All China Lawyers Association since 2019 and has ceased to serve as director of the Constitutional and Human Rights Committee of the All China Lawyers Association since 2019; Ms. CHAN Mei Bo Mabel, an independent non-executive Director, has been serving as independent non-executive director of Renrui Human Resources Technology Holdings Limited. (人瑞人才科技控股有限公司) (listed on the Hong Kong Stock Exchange, stock code: 06919) since November 2019, as member of Hong Kong Business Facilitation Advisory Committee since July 2020, as a member of the Academy of Finance since December 2020, as a member of the Independent Police Complaints Council since January 2021 and as a member of the Corruption Prevention Advisory Committees of the ICAC since January 2021, and has ceased to serve as member of Barristers Disciplinary Tribunal Panel of Hong Kong since June 2020 and member of Small and Medium Enterprises Committee of HKSAR since January 2021.

Mr. SONG Ke, an external Supervisor, has ceased to serve as independent non-executive director of Zhejiang Yongan Rongtong Holdings Co., Ltd. (浙江永安融通控股股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 08211) since September 2020.

Other than those disclosed above, there was no change in the information of the Bank's Directors and Supervisors during the Reporting Period.

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## 4 POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 4.1 Biographies of Current Directors, Supervisors and Senior Management

#### *Directors*

**Mr. WANG Tianyu** has served as a Director of the Bank since December 2005 and the chairman of the Bank since March 2011, being primarily responsible for the overall operations and strategic management of the Bank. In addition, he has served as the chairman of Zhongmu Zhengyin County Bank since May 2012.

Mr. WANG has over 28 years of experience in banking business operations and management. He joined the Bank in August 1996 and had successively served as the president of the Jingwu Road sub-branch and vice president and president of the Bank from August 1996 to December 2011. Prior to that, Mr. WANG had served as deputy manager and manager of the financial department of China Staff Travel Agency (中國職工旅行社) and Longxiang Hotel (龍祥賓館) from July 1988 to November 1992, and served as deputy director of Henan Province Yugong Urban Credit Cooperatives (河南省豫工城市信用社) from November 1992 to August 1996. In addition, Mr. WANG has been a member of the 12th People's Congress of Henan Province since January 2013 and was awarded the title of National Model Worker in April 2015. He was elected as a deputy to the 13th National People's Congress in January 2018.

Mr. WANG graduated from the Henan Institute of Finance and Economics (河南財經學院) (Henan, China) in June 1988, majoring in finance, and obtained a bachelor's degree in economics. He obtained a master's degree in business administration from the National University of Singapore (Singapore) in June 2006, a master's degree in executive business administration from Tsinghua University (Beijing, China) in January 2015 and a doctoral degree in economics from Huazhong University of Science and Technology (Hubei, China) in December 2018. He has been a senior accountant accredited by the People's Government of Henan Province since December 1998.

**Mr. SHEN Xueqing** has served as an executive Director of the Bank since July 2012 and the president of the Bank since April 2012. He is primarily responsible for the daily operations and management of the Bank.

Mr. SHEN has nearly 25 years of experience in banking business operations and management. He joined the Bank in December 2011. Prior to joining the Bank, he held a number of positions in Guangdong Development Bank Co., Ltd. (廣東發展銀行股份有限公司) (currently known as China Guangfa Bank Co., Ltd., 廣發銀行股份有限公司) from June 1996 to November 2011. He had served successively as deputy manager and manager of general office, director of operations department and assistant to sub-branch president of the Huayuan Road sub-branch of the Zhengzhou branch from June 1996 to October 2000, assistant to sub-branch president, vice president and president of Dongming Road sub-branch of the Zhengzhou branch from October 2000 to July 2004, general manager of general office and general manager of No. 3 corporate banking department of Zhengzhou branch from July 2004 to April 2006, president of Anyang sub-branch from April 2006 to September 2009, and vice president of Changsha branch from October 2009 to November 2011. Prior to that, he had worked at the Financial and Trade Commission of Pingdingshan City, Henan Province (河南省平頂山市財政貿易委員會) and successively served as staff member, deputy chief and deputy director of the general office from September 1990 to June 1996.

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Mr. SHEN graduated from Henan Institute of Finance and Economics (河南財經學院) (Henan, China) in June 1990, majoring in finance, and obtained a bachelor's degree in economics. He obtained a master's degree in executive business administration from Xi'an Jiaotong University (Shaanxi, China) in December 2008, and a master's degree in executive business administration from Tsinghua University (Beijing, China) in July 2015. He has been a senior economist accredited by the People's Government of Henan Province since December 2005.

**Mr. XIA Hua** has served as an executive Director and vice chairman of the Bank since July 2020. He is primarily responsible for the affairs of the internal audit office of the Board, and assists Mr. WANG Tianyu to manage the office of the Board, the remuneration and assessment office of the Board and the strategic development department of the Board. In addition, he has served as the chairman of Jiuding Financial Leasing Company since December 2019. Mr. XIA has nearly 31 years of experience in the banking industry. He joined the Bank in December 2011 and served as vice president of the Bank from February 2012 to July 2020. Prior to joining the Bank, he had successively served in the former CBRC Henan Office as a principal staff member and deputy chief of the state-owned banking regulatory No. 1 department, deputy chief and regulatory researcher of the city commercial banks regulatory department from September 2003 to December 2011. He had successively served as vice president of the PBoC sub-branch in Yichuan County, deputy principal staff member and principal staff member of the rural cooperative finance management department of the Henan office, principal staff member of the cooperation department of the Zhengzhou regulatory office of the Jinan office, principal staff member of the regulatory department of the Agricultural Bank of China from August 1996 to September 2003, and staff member of the foreign exchange department of PBoC Luoyang Office from July 1990 to July 1996.

Mr. XIA graduated from the Beijing Agricultural Engineering University (北京農業工程大學) (Beijing, China) in July 1990, majoring in applied electronic technology, with a bachelor's degree in engineering, and obtained from the China Europe International Business School (中歐國際工商管理學院) (Shanghai, China) an MBA degree for senior management personnel in October 2015. He has been an economist accredited by the Ministry of Personnel of the PRC since June 1995.

**Mr. FAN Yutao** has served as a non-executive Director of the Bank since September 2015. He served as deputy director of the Zhengzhou Finance Bureau since February 2016 and director of Bridge Trust Co., Ltd. (百瑞信託有限責任公司) from June 2011 to August 2020. In addition, he had served as staff member of the budget section of the Zhengzhou Finance Bureau from July 1988 to June 1994, deputy chief of the budget section of the Zhengzhou Finance Bureau from June 1994 to April 2002, chief of budget section of the Zhengzhou Finance Bureau from April 2002 to April 2006, chief of treasury section of the Zhengzhou Finance Bureau from April 2006 to July 2009, and chief economist of the Zhengzhou Finance Bureau from July 2009 to February 2016.

Mr. FAN graduated from the Information Engineering College of the People's Liberation Army of the PRC (中國人民解放軍信息工程學院) (Henan, China) in July 1988, majoring in computer science and engineering, and obtained a bachelor's degree in engineering. He also obtained a completion certificate in accounting from the Graduate School of the Institute of Fiscal Science of the Ministry of Finance (財政部財政科學研究所研究生部) (Beijing, China) in July 2001.

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

**Mr. ZHANG Jingguo** has served as a non-executive Director of the Bank since July 2012. He has served as the chairman of Henan Zensun Property Co., Ltd. (河南正商置業有限公司) since January 2001; the chairman of the board, an executive director and the chief executive officer of Zensun Enterprises Limited (正商實業有限公司) (formerly known as ZH International Holdings Ltd., listed on the Hong Kong Stock Exchange, stock code:00185) since July 2015; a co-chairman and director of Global Medical REIT (listed on the New York Stock Exchange, stock code: GMRE) since June 2016; an executive director of Henan Hongguang Zensun Property Co., Ltd. since October 2017; chairman of Zanyu Technology Group Co., Ltd. (贊宇科技集團股份有限公司) (listed on the SZSE, stock code: 002637) since October 2018. In addition, he had served as department deputy chief of Henan Household Appliances Industry Co., Ltd. (河南省五金家電工業公司) from July 1983 to June 1991, vice general manager of Henan Light Industry Corporation (河南省輕工實業總公司) from July 1991 to April 1995 and general manager of Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) from April 1995 to April 2001.

Mr. ZHANG graduated from Zhengzhou University (Henan, China) in June 1983, majoring in wireless communication, and obtained a bachelor's degree in science. He also obtained a completion certificate in international trade from the Renmin University of China (Beijing, China) in July 2001 and an MBA degree for senior management personnel from the Peking University (Beijing, China) in July 2013. He has been a senior engineer accredited by the People's Government of Henan Province since August 1997.

**Mr. JI Hongjun** has served as a non-executive Director of the Bank since July 2012. He has successively served as deputy general manager and vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司) since December 2003, director of Great Wall Fund Management Co., Ltd. (長城基金管理有限公司) since December 2008 and director of Henan Asset Management Company Limited (河南資產管理有限公司) since August 2017. In addition, he had served as a cadre of the finance and trade department of the Henan Province Planning Commission from July 1984 to December 1984, a clerk and successively staff member of the foreign finance department, deputy chief staff member and principal staff member of the financial department of Henan Province Planning Economy Commission from December 1984 to December 1994, successively principal staff member of the foreign economy department, deputy chief of the senior officer department, deputy chief of the fixed asset investment department of the Henan Province Planning Commission from December 1994 to August 2000, deputy chief of the finance department of the Henan Province Development and Planning Commission (河南省發展計劃委員會) from August 2000 to November 2003 (serving as deputy chief of the No. 1 credit loan section of the Henan Branch of the China Development Bank (國家開發銀行河南省分行) from September 2002 to September 2003), and a non-executive director of Bank of China Travel Services Jiaozuo Co., Ltd. (焦作中旅銀行股份有限公司) from November 2012 to May 2016.

Mr. JI graduated from the CCP Henan Provincial Committee Party School (中共河南省委黨校) (Henan, China) in July 1994, majoring in economics (evening college). He obtained a completion certificate of the post-graduate course for further studies in finance (金融學專業研究生課程進修班) from the Business School of Wuhan University (Hubei, China) in June 2004 and an MBA degree from the Asia International Open University (Macau) (Macau, China) in November 2010. He has been a financial planner accredited by the Beijing Finance Training Centre (北京金融培訓中心) since October 2007.

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

**Mr. LIANG Songwei** has served as a non-executive Director of the Bank since July 2012. He has served as general manager of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) since October 2008, a director of the aforesaid company since December 2009, the chairman of the aforesaid company since June 2015, vice chairman of Zhengzhou Xinghe Cultural Development Co., Ltd. (鄭州星河文化發展有限公司) since August 2019, and director and general manager of Zhengzhou National Central City Industrial Development Fund Co., Ltd. (鄭州市國家中心城市產業發展基金股份有限公司) since September 2019. In addition, he served as business manager of Henan Native Produce Import and Export Co., Ltd. (河南省土產進出口公司) from August 1989 to October 1996, assistant to the general manager of Zhengzhou Baiwen Co., Ltd. (Group) (鄭州百文股份有限公司(集團)) from October 1996 to September 2008, director of international trading department, director and deputy general manager of Zhengzhou Baiwen Group Co., Ltd. (鄭州百文集團有限公司) from October 1996 to October 2008.

Mr. LIANG graduated from the Graduate School of the Chinese Academy of Social Sciences (Beijing, China) in December 1998, majoring in literature and art, and earned a master's degree. He graduated from University of International Business and Economics (Beijing, China) in June 2005, majoring in international trade, and earned a master's degree in economics.

**Mr. WANG Shihao** has served as a non-executive Director of the Bank since July 2018. He has served as a part-time professor of the Shanghai National Accounting Institute since July 2010, a part-time professor of the Overseas Education College of Shanghai Jiao Tong University since January 2011, a part-time professor of the College of Business of Shanghai University of Finance and Economics since May 2013, an independent director of Bank of Lanzhou Co., Ltd. since June 2016, and an independent director of Shanghai Shinovation Capital Corporation Co., Ltd. (上海城創投資管理股份有限公司) since January 2019. In addition, He served as director and legal representative of Shanghai City Credit Cooperatives (上海市城市信用合作社聯社) from February 1991 to December 1995, executive director and vice president of Shanghai City Cooperation Commercial Bank (上海城市合作商業銀行) (currently known as Bank of Shanghai) from December 1995 to May 2010, legal representative of the Funds Clearing Centre for City Commercial Banks from July 2002 to August 2013, special expert for decision consulting of the Shanghai People's Government (上海市人民政府決策諮詢特聘專家) from March 2008 to February 2010 and from December 2010 to November 2012, independent director of Huishang Bank Corporation Limited from October 2011 to November 2018, independent non-executive Director of the Bank from July 2012 to June 2018 and a visiting professor (Year 2012-2014) of the School of Economics of Fudan University from June 2012 to December 2014.

Mr. WANG graduated from Fudan University (Shanghai, China) in July 1984, majoring in financial management cadre. He completed a joint senior MBA course organized by the Shanghai National Accounting Institute (Shanghai, China) and the Arizona State University (U.S.) in June 2005, and obtained an MBA degree from the Arizona State University (U.S.). He has been a senior economist accredited by the PBoC since July 1993.



## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

**Mr. XIE Taifeng** has served as an independent non-executive Director of the Bank since September 2015. He has served as professor of School of Finance of Capital University of Economics and Business since July 2005, independent director of Green Fund Management Co., Ltd.(格林基金管理有限公司) since October 2016, independent director of China Film Co., Ltd. (中國電影股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600977) since October 2019, independent non-executive director of Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 00416) since November 2019, and independent director of Everbright Xinglong Trust Co., Ltd.(光大興隴信託有限責任公司) since January 2021. In addition, he served as a teaching assistant, a lecturer of the Economics Department, the associate professor of the Business School, the dean of the Finance Department, professor and deputy dean of the Business School of Zhengzhou University from January 1982 to July 2000, professor of Business Administration Branch School of Beijing Machinery Industry Institute (北京機械工業學院) from July 2000 to July 2005, deputy dean, dean and PhD supervisor of School of Finance of Capital University of Economics and Business from January 2006 to March 2015, independent director of China Haohua Chemical Group Co., Ltd. (中國昊華化工集團股份有限公司) from March 2013 to December 2018, and independent director of Woori Bank (China) Limited (友利銀行(中國)有限公司) from September 2013 to September 2019.

Mr. XIE graduated from Zhengzhou University (Henan, China) in December 1981, majoring in politics and economics, and obtained a bachelor's degree in economics. He graduated from the Southwestern University of Finance and Economics (Sichuan, China) in July 1986, majoring in monetary banking, and obtained a master's degree in economics in January 1989. He obtained a doctoral degree in economics from Southwestern University of Finance and Economics (Sichuan, China) in January 2000. He has been a professor accredited by the People's Government of Henan Province since May 1996.

**Mr. WU Ge** has served as an independent non-executive Director of the Bank since September 2015. He has served as director and legal representative of Beijing Zhongwen Law Firm (北京市中聞律師事務所) since November 2013, a part-time researcher of the Institute of Criminal Law Science of Beijing Normal University since August 2006, director of the Chinese Overseas Friendship Association (中華海外聯誼會) since September 2008 and executive director of the aforesaid association since May 2019, standing vice president of the China Institute of Case-based Jurisprudence (中國案例法學研究會) since October 2013, a part-time researcher of the Human Rights Education and Research Centre of the Southwestern University of Politics and Law, being the National Base of Human Rights Education and Training, since April 2015, a supervisor of China Foundation for Disabled Persons (中國殘疾人福利基金會) since April 2019, and deputy director of the Constitution and Administrative Law Committee of the All China Lawyers Association since 2019. In addition, he served as director of the Constitutional and Human Rights Committee of the All China Lawyers Association from 2004 to 2019, a part-time professor of the Law School of China University of Political Science and Law from May 2007 to May 2010, a tutor of the Master of Laws program of the Law School of Tsinghua University from October 2012 to October 2015, a tutor of the Master of Laws program of the Law School of Central University of Finance and Economics from December 2015 to 2018, a member of the 11th Henan Provincial Committee of Chinese People's Political Consultative Conference from January 2013 to January 2018 and an independent member of the Loans Review Committee of the headquarters of China Development Bank from 2007 to 2018.

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Mr. WU graduated from Renmin University of China (Beijing, China) in January 2000, with a master's degree in law. He obtained a completion certificate of a post-graduate course in finance from the School of Economics of Peking University (Beijing, China) in December 2002.

**Ms. CHAN Mei Bo Mabel** has served as an independent non-executive Director of the Bank since September 2015. She established Mabel Chan & Co. (陳美寶會計師事務所) in January 1999. She has served as an independent non-executive director of Kingmaker Footwear Holdings Ltd. (listed on the Hong Kong Stock Exchange, stock code: 01170) since August 2011, deputy managing partner of Grant Thornton Hong Kong Limited since January 2016; a member of the Securities and Futures Appeals Tribunal of HKSAR (香港證券及期貨事務上訴審裁處) since April 2017, a member of the Export Credit Insurance Corporation Advisory Board of HKSAR (香港出口信用保險局諮詢委員會) since July 2017, a member of the Air Transport Licensing Authority of HKSAR (香港空運牌照局) since August 2017, a member of the Trade and Industry Advisory Board of HKSAR (香港工業貿易諮詢委員會) since September 2017, an independent non-executive director of Renrui Human Resources Technology Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 06919) since November 2019, a member of Hong Kong Business Facilitation Advisory Committee since July 2020, a member of the Academy of Finance since December 2020, a member of the Independent Police Complaints Council since January 2021 and a member of the Corruption Prevention Advisory Committees of the ICAC since January 2021. In addition, she served as a council member of the Association of Women Accountants HK (香港女會計師協會) from January 2006 to March 2017 and the president of the aforesaid Institute in 2010, a member of the Council of Hong Kong Institute of Certified Public Accountants (香港會計師公會) from December 2007 to December 2018 and the president of the aforesaid Institute from December 2016 to December 2017. She served as the president of the Society of Chinese Accountants and Auditors (香港華人會計師公會) from December 2009 to December 2010, a member of Barristers Disciplinary Tribunal Panel of Hong Kong from May 2010 to June 2020, a school board member of Hong Kong Baptist University from January 2013 to December 2018, an independent non-executive Director of South China Assets Holdings Limited (formerly known as South China Land Limited, listed on the Hong Kong Stock Exchange, stock code: 08155) from May 2013 to March 2017, a member of the Appeal Panel (Housing) of Hong Kong (香港上訴委員會(房屋)) from April 2014 to April 2018, and a member of Small and Medium Enterprises Committee of HKSAR from January 2015 to January 2021.

Ms. CHAN obtained an MBA degree from Hong Kong University of Science and Technology (Hong Kong, China) in November 2000. She has been a member of the Chartered Association of Certified Accountants (英國特許公認會計師公會) since November 1996, a member of Hong Kong Institute of Certified Public Accountants (香港會計師公會) since January 1997 and a certified public accountant (practising) accredited by the Hong Kong Institute of Certificated Public Accountants (香港會計師公會) since 1999, a member of the Society of Chinese Accountants & Auditors (香港華人會計師公會) since December 2002, a member of the Institute of Chartered Accountants in England and Wales (英格蘭和韋爾斯特許會計師公會) since February 2008, and a member of CPA Australia (澳洲會計師公會) since 2017.

**Ms. LI Yanyan** has served as an independent non-executive Director of the Bank since July 2018. She has served as a professor of Zhengzhou University since May 2008, and director and editor-in-chief of the school newspaper editorial department of Zhengzhou University since January 2015. Prior to this, she served as a teacher in the social science department of Xinxiang Medical College (新鄉醫學院) from July 1990 to August 1994, a teacher in the College of Economics of Henan University from June 1997 to May 2001 and a teacher and deputy dean of the Business School of Zhengzhou University from May 2001 to January 2015.

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Ms. LI obtained a bachelor's degree in history from Henan University (Henan, China) in July 1990, a master's degree in economics from Fudan University (Shanghai, China) in June 1997 and a doctorate degree in economics from Nanjing University (Jiangsu, China) in June 2007. She carried out her post-doctoral research work at Chinese Academy of Social Sciences (Beijing, China) from October 2007 to April 2010. She has held the title of professor accredited by the People's Government of Henan Province since May 2008.

### *Supervisors*

**Ms. ZHAO Lijuan** has served as a Supervisor and the chairwoman of the Board of Supervisors of the Bank since June 2016, and the chairwoman of the labor union of the Bank since November 2007. In addition, she has served as the chairwoman of Xunxian Zhengyin County Bank since November 2017.

Ms. ZHAO joined the Bank in August 1996 and had successively served as vice president and president of the Wulibao sub-branch, president of the Jinhai Avenue sub-branch and vice president of the Bank from August 1996 to June 2016, and a Shareholder Supervisor and the chairwoman of the Board of Supervisors of the Bank from June 2016 to June 2018. She has served as an employee Supervisor and the chairwoman of the Board of Supervisors of the Bank since June 2018. Prior to joining the Bank, she successively served as accountant and accounting chief of Zhengzhou Wulibao City Credit Cooperatives (鄭州五裡堡城市信用社) from December 1984 to August 1996.

Ms. ZHAO graduated from the Air Force Logistics Management College of the People's Liberation Army (中國人民解放軍空軍後勤管理學院) (Jiangsu, China) in June 2004, majoring in financial management. She obtained a completion certificate of advanced course program in finance major in the master of business administration program (工商管理碩士課程金融方向高級研修班) from the School of Finance of Renmin University of China (Beijing, China) in March 2008. She has been a senior political consultant accredited by the Senior Professional Evaluation Committee of Henan Province Enterprises' Ideological and Political Personnel (河南省企業思想政治工作人員高級專業職務任職資格評審委員會) since January 2009, and a senior economist accredited by the Ministry of Personnel of the PRC since November 2015.

**Mr. ZHU Zhihui** has served as a Shareholder Supervisor of the Bank since June 2015. He has served as the chairman of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) since December 2005, the chairman of Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司) since November 2011, the chairman of Henan Huida Jiarui Property Co., Ltd. (河南暉達嘉睿置業有限公司) since March 2013, and the chairman of Huida Holdings Limited (暉達控股有限公司) since January 2015. Previously, he served as deputy general manager of Henan Province Light Industry Economic Technology Import and Export Co., Ltd. (河南省輕工經濟技術進出口公司) from June 1987 to March 1993, and the general manager of Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司) from March 1993 to November 2011, and the chairman of Zhengzhou Huida Industry (Group) Co., Ltd. (鄭州暉達實業(集團)有限公司) from May 1998 to December 2014.

Mr. ZHU graduated from CCP Henan Provincial Committee Party School (中共河南省委黨校) (Henan, China) in December 1996, majoring in economic management (correspondence education), and obtained a completion certificate in business strategy advanced program (經營方略高級研修班) from Peking University (Beijing, China) in April 2010.

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

**Mr. MA Baojun** has served as an external Supervisor of the Bank since January 2018. He has served as the chairman of Henan Songshan Technology and Innovation Fund Management Co., Ltd. (河南嵩山科創基金管理有限公司) since December 2016, a supervisor of Zhaoqing Baoxin Investment Company Limited (肇慶市寶鑫投資有限公司) since June 2010 and director of Tak Yau Limited since June 2017. He served as a staff member of the industry department of Zhengzhou Finance Bureau from August 1986 to November 1988, a staff member of the Zhengzhou Finance Bureau office from November 1988 to March 1992, deputy director of the Zhengzhou Finance Bureau office from March 1992 to November 1993, deputy general manager of Zhengzhou Trust Investment Company (鄭州信託投資公司) from November 1993 to October 1995, the general manager of Zhengzhou Trust Investment Company (鄭州信託投資公司) from October 1995 to May 2002, the chairman of the board of directors of Bridge Trust Investment Company Limited (百瑞信託投資有限責任公司) from May 2002 to April 2011, a member of the Party Committee of SPIC Capital Holding Co., Ltd. (國家電投資本控股有限公司) from April 2011 to August 2016, the chairman of the board of directors of Bridge Trust Co., Ltd. (百瑞信託有限責任公司) from April 2011 to December 2016, the chairman of the board of directors of Central China Airport Industry Fund Management Co., Ltd. (中原航空港產業投資基金管理有限公司) from January 2015 to March 2018, the chairman of the board of directors of Henan Jianye Holdings Development Co., Ltd. (河南建業控股發展有限公司) from December 2016 to July 2018 and a director of Henan Houpu Jianye Fund Management Co., Ltd. (河南厚樸建業基金管理有限公司) from August 2017 to January 2019.

Mr. MA graduated from South-Central University for Nationalities (中南民族學院) (Hubei, China) in July 1986, majoring in Chinese language and literature, and obtained a bachelor's degree in arts. In June 2005, Mr. MA graduated from the National University of Singapore (Singapore) and obtained a master's degree in business administration. He has been a senior economist accredited by the People's Government of Henan Province since April 1994.

**Mr. SONG Ke** has served as an external Supervisor of the Bank since May 2017. He has served as a lecturer in the Faculty of Monetary Finance of the School of Finance of Renmin University of China (中國人民大學財政金融學院貨幣金融系) since September 2015, deputy Party secretary of the School of Finance of Renmin University of China (中國人民大學財政金融學院) since April 2019, a council director and deputy director of the International Monetary Institute of Renmin University of China (中國人民大學國際貨幣研究所) since January 2014 and an independent non-executive director of Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 06199) since August 2018. Mr. SONG served as league secretary general of the School of Finance of Renmin University of China (中國人民大學財政金融學院) from July 2004 to September 2009 and a post-doctoral researcher of the School of Statistics of Renmin University of China from July 2012 to July 2015. He was appointed as deputy commissioner of the Banking Commission of the Guizhou People's Government Finance Office (貴州省政府金融辦銀行處) from November 2012 to December 2013. He served as an independent non-executive director of Zhejiang YongAn Rongtong Holdings Co., Ltd. (浙江永安融通控股股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 08211) from December 2017 to September 2020.

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Mr. SONG graduated from the School of Finance of Renmin University of China (Beijing, China) in July 2004, majoring in finance, with a bachelor's degree in economics. He continued his master's and doctoral studies at the School of Finance of Renmin University of China (Beijing, China) from September 2006 to July 2012, obtaining a doctoral degree in economics.

**Ms. CHENG Jie** has served as an employee Supervisor of the Bank since June 2018 and the president of the Longzi Lake sub-branch of the Bank since September 2016. She joined the Bank in August 1996 and had successively served as the head of the credit section of the Jingwu Road sub-branch, an office head and deputy president of the Weier Road sub-branch and the president of the Wenbo sub-branch and the Eastern District sub-branch, respectively, from August 1996 to September 2016. Prior to this, Ms. CHENG served as an accounting staff member of Yellow River Shopping Mall in Zhengzhou City (鄭州市黃河商場) from December 1986 to May 1993. She had successively served various roles at Henan Province Yugong Urban Credit Cooperatives (河南省豫工城市信用社), such as a teller, the head of the savings department and the head of the credit department from May 1993 to August 1996.

Ms. CHENG graduated from the East China Institute of Technology (華東工學院) (currently known as Nanjing University of Science and Technology (南京理工大學)) (Jiangsu, China) in June 1992, majoring in accounting. She has been an economist accredited by the Ministry of Personnel of the PRC since November 2000.

**Mr. LI Huaibin** has served as an employee Supervisor of the Bank since June 2018 and the president of the Nongye Road East sub-branch of the Bank since September 2018. He joined the Bank in July 1997 and had successively served as an employee of the Commodity Exchange sub-branch, the chief of the corporate banking department of the head office, the president of the Executive District sub-branch, the president of the Eastern District sub-branch, the president of the Xingyang sub-branch and the president of the Shangqiu branch of the Bank, respectively, from July 1997 to September 2018. Prior to this, he served as a sales manager of the sales department of Zhengzhou Grain Machinery Co., Ltd. (鄭州糧機股份有限公司) from July 1993 to July 1997.

Mr. LI graduated from Zhengzhou Institute of Food Science (鄭州糧食學院) (currently known as the Henan University of Technology (河南工業大學)) (Henan, China) in July 1993, with a bachelor's degree in food engineering. He later graduated from Zhongnan University of Economics and Law (Hubei, China) in August 2007, with a master's degree in finance. He has been an economist accredited by the Ministry of Personnel of the PRC since November 1998.

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

### *Senior Management*

For **Mr. SHEN Xueqing**'s biography, please see the section headed "Directors" of this chapter.

**Mr. GUO Zhibin** has served as vice president of the Bank since December 2015. He is primarily responsible for the operations of the administrative management department, the financial market department, the asset management department and the bill business department of the Bank. In addition, he has served as the chairman of Xinzheng Zhengyin County Bank since July 2018. Mr. GUO has over 22 years of experience in the banking industry. He served as an assistant to the president of the Bank from December 2010 to December 2015. Prior to that, he had served as the president of the Huanghe Road sub-branch of the Zhengzhou branch at Industrial Bank Co., Ltd. (興業銀行股份有限公司) from March 2006 to December 2010. In addition, he had served at Everbright Bank Co., Ltd. (光大銀行股份有限公司) as assistant to the president and vice president of the Hongzhuan Road sub-branch of the Zhengzhou branch, deputy general manager of corporate business No. 2 department of the Zhengzhou branch, and the general manager of the asset security department of the Zhengzhou branch from June 1999 to March 2006. He served as the manager of the general office and deputy general manager of Henan Yutai Mall Co., Ltd. (河南豫泰商廈有限公司) from October 1997 to May 1999, and deputy director of the general office of the Zheng Sanjie (政三街) sub-branch of the Bank and the Henan Province Labor City Credit Cooperative (河南省勞動城市信用社) from August 1996 to October 1997 and from January 1995 to August 1996, respectively.

Mr. GUO graduated from Zhengzhou University (Henan, China) in June 1995, majoring in finance. He graduated from Henan University (Henan, China) with the completion of the national economics postgraduate course program (國民經濟學專業研究生課程進修班) in July 1999. He also obtained a master's degree in business administration from the Asia International Open University (Macau) (Macau, China) in August 2004, and an EMBA degree from the Guanghua School of Management of Peking University (北京大學光華管理學院) (Beijing, China) in June 2017. He has been an economist accredited by the Ministry of Personnel of the PRC since November 1997.

**Mr. SUN Haigang** has served as a vice president of the Bank since February 2018. He is primarily responsible for the credit approval department, the credit management department, the risk management department, the asset protection department, and the risk line support department of the Bank. Mr. SUN has nearly 12 years of experience in the banking industry. He joined the Bank in October 2009 and served as an assistant to the president of the Bank and the general manager of the strategic development department of the Board from October 2009 to October 2013, and an assistant to the president of the Bank and the president of the Luoyang branch from October 2013 to April 2016. Prior to joining the Bank, he worked at Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司) from July 2007 to September 2009.

Mr. SUN graduated from Henan University (Henan, China) in June 2000, majoring in marketing (advertising), with a bachelor's degree in arts. He graduated from Henan University (Henan, China) in July 2004, majoring in political economics, with a master's degree in economics. He graduated from Shanghai University of Finance and Economics (Shanghai, China) in June 2007, majoring in industrial economics, with a doctoral degree in economics. He has been a senior economist accredited by the Human Resources and Social Security Ministry of the PRC since December 2014.

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

**Mr. ZHANG Wenjian** has served as a vice president of the Bank since February 2018, the dean of the Financial Institute (金融研究院) and director of the Office of the Postdoctoral Research Workstation (博士後科研工作站) of the Bank since April 2019. He is primarily responsible for the operations of the retail business department, the credit card department, the financial department of small business, the retail line risk department, and the retail line support department. Mr. ZHANG has over 36 years of experience in the banking industry. He joined the Bank in November 1997 and had successively served as a staff member of the Zhengliu Street sub-branch, deputy general manager of the financial accounting department, general manager of the accounting and settlement department, general manager of the corporate business department, a member of the preparatory team of the Nanyang branch, president of the Nanyang branch, and an assistant to president of the Bank from November 1997 to March 2018. Prior to that, he had served as deputy chief of the accounting section and director of the transaction centre of the Jinshui sub-branch of Industrial & Commercial Bank of China Limited (中國工商銀行股份有限公司) from February 1985 to November 1997.

Mr. ZHANG graduated from Zhengzhou Workers' University (鄭州市職工大學) (Henan, China) in June 1989, majoring in applied computer science. He also graduated from Nanjing Institute of Political Science (南京政治學院) (Jiangsu, China) in June 2005, majoring in economic management. He also graduated from the School of Economic Management of Nankai University (Tianjin, China), majoring in economic management in June 2016. He has been a senior economist accredited by the Ministry of Personnel of the PRC since December 2016.

**Mr. FU Chunqiao** has served as a vice president of the Bank since March 2019 and the secretary of the Board of the Bank since October 2013. He is primarily responsible for the operations of the asset and liability management department, the financial department, the information technology department, the channel management department and the innovation management department. Mr. FU has over 24 years of experience in the banking industry. He joined the Bank in August 1996, and had served successively as deputy manager and deputy general manager of the planning and asset department, deputy general manager and general manager of the asset operation department, and director of the Office of the Board of Directors of the Bank from March 2000 to July 2020.

Mr. FU graduated from Henan Institute of Finance and Economics (河南財經學院) (Henan, China) in June 1995, majoring in money and banking. He obtained a master's degree in law from Zhengzhou University (Henan, China) in June 2008. He has been an economist accredited by the Ministry of Personnel of the PRC since November 1999.

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

**Mr. Li Lei** has served as an assistant to the president of the Bank since November 2017. He is primarily responsible for the operations of the corporate business department, institutional business department, investment banking department and the public line support department. Mr. LI has nearly 29 years of experience in the banking industry. He joined the Bank in September 1996, and had successively served as deputy chief of the accounting section, deputy director of the transaction centre of the Jinhai Avenue sub-branch, deputy manager of the asset security department and the credit department, deputy general manager of the risk management department, deputy general manager of the credit approval department of the head office, president of the Zidong sub-branch, president of the Baolongcheng sub-branch, and president of the Xinzheng sub-branch, general manager of the corporate business department of the head office, president of the Xinxiang branch and president of the Luoyang branch from September 1996 to November 2017. Prior to that, he worked at Zhengzhou Urban Credit Cooperatives from July 1992 to August 1996.

Mr. LI graduated from the Party School of the Central Committee of the Communist Party of China (Beijing, China) in December 1996, majoring in foreign economics, and graduated from TEDA College, Nankai University (南開大學泰達學院) (Tianjin, China) in July 2017, majoring in finance. He has been an assistant accountant accredited by the Department of Personnel of Henan Province since April 1996.

**Mr. ZHANG Houlin** has served as an assistant to the president of the Bank since November 2017. He is primarily responsible for the operations of the Nanyang branch and serves as its president. Mr. ZHANG has nearly 22 years of experience in the banking industry. He joined the Bank in August 1999, and successively served as a staff member in the business department of the head office, a staff member in the corporate business department of the head office, president of the Longhai East Road sub-branch, president of the Dengfeng sub-branch, president of the Anyang branch and president of the Nanyang branch from August 1999 to November 2017.

Mr. ZHANG graduated from the Zhengzhou Shengda University of Economics, Business & Management (鄭州大學升達經貿學院) (Henan, China) in July 1999, majoring in accounting, and graduated from Nankai University (Tianjin, China) in June 2018 with a master's degree in senior executive business administration. He has been an accountant accredited by the Ministry of Finance since May 1999.

**Ms. LI Hong** has served as an assistant to the president of the Bank since March 2019. She is mainly responsible for the affairs of the operation management department and the compliance department. Ms. LI has over 25 years of experience in the banking industry. She joined the Bank in August 1996 and had served successively as a teller and director of the business department of the Longhai sub-branch, director of the business department, manager of the marketing department, and president of Xijiancai sub-branch, president of Jinyicheng sub-branch, and president of the Zhongyuan Road sub-branch of the Bank from August 1996 to March 2020. Prior to that, she served as a teller at the Longhai Urban Credit Cooperatives in Zhengzhou from January 1995 to August 1996.



## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Ms. LI graduated from Henan Sports School (河南省體育運動學校) (Henan, China) in July 1994, majoring in physical education. She graduated from Zhengzhou Workers' University (鄭州市職工大學) (Henan, China) majoring in computer accounting in July 2004. She graduated from China Central Radio and Television University (中央廣播電視大學) majoring in law in January 2009. She graduated from Nankai University (Tianjin, China) in December 2016 with a master's degree in senior executive business administration. She has been an assistant accountant accredited by the People's Government of Guancheng Hui District, Zhengzhou since January 2001.

**Mr. LIU Jiuqing** has served as an assistant to the president of the Bank since March 2019, and the general manager of Zhengzhou management department since April 2019. He is mainly responsible for the operations of Zhengzhou management department. He ceased to serve as the general manager of the investment banking department of the Bank from January 2021. Mr. LIU has nearly 20 years of experience in the banking industry. He joined the Bank in May 2012 and had served successively as director of the No.3 market development department, general manager of the trade finance department and director of the No.3 market development department, and general manager of the trade finance department of the Bank from May 2012 to January 2017. Prior to that, he served successively as accountant of the business department, account manager of the personal banking department, account manager of the corporate banking department of Dongming Road sub-branch of Zhengzhou branch of Guangfa Bank, deputy manager and manager of the corporate department, assistant to the president, and vice president of Huanghe Road sub-branch of Zhengzhou Branch of Guangfa Bank from July 2001 to May 2012.

Mr. LIU graduated from Henan Business College (河南商業高等專科學校) (now merged into Henan University of Animal Husbandry & Economy (河南牧業經濟學院), Henan, China) in July 2001, majoring in public relations and secretarial work, and graduated from Nankai University (Tianjin, China) in July 2017, majoring in finance. He has been a junior economist accredited by the Ministry of Personnel of the PRC since November 2004.

**Mr. JIANG Tao** has served as chief information officer of the Bank since December 2015, general manager of the information technology department (formerly known as the science and technology development department) of the Bank since April 2005 and the director of innovative business of the Bank since March 2020. Mr. JIANG has nearly 27 years of experience in the banking industry. He joined the Bank in August 1996, and served successively as an assistant engineer of the science and technology department, chief of the post-supervision and development department and chief and deputy general manager of the science and technology development department from August 1996 to April 2005.

Mr. JIANG graduated from Zhengzhou University (鄭州大學) (Henan, China) in July 1994, majoring in computer science and application. He obtained a master's degree in computer engineering from PLA Information Engineering University (中國人民解放軍信息工程大學) (Henan, China) from September 2002 to July 2005. He has been a senior programmer accredited by the Examination Board of China Qualification Certificate of Computer and Software Technology Proficiency (中國計算機軟件專業技術資格和水平考試委員會) since October 2003.

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

**Ms. WANG Yanli** has served as the chief risk officer of the Bank since February 2018. She is primarily responsible for asset security and risk management of the Bank. Ms. WANG joined the Bank in August 1996, and had successively served as vice president of the Jinhai Avenue sub-branch, president of the Jinhai Avenue sub-branch, president of the Dashiqiao sub-branch, director of the business department of the head office, general manager of the risk management department, general manager of the credit approval department, chief risk management officer and general manager of the risk management department of the Bank from August 1996 to February 2018. Prior to joining the Bank, she served as deputy director of Zhengzhou Urban Credit Cooperatives from June 1995 to August 1996, worked in Zhengzhou Urban Credit Cooperatives from July 1991 to June 1995 and the North Electric Power Section of Zhengzhou Railway Bureau (鄭州鐵路局北電務段) from December 1989 to June 1991.

Ms. WANG graduated from Zhongzhou University (中州大學) in July 1989 with a major in household appliances. She obtained her master's degree in business administration from Kunming University of Science and Technology (昆明理工大學) from September 2009 to July 2011. She has been a senior accountant and an economist accredited by the Ministry of Finance since October 2016.

**Ms. WANG Zhaoqi** has served as the chief auditor of the Bank since March 2018. She is primarily responsible for internal auditing. Ms. WANG joined the Bank in August 1996 and worked in the accounting office of the Bank from August 1996 to July 1999. She had successively served as auditor of deputy division level of the audit and supervision department, vice general manager of the audit and supervision department, vice general manager (presiding) of the post-supervision department, general manager of the post-supervision department, general manager of the audit department, director of the internal audit office of the Board, general manager of the former accounting and settlement department and general manager of the operations management department from July 1999 to March 2018. Prior to this, she worked in the accounting department of Zhengzhou Urban Credit Union (鄭州市城市信用聯社) from July 1991 to August 1996 and worked in Zhengzhou Construction Urban Credit Cooperative (鄭州市建設城市信用社) from November 1984 to July 1991.

Ms. WANG graduated from Renmin University of China in June 2018 with a major in business administration. She has been a senior accountant accredited by the People's Government of Henan Province since December 2007 and a senior auditor accredited by the Department of Human Resources and Social Security of Henan Province since December 2019.

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## *Joint Company Secretaries*

**Mr. FU Chunqiao**, one of the joint company secretaries of the Bank, was appointed on 29 September 2015. Please see the section headed “Senior Management” of this chapter for his biography.

**Ms. LEUNG Wing Han Sharon**, one of the joint company secretaries of the Bank, was appointed on 6 November 2015. Ms. LEUNG is the vice president of SWCS Corporate Services Group (Hong Kong) Limited. She has over 15 years of experience in finance, accounting and company secretarial matters. Ms. LEUNG holds a bachelor’s degree in business administration (accounting), a bachelor’s degree in laws, and a master’s degree in international corporate and financial laws. Ms. LEUNG is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the UK, and the Association of Chartered Certified Accountants in the UK. She is also a member of the Hong Kong Institute of Certified Public Accountants.

## **4.2 Positions of Current Directors, Supervisors and Senior Management Held in Shareholder Units**

<b>Name of the incumbent</b>	<b>Name of Shareholder Unit</b>	<b>Position held in Shareholder Unit</b>	<b>Term of Office</b>	<b>Remuneration Allowance from Shareholder Unit</b>
FAN Yutao (樊玉濤)	Zhengzhou Finance Bureau (鄭州市財政局)	Deputy commissioner	Since February 2016	Yes
FAN Yutao (樊玉濤)	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	Director	From June 2011 to August 2020	No
Ji Hongjun (姬宏俊)	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Deputy president	Since December 2003	Yes
LIANG Songwei (梁嵩巍)	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Chairman	Since June 2015	Yes
ZHU Zhihui (朱志暉)	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Chairman	Since December 2005	No

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

### 4.3 Positions of Current Directors, Supervisors and Senior Management Held in Other Units (Excluding Shareholder Units)

Name of the incumbent	Name of Other Unit	Position Held in Other Unit	Term of Office	Remuneration Allowance from Other Unit
WANG Tianyu (王天宇)	Zhongmu Zhengyin County Bank	Chairman Chairman	Since May 2012	No
XIA Hua (夏華)	Jiuding Financial Leasing Company	Chairman	Since December 2019	No
ZHANG Jingguo (張敬國)	Henan Zensun Property Co., Ltd. (河南正商置業有限公司)	Chairman	Since January 2001	Yes
ZHANG Jingguo (張敬國)	Zensun Enterprises Limited (正商實業有限公司)	Chairman of the board, executive director and chief executive officer	Since July 2015	No
ZHANG Jingguo (張敬國)	Global Medical REIT	Co-chairman and director	Since June 2016	No
ZHANG Jingguo (張敬國)	Henan Hongguang Zensun Property Co., Ltd. (河南宏光正商置業有限公司)	Executive director	Since October 2017	No
ZHANG Jingguo (張敬國)	Zanyu Technology Group Co., Ltd. (贊宇科技集團股份有限公司)	Chairman	Since October 2018	No
Ji Hongjun (姬宏俊)	Great Wall Fund Management Co., Ltd. (長城基金管理有限公司)	Director	Since December 2008	Yes
Ji Hongjun (姬宏俊)	Henan Asset Management Company Limited (河南資產管理有限公司)	Director	Since August 2017	No
LIANG Songwei (梁嵩巍)	Zhengzhou Xinghe Cultural Development Co., Ltd. (鄭州星河文化發展有限公司)	Vice Chairman	Since August 2019	No
LIANG Songwei (梁嵩巍)	Zhengzhou National Central City Industrial Development Fund Co., Ltd. (鄭州市國家中心城市產業發展基金股份有限公司)	Director, general manager	Since September 2019	No
WANG Shihao (王世豪)	Shanghai National Accounting Institute	Part-time professor	Since July 2010	No
WANG Shihao (王世豪)	Overseas Education College of Shanghai Jiao Tong University	Part-time professor	Since January 2011	No
WANG Shihao (王世豪)	College of Business of Shanghai University of Finance and Economics	Part-time professor	Since May 2013	No
WANG Shihao (王世豪)	Bank of Lanzhou Co., Ltd.	Independent director	Since June 2016	Yes
WANG Shihao (王世豪)	Shanghai Shinovation Capital Corporation Co., Ltd. (上海城創投資管理股份有限公司)	Independent director	Since January 2019	Yes
XIE Taifeng (謝太峰)	School of Finance of Capital University of Economics and Business	Professor	Since July 2005	Yes
XIE Taifeng (謝太峰)	Green Fund Management Co., Ltd. (格林基金管理有限公司)	Independent director	Since October 2016	Yes
XIE Taifeng (謝太峰)	China Film Co., Ltd. (中國電影股份有限公司)	Independent director	Since October 2019	Yes
XIE Taifeng (謝太峰)	Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司)	Independent non-executive director	Since November 2019	Yes
XIE Taifeng (謝太峰)	Everbright Xinglong Trust Co., Ltd. (光大興隴信託有限責任公司)	Independent director	Since January 2021	Yes
WU Ge (吳革)	Beijing Zhongwen Law Firm (北京市中聞律師事務所)	Director	Since November 2013	Yes

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Name of the incumbent	Name of Other Unit	Position Held in Other Unit	Term of Office	Remuneration Allowance from	
				Other Unit	Other Unit
WU Ge (吳革)	Institute of Criminal Law Science of Beijing Normal University	Part-time researcher	Since August 2006		No
WU Ge (吳革)	Chinese Overseas Friendship Association (中華海外聯誼會)	Managing director	Since May 2019		No
WU Ge (吳革)	China Institute of Case-based Jurisprudence (中國案例法學研究會)	Standing vice president	Since October 2013		No
WU Ge (吳革)	National Base of Human rights Education and Training, i.e. Human Rights Education and Research Centre of the Southwestern University of Politics and Law	Part-time researcher	Since April 2015		No
WU Ge (吳革)	China Foundation for Disabled Persons (中國殘疾人福利基金會)	Supervisor	Since April 2019		No
WU Ge (吳革)	The Constitution and Administrative Law Committee of the All China Lawyers Association	Deputy director	Since 2019		No
CHAN Mei (陳美寶)	Mabel Chan & Co. in Hong Kong (香港陳美寶會計師事務所)	Founder	Since January 1999		Yes
CHAN Mei (陳美寶)	Kingmaker Footwear Holdings Ltd.	Independent non-executive director	Since August 2011		Yes
CHAN Mei (陳美寶)	Grant Thornton Hong Kong Limited	Deputy managing partner	Since January 2016		Yes
CHAN Mei (陳美寶)	Securities and Futures Appeals Tribunal of HKSAR (香港證券及期貨事務上訴審裁處)	Member	Since April 2017		No
CHAN Mei (陳美寶)	Export Credit Insurance Corporation Advisory Board of HKSAR (香港出口信用保險局諮詢委員會)	Member	Since July 2017		No
CHAN Mei (陳美寶)	Air Transport Licensing Authority of HKSAR (香港空運牌照局)	Member	Since August 2017		No
CHAN Mei (陳美寶)	Trade and Industry Advisory Board of HKSAR (香港工業貿易諮詢委員會)	Member	Since September 2017		No
CHAN Mei (陳美寶)	Renrui Human Resources Technology Holdings Limited	Independent non-executive director	Since November 2019		Yes
CHAN Mei (陳美寶)	Hong Kong Business Facilitation Advisory Committee	Member	Since July 2020		No
CHAN Mei (陳美寶)	Academy of Finance	Member	Since December 2020		No
CHAN Mei (陳美寶)	Independent Police Complaints Council	Member	Since January 2021		No
CHAN Mei (陳美寶)	Corruption Prevention Advisory Committees of the ICAC	Member	Since January 2021		No
CHAN Mei (陳美寶)	Barristers Disciplinary Tribunal Panel of Hong Kong (香港大律師紀律審裁團)	Member	From May 2010 to June 2020		No
CHAN Mei (陳美寶)	Small and Medium Enterprises Committee of HKSAR (香港中小企業委員會)	Member	From January 2015 to January 2021		No

## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Name of the incumbent	Name of Other Unit	Position Held in Other Unit	Term of Office	Remuneration Allowance from Other Unit
LI Yanyan (李燕燕)	Zhengzhou University	Professor	Since May 2008	Yes
LI Yanyan (李燕燕)	The school newspaper editorial department of Zhengzhou University	Director and editor-in-chief	Since January 2015	Yes
ZHAO Lijuan (趙麗娟)	Xunxian Zhengyin County Bank	Chairman	Since November 2017	No
ZHU Zhihui (朱志暉)	Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司)	Chairman	Since November 2011	No
ZHU Zhihui (朱志暉)	Henan Huida Jiarui Real Estate Co., Ltd. (河南暉達嘉睿置業有限公司)	Chairman	Since March 2013	Yes
ZHU Zhihui (朱志暉)	Huida Holdings Limited (暉達控股有限公司)	Chairman	Since January 2015	No
MA Baojun (馬寶軍)	Zhaoqing Baoxin Investment Company Limited (肇慶市寶鑫投資有限公司)	Supervisor	Since June 2010	No
MA Baojun (馬寶軍)	Henan Songshan Technology and Innovation Fund Management Co., Ltd. (河南嵩山科技創新基金管理有限公司)	Chairman	Since December 2016	Yes
MA Baojun (馬寶軍)	Tak Yau Limited	Director	Since June 2017	No
SONG Ke (宋科)	International Monetary Institute of Renmin University of China (中國人民大學國際貨幣研究所)	Council director and deputy director	Since January 2014	No
SONG Ke (宋科)	Faculty of Monetary Finance of the School of Finance of Renmin University of China (中國人民大學財政金融學院貨幣金融系)	Lecturer	Since September 2015	Yes
SONG Ke (宋科)	School of Finance of Renmin University of China (中國人民大學財政金融學院)	Deputy party secretary	Since April 2019	No
SONG Ke (宋科)	Zhejiang YongAn Rongtong Holdings Co., Ltd. (浙江永安融通控股股份有限公司)	Independent non-executive director	From December 2017 to September 2020	Yes
SONG Ke (宋科)	Bank of Guizhou Co., Ltd.	Independent non-executive director	Since August 2018	Yes
GUO Zhibin (郭志彬)	Xinzheng Zhengyin County Bank	Chairman	Since July 2018	No

#### 4.4 Penalties Imposed on Directors, Supervisors and Senior Management Who Currently Hold Positions or Resigned During the Reporting Period in the Past Three Years

The Directors, Supervisors and senior management of the Bank who currently hold positions or resigned during the Reporting Period did not have any punishments by the securities regulatory authorities in the past three years.

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## 5 REMUNERATION POLICY AND ANNUAL REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 5.1 Remuneration Policy

#### 5.1.1 *The Decision-making Process*

The Bank's general meeting decides on the remuneration of Directors and Supervisors, considers and approves the remuneration measures for Directors and Supervisors, authorizes the remuneration and appraisal committee of the Board to formulate the remuneration plan for the relevant Directors and Supervisors, and is responsible for the assessment and implementation. The Board of the Bank determines the remuneration of the senior management personnel, considers and approves the remuneration measures for senior management personnel, authorizes the remuneration and appraisal committee of the Board to formulate the remuneration plan of relevant senior management personnel, and is responsible for assessment and implementation.

#### 5.1.2 *Determination Basis*

According to the guidelines from regulatory authorities, the Administrative Measures on Remuneration and Performance for Directors and Supervisors at Governance Level, the Administrative Measures on Remuneration and Performance for Senior Management at Operation Level, and Administrative Measures on the Deferred Payment of Performance-based Remuneration, the Bank formulated the remuneration assessment plan for the chairman of the Board, the vice chairman of the Board, the chairman of the Board of Supervisors, other executive Directors, and senior management personnel based on the principles of balance between power and responsibility, combination of incentive with restriction, keeping remuneration in line with risk and responsibilities, and equal emphasis on short-term and long-term objectives. The assessment covers four areas: operating results, risk management, internal control compliance, and duty performance, which reflects protection of the interests of depositors and investors and ensure that the Bank's short-term interest aligns with its long-term interests. The Bank determines the total annual remuneration of the chairman of the Board, the vice chairman of the Board, the chairman of the Board of Supervisors, other executive Directors, and senior management personnel based on their annual assessment results.

The Bank remunerates non-executive Directors and independent non-executive Directors according to the payment plan for allowances of the non-executive Directors and remuneration of independent non-executive Directors, and remunerates the Shareholder Supervisors and external Supervisors based on the payment plan for allowances of Shareholder Supervisors and remuneration of external Supervisors. The remuneration standard of other Supervisors is implemented in accordance with relevant measures of the Bank.

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## 5.1.3 Actual Payments

The Bank pays the basic salaries of the chairman of the Board, the vice chairman of the Board, the chairman of the Board of Supervisors and the senior management according to the remuneration management system; and pays the performance salaries according to the annual performance assessment. As the chairman of the Board, the chairman of the Board of Supervisors, the full-time deputy party secretary and the Secretary of Committee for Discipline Inspection are municipal government officials, only the basic salary portion are paid to them preliminarily. The actual salary will be calculated after the superior department determines the new salary evaluation plan and standard, and the difference will be paid or refunded as the case may be. Other Directors and Supervisors are paid monthly according to the allowance standards.

## 5.2 Remuneration for Directors, Supervisors and Senior Management

Unit: RMB'000

Name	Position	Status	Total remuneration from the Bank (before tax) during the Reporting Period	Whether obtained remuneration from the related parties of the Bank
WANG Tianyu	Chairman and executive Director	In office	984.00	No
SHEN Xueqing	President and executive Director	In office	1,732.05	No
XIA Hua	Vice chairman and executive Director	In office	785.50	No
FAN Yutao	Non-executive Director	In office	–	Yes
ZHANG Jingguo	Non-executive Director	In office	36.00	Yes
JI Hongjun	Non-executive Director	In office	36.00	Yes
LIANG Songwei	Non-executive Director	In office	–	Yes
WANG Shihao	Non-executive Director	In office	168.00	Yes
XIE Taifeng	Independent non-executive Director	In office	180.00	No
WU Ge	Independent non-executive Director	In office	180.00	No
CHAN Mei Bo	Independent non-executive Director	In office	180.00	No
Mabel	Independent non-executive Director	In office	–	No
LI Yanyan	Independent non-executive Director	In office	–	No
ZHAO Lijuan	Chairwoman of the Board of Supervisor and employee representative Supervisor	In office	1,639.48	No
ZHU Zhihui	Shareholder representative Supervisor	In office	36.00	Yes



## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Name	Position	Status	Total remuneration from the Bank (before tax) during the Reporting Period	Whether obtained remuneration from the related parties of the Bank
MA Baojun	External Supervisor	In office	150.00	No
SONG Ke	External Supervisor	In office	150.00	Yes
CHENG Jie	Employee representative Supervisor	In office	1,981.26	No
LI Huaibin	Employee representative Supervisor	In office	1,942.46	No
GUO Zhibin	Vice president	In office	1,549.73	No
SUN Haigang	Vice president	In office	1,549.55	No
ZHANG Wenjian	Vice president	In office	1,548.02	No
FU Chunqiao	Vice president and secretary of the Board of Directors	In office	1,548.74	No
LI Lei	Assistant to president	In office	1,457.84	No
ZHANG Houlin	Assistant to president	In office	1,426.19	No
LI Hong	Assistant to president	In office	1,218.28	No
LIU Jiuqing	Assistant to president	In office	1,459.07	No
JIANG Tao	Chief information officer	In office	1,048.77	No
WANG Yanli	Chief risk officer	In office	1,092.98	No
WANG Zhaoqi	Chief auditor	In office	1,002.85	No
FENG Tao	Vice chairman and executive Director	Resigned	569.32	No
XIA Hua	Vice president	Resigned	853.97	No
<b>Total</b>	<b>-</b>	<b>-</b>	<b>26,506.05</b>	<b>-</b>

### 5.3 Share Incentives Granted to Directors, Supervisors and Senior Management During the Reporting Period

During the Reporting Period, the Directors, Supervisors and senior management personnel of the Bank neither held any options nor were granted restricted share units or any forms of share incentives.

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## 6 STAFF

### 6.1 Composition

As at the end of the Reporting Period, the following table sets out the composition of employees of the Bank:

	Number
Number of in-service employees of the Bank	4,984
Number of in-service employees of the subsidiaries	347
Total number of in-service employees	5,331
Total number of employees receiving remuneration during the period	5,331
Number of resigned and retired employees with costs borne	1,083

*Note:* The number of employees excludes dispatched employees.

#### *By department/function*

Job category	Number of employees	Percentage
Corporate banking	710	13%
Retail banking	1,519	29%
Risk management, internal audit and legal compliance	490	9%
Finance and accounting	1,404	26%
I.T.	215	4%
Business management and support	993	19%
<b>Total</b>	<b>5,331</b>	<b>100%</b>

#### *By age*

Age group	Number of employees	Percentage
30 or below	2,263	42%
31- 40	2,216	42%
41- 50	623	12%
Over 50	229	4%
<b>Total</b>	<b>5,331</b>	<b>100%</b>

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## *By level of education*

Highest level of education	Number of employees	Percentage
Master's degree or above	972	18%
Bachelor's degree	3,862	73%
Associate degree	449	8%
Others	48	1%
<b>Total</b>	<b>5,331</b>	<b>100%</b>

## 6.2 Staff Training Plan

According to the annual development strategy, the Bank constantly improves the training system and training management system, promotes the construction of a learning-oriented institution, highlights the soft power of development, providing strong talent support for long-term development. During the Reporting Period, the Bank officially launched the “Ding College (鼎學院)” of Online Education College of Zhengzhou Bank (鄭銀網絡學院), taking advantage of the advanced and scientific nature of the platform to undertake talent training through the combination of online and offline methods. The Bank continuously carries out the establishment project of professional sequence curriculum system, including curriculum system sorting, learning map building, internal curriculum development, etc.; speeds up the effort to nurture talents of all levels and improves all employees' capability to undertake the duties of their positions; focuses on the reserve cadres training, internal lecturer training programs, training on new employees hired through on-campus recruitment, the headquarters staff reserves training, and trainings on corporate account managers, small and micro customer managers, operations, rotational trainings on risks, building a sound talent base construction for the business development of the Bank.

## 6.3 Remuneration Policy for Staff

The Bank adheres to the principles of “fairness, competition and incentivization” in formulating its remuneration policy. In other words, the remuneration policy shall be able to reflect external fairness, internal fairness and individual fairness of salary; it shall be conducive to enhancing our market competitiveness and attractiveness to talented people. When adjusting its remuneration structure, the Bank makes corresponding adjustments for positions whose remunerations are far below the market level based on the results of a market salary survey, and it shall also be able to make our salary more incentivised, namely to motivate our employees by incorporating floating wages and performance-linked bonus and other incentive components into our salary packages, and to provide employees at different positions with equal promotion opportunities by designing different promotion channels. The Bank makes social insurance contributions and housing provident fund contributions and provides other employee benefit packages for employees in accordance with applicable laws, rules and regulations of the PRC, and establishes a corporate annuity system and a supplementary medical fund to improve the pension payment and medical security of employees. For details, please refer to Note 32(a) in the chapter headed “Independent Auditor's Report” of this Report.

# CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

## 6.4 Labor Outsourcing

As at the end of the Reporting Period, the Bank had 329 dispatched employees. The positions assigned to dispatched employees were mainly auxiliary positions such as savings tellers, lobby managers, voucher scanning personnel, file input personnel and drivers. The Bank's unified management systems on vacation, induction, training, etc., also apply to the dispatched employees. The salaries of the dispatched employees were determined based on their performance assessment results. The Bank assesses the dispatched employees regularly and transfers the dispatched employees to official staff in proportion on merit.

## 7 BASIC INFORMATION OF INSTITUTIONS UNDER THE BANK

The following table sets out the branches and sub-branches of the Bank as at the end of the Reporting Period:

Region	Name of institutions	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB'000)
Zhengzhou, Henan	Headquarters	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province	116 branch institutions in district of Zhengzhou for conducting external business and 57 institutions in other prefectural-level cities in Henan for conducting external business	4,984	522,146,926
Zhengzhou, Henan	Branch institutions in Zhengzhou for conducting external businesses directly managed by the headquarters	-	99 institutions	3,521	439,259,809
Zhengzhou, Henan	Small Business Financial Service Centre	Room 102, 1-2/F and Room 301-309, 3/F, 4A, North of Longhu Zhonghuan South Road and East of Jiuru Road, Zhengdong New District, Zhengzhou City, Henan Province	17 institutions for conducting external business	342	3,989,544
Nanyang, Henan	Nanyang branch	The junction of Zhongjing Road and Fanli Road, Wancheng District, Nanyang City, Henan Province	10 institutions for conducting external business	161	9,719,638
Xinxiang, Henan	Xinxiang branch	No. 278, Xiangyang Road, Xinxiang City, Henan Province	7 institutions for conducting external business	126	5,820,434

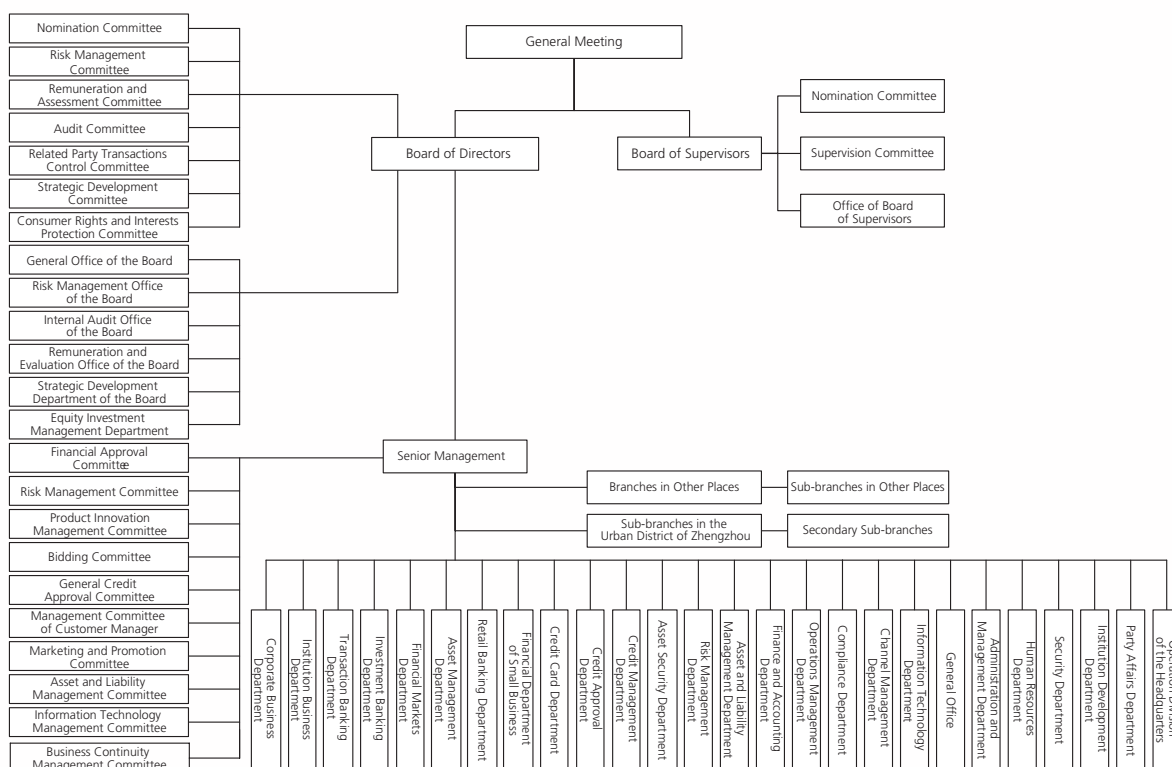
## CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Region	Name of institutions	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB' 000)
Luoyang, Henan	Luoyang branch	Longan Building (隆安大廈), the junction of Guanlin Road and Houzaimen Street, Luolong District, Luoyang City, Henan Province	7 institutions for conducting external business	124	13,987,173
Anyang, Henan	Anyang branch	Yiwu International Business & Trade Mansion, the junction of Zhonghua Road and Delong Street, Andong New District, Anyang City, Henan Province	7 institutions for conducting external business	92	8,037,703
Shangqiu, Henan	Shangqiu branch	Floor A2B, Siji Harbour, Wenhua Road North and Zhongzhou Road East, Liangyuan District, Shangqiu City, Henan Province	5 institutions for conducting external business	107	6,328,885
Xuchang, Henan	Xuchang branch	Juncheng International Building (亨通君成國際大廈), the junction of Liancheng Avenue and Weiwen Road, Weidu District, Xuchang City, Henan Province	4 institutions for conducting external business	82	5,923,719
Luohe, Henan	Luohe branch	Floor 1-5, Changjian International (昌建國際), the junction of Songshan West Branch Road and Mudanjiang Road, Yancheng District, Luohe City, Henan Province	3 institutions for conducting external business	54	4,225,134
Xinyang, Henan	Xinyang branch	Floor 1-2, Zhongle Baihua Mansion (中樂百花公館), the junction of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang City, Henan Province	4 institutions for conducting external business	77	2,417,113
Puyang, Henan	Puyang branch	The northwest of junction of Renmin Road and Kaizhou Road, Hualong District, Puyang City, Henan Province	2 institutions for conducting external business	67	4,560,619
Pingdingshan, Henan	Pingdingshan branch	The southeast of junction of Kaiyuan Road and Qinggong Road, Zhanhe District, Pingdingshan City, Henan Province	2 institutions for conducting external business	55	5,395,829
Zhumadian, Henan	Zhumadian branch	The southwest of junction of Huaihe Avenue and Tianzhongshan Avenue, Zhumadian City, Henan Province	2 institutions for conducting external business	46	4,284,680
Kaifeng, Henan	Kaifeng branch	The southeast of junction of Jinming Avenue and Hanxing Road, Kaifeng City, Henan Province	2 institutions for conducting external business	59	4,221,426
Zhoukou, Henan	Zhoukou branch	The southeast of junction of Traffic Avenue and Bayi Avenue, Zhoukou City, Henan Province	1 institution for conducting external business	38	3,240,087
Hebi, Henan	Hebi branch <sup>(Note)</sup>	The northeast of junction of Qishui Avenue and Zihuai Lane, Qibin District, Hebi City, Henan Province	1 institution for conducting external business	33	735,133

Note: The Hebi branch of the Bank was officially opened for business on 8 May 2020.

# CHAPTER VII CORPORATE GOVERNANCE REPORT

## 1 COMPANY STRUCTURE DIAGRAM



*Note:* In accordance with the spirit of the Notice of the General Office of Municipal Commission of China's Communist Party in Zhengzhou on Matters Relating to the Setting of the Discipline Inspection and Supervision Department of Bank of Zhengzhou (Zheng Ban [2019] No.100), the Bank has dissolved the Discipline Supervisory Office and replaced it with a stationed unit ("**Discipline Inspection and Supervision Team of Municipal Commission for Discipline Inspection and Supervision Stationed in Bank of Zhengzhou Co., Ltd.**") established in the Bank by the Municipal Commission for Discipline Inspection and Supervision.

# CHAPTER VII CORPORATE GOVERNANCE REPORT

## 2 OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a relatively sound corporate governance structure, including the general meeting, the Board, the Board of Supervisors, and senior management, to regulate operation, specify duties and maintain effective balance, so as to fully protect and safeguard the legitimate rights and interests of domestic and international Shareholders and other stakeholders. During the Reporting Period, the Bank continued to enhance its corporate governance structure, various systems of corporate governance and corporate governance standards in strict accordance with the requirements of the Company Law, the Securities Law, the Corporate Governance Guidelines for Listed Companies issued by the CSRC, the SZSE Listing Rules, the Guidelines for the Standard Operation of Listed Companies on the Shenzhen Stock Exchange, the Stock Exchange Listing Rules, and the Corporate Governance Code together with the Bank's corporate governance practice. As at the end of the Reporting Period, there was no significant inconsistency between the Bank's actual corporate governance and the Company Law and relevant provisions of the CSRC. Meanwhile, the Bank strictly abided by the code provisions of the Corporate Governance Code and the Stock Exchange Listing Rules relating to inside information disclosure. The Directors are not aware of any information indicating that the Bank had not complied with the code provisions set out in the Corporate Governance Code during the Reporting Period.

During the Reporting Period, the Bank constantly reviewed and updated the corporate governance system in accordance with relevant laws, regulations, and regulatory requirements. It amended the Articles of Association, the Rules of Procedures of General Meetings, and the Rules of Procedures of Board Meetings, and formulated the Information Reporting System for Senior Management. The Board formulated the strategic development plan for 2021-2025 to specify its development direction. Under the leadership of the Board, the Bank completed the non-public issuance of A Shares to improve its capital adequacy. It readjusted members of the special committees of the Board to strengthen professional functions and improve operational efficiency and performance. The Board of Supervisors carried out performance evaluations, regularly issued supervision tips, and strengthened supervision function. Independent non-executive Directors and external Supervisors actively conducted business surveys and earnestly expressed independent opinions. In doing so, the expertise and supervisory role of external experts were put into play. The Bank discloses information in a true, accurate, complete and timely manner in accordance with laws, regulations, the Articles of Association and the Bank's information disclosure measures, and ensures that all Shareholders have equal access to such information. The Bank attaches great importance to the management of inside information, strictly controls the scope of personnel having access to inside information, and registers the list of personnel knowing the Bank's inside information in a timely manner. No person with knowledge of inside information has been found to illegally use inside information to trade in the Bank's Shares.

The Bank will continue to review and strengthen corporate governance in order to ensure consistent compliance with the regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules and meet the higher expectations of Shareholders and investors.

# CHAPTER VII CORPORATE GOVERNANCE REPORT

## The Bank's Independence from Shareholders Holding More Than 5% of the Bank's Shares in Terms of Operations, Staff, Assets, Institutional Structure and Finance

During the Reporting Period, the Bank did not have any controlling Shareholder.

- (1) Operations: The Bank operates independently from Shareholders holding more than 5% of the Bank's Shares.
- (2) Staff: The Bank operates independently in terms of staff and salary management.
- (3) Assets: The Bank has independent places of business and supporting facilities.
- (4) Structure: The Bank has a sound institutional structure through which the Board, the Board of Supervisors and various functional departments operate independently with clear powers and functions and have no subordinate relations with the functional departments of corporate Shareholders holding more than 5% of the Bank's Shares.
- (5) Finance: The Bank sets up the independent finance department and audit department equipped with special financial and audit personnel, and established an independent accounting system and financial management system.

### Horizontal Competition

The Bank does not have controlling Shareholders or horizontal competition with controlling Shareholders, the de facto controllers and other companies controlled by them.

## 3 GENERAL MEETINGS

Number, session and type	Investor participation ratio	Date of convening	Disclosure date of the resolutions	Disclosure index
2019 AGM	55.19%	20 May 2020	20 May 2020	The website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> ) The website of the Bank ( <a href="http://www.zzbank.cn">www.zzbank.cn</a> ) CNINFO ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> )
2020 first class meeting of the A Shareholders	68.31%	20 May 2020	20 May 2020	The website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> ) The website of the Bank ( <a href="http://www.zzbank.cn">www.zzbank.cn</a> ) CNINFO ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> )
2020 first class meeting of the H Shareholders	14.15%	20 May 2020	20 May 2020	The website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> ) The website of the Bank ( <a href="http://www.zzbank.cn">www.zzbank.cn</a> ) CNINFO ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> )



## CHAPTER VII CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Bank held one annual general meeting, one class meeting of the A Shareholders, and one class meeting of the H Shareholders, the particulars of which are as follows:

On 20 May 2020, the Bank held the 2019 AGM in Zhengzhou, Henan. In the meeting, 25 resolutions regarding the Work Report of the Board, the Work Report of the Board of Supervisors, Financial Accounts, Financial Budget, the Profit Distribution and Capitalization Issue Plan, Amendments to the Articles of Association, and the Revised Non-public Issuance of A Shares were considered and approved;

On 20 May 2020, the Bank held the 2020 first class meeting of the A Shareholders in Zhengzhou, Henan. In the meeting, five resolutions regarding the Profit Distribution and Capitalization Issue Plan, Amendments to the Articles of Association, and the Revised Non-public Issuance of A Shares were considered and approved; and

On 20 May 2020, the Bank held the 2020 first class meeting of the H Shareholders in Zhengzhou, Henan. In the meeting, five resolutions regarding the Profit Distribution and Capitalization Issue Plan, Amendments to the Articles of Association, and the Revised Non-public Issuance of A Shares were considered and approved.

The convening of the above general meetings, the notices, the holding and voting procedures were in line with the relevant provisions of the relevant laws and regulations and the Articles of Association.

During the Reporting Period, the Bank did not have any situation in which the shareholders of preference shares whose voting rights were resumed requested to convene extraordinary general meetings, convened and presided over the general meetings, or submitted provisional proposals for general meetings.

### 4 BOARD OF DIRECTORS

#### 4.1 Responsibilities of the Board of Directors

As the decision-making body of the Bank, the Board of Directors is accountable to the general meeting and responsible for implementing the resolutions of the general meeting. The Board of Directors mainly exercises the following powers and rights: convening general meetings and implementing the resolutions adopted at general meetings; deciding on the business development strategies, business plans and investment proposals of the Bank; formulating annual budgets, final accounts, profit distribution plans and loss recovery plans of the Bank; formulating proposals on the increase or reduction of the Bank's registered capital and the issue of bonds and other securities and the listing of the Bank; formulating proposals on major acquisitions by the Bank, acquisitions of the Shares of the Bank or merger, division, dissolution or change of the corporate form; deciding on external investment, acquisition and disposal of assets, pledge of assets, external guarantee, entrustment of wealth management and other matters of the Bank within the scope of authority granted by the general meeting; examining and approving the related party transactions which require approval by the Board of Directors as stipulated by the law, administrative regulations, departmental rules, regulatory documents and regulations of securities regulatory authorities of the locality where the Bank's stocks are listed; deciding on the establishment of the Bank's internal management departments; appointing or removing the Bank's president and secretary to the Board of Directors, deciding to appoint or removing the Bank's senior management personnel including the vice presidents, assistants to the president and chief financial officer of the Bank

## CHAPTER VII CORPORATE GOVERNANCE REPORT

in accordance with the recommendations of the president, and determining their remunerations, rewards and punishment; formulating the basic management systems of the Bank, deciding on the policies on risk management, internal control and compliance policy of the Bank; formulating amendment proposals on amendments to the Articles of Association, the rules of procedures of general meetings and Board meetings; proposing at a general meeting the appointment, dismissal or discontinuance of appointment of accounting firms; supervising the performance of the senior management, receiving the president's work report and examining the president's work; managing the information disclosure of the Bank and taking ultimate responsibility for the completeness and accuracy of the Bank's accounting and financial reporting systems; reviewing any material capital expenditure, contract and commitment which exceeds the expenditure limit for senior management set by the Board of Directors; and other powers and rights stipulated by laws, administrative regulations, departmental rules or the Articles of Association, and those conferred by the general meeting.

As the administrative body of the Board of Directors, the office of Board is responsible for the preparation of general meetings and the meetings of the Board of Directors and special committees of the Board of Directors, information disclosure, investor relations management and other daily affairs.

### 4.2 Operating Model of the Board of Directors

The Board of Directors shall hold at least four regular meetings a year, and convene extraordinary meetings when necessary. The meetings of the Board of Directors shall be held in the form of physical meetings or by way of telecommunication. The notices of regular Board meetings and the materials of the meeting shall be sent to each Director at least ten days and five days before the relevant meeting is convened, respectively, in accordance with the related corporate governance requirements under the regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules and the Articles of Association. The detailed minutes of the meetings of the Board of Directors will be provided to all attending Directors for their review subsequent to the meetings, and shall be signed by all Directors for confirmation after proposing amendments. A good communication and reporting mechanism has been established among the Board of Directors, the Directors and senior management of the Bank. Senior management provides sufficient information for the Board and its special committees to make decisions. All Directors may seek independent professional opinions with the cost borne by the Bank. The President of the Bank regularly reports to the Board and is subject to its supervision. Relevant members of senior management are invited to participate in meetings of the Board and its special committees from time to time to provide explanations or answers to inquiries. At the meetings of the Board of Directors, all Directors can present their opinions freely, and decisions on important matters should only be made after a detailed discussion. Directors with material interest or conflict in relevant proposals shall refrain from voting.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

### 4.3 Members of the Board and the Board Diversity Policy

The Bank believes that the diversity of the members of the Board of Directors can improve the performance of the Bank. In designing the Board's composition, Board diversity has been considered from a number of aspects, including (but not limited to) gender, qualifications, regional and industry experience, skills, knowledge and educational background. All Board appointments will be determined based on both capability and integrity, and candidates will be considered against objective criteria, with due regard given to the benefits of diversity to the Board.

The nomination committee of the Board will review and assess this policy as and when appropriate, and consider the structuring, size and composition of the Board on an annual basis as well as set the following measurable goals, to ensure the effective implementation of this policy:

#### *The Board*

The Board shall ensure that there is no gender limitation in selecting Directors;

At least one third, and no less than three in total, of the Board members are independent non-executive Directors;

Board members shall possess knowledge and skills in different areas; and

At least one Board member is a professional in finance or accounting.

The Nomination Committee of the Board of Directors will discuss any amendments or amendments that may need to be made, and then submit these proposed amendments to the Board of Directors for approval. The selection of candidates for Directors by the Nomination Committee will be based on a series of diverse fields and with reference to the Bank's business model and specific needs. For the nomination policy as well as procedures for selection of Directors, please refer to the paragraph headed "Nomination Policy and Procedures for Selection of Directors" in this chapter.

As at the Latest Practicable Date, the Board comprised a total of 12 Directors, including:

Ten males and two females;

Three executive Directors, five non-executive Directors and four independent non-executive Directors;

One Director aged under 50, nine Directors aged 50 to 59, and two Directors aged 60 or above; and

Four Directors specialising in banking, two Directors specialising in teaching and research, one Director specialising in law, one Director specialising in accounting, and four Director specialising in other areas.

Accordingly, the Board considers its members have generally achieved diversity in different aspects.

For details of each Director's term of office and changes of Directors during and after the Reporting Period, please refer to the chapter headed "Directors, Supervisors, Senior Management, Staff and Institutions" of this Report.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

### 4.4 Chairman and President

The roles and duties of the chairman of the Board of Directors and the president are taken up by different individuals. There is a clear division of responsibilities in compliance with the requirements and recommendations of the regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules.

Mr. WANG Tianyu, as the chairman of the Board of Directors, is mainly in charge of chairing general meetings, convening and chairing meetings of the Board of Directors; supervising and reviewing the implementation of resolutions of the Board of Directors; signing share certificates, bonds and other marketable securities of the Bank; signing important documents of the Board of Directors and other documents required to be signed by the legal representative of the Bank; and exercising the duties and powers of the legal representative.

Mr. SHEN Xueqing, as the president of the Bank, is mainly in charge of managing operations of the Bank, arranging the implementation of the resolutions of the meetings of the Board of Directors and reporting the work to the Board of Directors; submitting annual business plans and investment proposals to the Board of Directors and arranging the implementation upon approval by the Board of Directors; and drafting proposals on the establishment of the internal management departments, basic management systems and specific regulations of the Bank.

### 4.5 Responsibilities of Directors

During the Reporting Period, all Directors carefully, earnestly and diligently attended relevant meetings as specified and required by relevant laws and regulations and the Articles of Association, exercised their rights regarding the operation of the Board and resolutions of the meeting of the Board, and duly considered and voted on its resolutions and actively offered responsible suggestions and advice, which facilitated the Bank's sound and sustainable development and perfectly completed the tasks and objectives of the Board. While duly exercising their rights as Directors, they were performing their corresponding obligations to fully protect the rights of Shareholders and investors. Directors acknowledge their responsibilities for preparing the financial statements of the Bank for the year ended 31 December 2020.

The Board of Supervisors conducted evaluation of the performance of duties of the Directors during the Reporting Period, and reported the results of the evaluation to the general meeting.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

### 4.6 Particulars of Meetings of the Board of Directors and Directors' Attendance

During the Reporting Period, the Bank held 10 meetings of the Board of Directors, considered 73 major resolutions including related party transactions, the work report of the Board of Directors, final accounts report, annual profit distribution and Capitalization Issue plan, amendments to the Articles of Association, and the revised non-public issuance of A Shares.

#### *Particulars of the Meetings*

<b>Number and session</b>	<b>Date of convening</b>	<b>Form of convening</b>
The 2020 first extraordinary meeting of the sixth session of the Board	19 February 2020	By correspondence
The 2020 second extraordinary meeting of the sixth session of the Board	12 March 2020	By correspondence
The eighth meeting of the sixth session of the Board	30 March 2020	On-site meeting
The 2020 third extraordinary meeting of the sixth session of the Board	14 April 2020	By correspondence
The ninth meeting of the sixth session of the Board	24 April 2020	On-site meeting
The 2020 fourth extraordinary meeting of the sixth session of the Board	20 May 2020	By correspondence
The 2020 fifth extraordinary meeting of the sixth session of the Board	8 July 2020	By correspondence
The tenth meeting of the sixth session of the Board	28 August 2020	On-site meeting
The eleventh meeting of the sixth session of the Board	29 October 2020	On-site meeting
The 2020 sixth extraordinary meeting of the sixth session of the Board	21 December 2020	On-site meeting

# CHAPTER VII CORPORATE GOVERNANCE REPORT

## Directors' Attendance

Director	2019 AGM	2020 first class meeting of the A Shareholders	2020 first class meeting of the H Shareholders	Special Committees of the Board <sup>(1)</sup>								
				Board of Directors	Strategic Development Committee	Risk Management Committee	Related Party Transactions		Audit Committee	Nomination Committee <sup>(4)</sup>	Remuneration and Assessment Committee <sup>(5)</sup>	Consumer Rights Protection Committee <sup>(6)</sup>
							Control Committee					
Actual attendance/required attendance (times) <sup>(2)</sup>												
Executive Director	WANG Tianyu				10/10	4/4						1/1
	SHEN Xueqing	✓	✓	✓	10/10	4/4						1/1
	XIA Hua				4/4 <sup>(1)</sup>	4/4						0/0
	FENG Tao				4/4 <sup>(2)</sup>							1/1
Non-executive Directors	FAN Yutao	✓	✓	✓	10/10					4/4		
	ZHANG Jingguo				10/10						3/3	
	Ji Hongjun	✓	✓	✓	10/10				7/7			
	LIANG Songwei				10/10	6/6	4/4					
	WANG Shihao				10/10	6/6						
Independent Non-executive Directors	XIE Taifeng				10/10	6/6			7/7	2/2	1/1	
	WU Ge				10/10		4/4			4/4		
	CHAN Mei Bo Mabel	✓	✓	✓	10/10				7/7	2/2	2/2	
	LI Yanyan	✓	✓	✓	10/10		4/4				3/3	

### Notes:

- Mr. XIA Hua was elected as an executive Director of the sixth session of the Board of Directors of the Bank on 20 May 2020 at the 2019 AGM of the Bank. He was approved to perform his duties on 2 July 2020 and shall attend four meetings of the Board of Directors during the Reporting Period.
- Mr. FENG Tao resigned as an executive Director of the Bank on 24 April 2020, and shall attend four meetings of the Board of Directors during the Reporting Period.
- The number of meetings in which Directors of the special committees of the Board are required to attend shall be the number of meetings held throughout the year, while the actual number of attendance is the actual number of meetings attended by Directors of the special committee. During the Reporting Period, all Directors attended meetings of the special committees of the Board in person. There was no attendance by proxy.
- On 24 April 2020, Ms. CHAN Mei Bo Mabel ceased to be the chairwoman of the nomination committee, and shall attend two meetings of the nomination committee during the Reporting Period; Mr. XIE Taifeng was appointed as the chairman of the nomination committee, and shall attend two meetings of the nomination committee during the Reporting Period.
- On 24 April 2020, Mr. XIE Taifeng ceased to be a member of the remuneration and assessment committee, and shall attend one meeting of the remuneration and assessment committee during the Reporting Period; Ms. CHAN Mei Bo Mabel was appointed as a member of the remuneration and assessment committee, and shall attend two meetings of the remuneration and assessment committee during the Reporting Period.
- During the Reporting Period, the consumer rights protection committee of the Bank held one meeting on 9 April 2020.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

During the Reporting Period, none of the Directors, including independent non-executive Directors, failed to attend the meetings of the Board of Directors in person for two consecutive times.

During the Reporting Period, the Chairman and independent non-executive Directors held meetings without the presence of other Directors.

### **4.7 Independence and Performance of Duties of Independent Non-executive Directors**

#### ***4.7.1 Confirmation of the Independence for Independent Non-executive Directors***

At present, the Board consists of four independent non-executive Directors and the qualification, number and percentage of independent non-executive Directors satisfy the relevant requirements of the regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules. None of the independent non-executive Directors are involved in any conflict which would bring their independence into question as described in Rule 3.13 of the Stock Exchange Listing Rules. The Bank had already received the letters of confirmation on independence submitted by each independent non-executive Director as required by the Stock Exchange Listing Rules, and believes that all independent non-executive Directors are independent and in compliance with relevant guidelines provided by Rule 3.13 of the Stock Exchange Listing Rules.

The independent non-executive Directors neither have any business or financial interests in the Bank nor hold any management position in the Bank. All the incumbent independent non-executive Directors were elected for a term of three years. They may continue to serve for three years after the expiration of the term, provided that the total consecutive terms shall not exceed six years.

The independent non-executive Directors account for the majority of seats in and act as chairman of the related party transactions control committee, the audit committee, the nomination committee and the remuneration and assessment committee of the Board.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

### 4.7.2 Performance of Duties of Independent Non-executive Directors

#### *Independent Non-executive Directors' Attendance of Board Meetings and Annual General Meeting*

Name	Number of required attendance for Board meetings	Attendance in person	Attendance by telecommunication	Number of attendance by proxy	Times of absence	Failure to attend meetings in person for 2 consecutive times
XIE Taifeng	10	2	8	0	0	No
WU Ge	10	1	9	0	0	No
CHAN Mei Bo Mabel	10	0	10	0	0	No
LI Yanyan	10	4	6	0	0	No

Attendance of independent non-executive Directors at general meetings

Ms. CHAN Mei Bo Mabel and Ms. LI Yanyan attended the 2019 AGM, the 2020 first class meeting of the A Shareholders and the 2020 first class meeting of the H Shareholders of the Bank.

During the Reporting Period, none of the independent non-executive Directors failed to attend Board meetings in person for two consecutive times.

#### *Dissenting Opinions of Independent Non-executive Directors on Relevant Matters of the Bank*

During the Reporting Period, none of the independent non-executive Directors had any objection to relevant matters of the Bank.

#### *Other Explanations on Independent Non-executive Directors' Performance of Their Duties*

During the Reporting Period, the Bank's independent non-executive Directors performed their duties diligently and faithfully with a responsible attitude towards the Bank and investors, and the duties performed were in strict accordance with the Company Law, the Securities Law, the Guidelines for the Standard Operation of Listed Companies on the Shenzhen Stock Exchange, the SZSE Listing Rules, the Stock Exchange Listing Rules and other laws and regulations as well as the Articles of Association, the Work Rules for Independent Directors and other relevant requirements. They actively attended Board meetings, general meetings and meetings of relevant committees, conducted on-site inspections of the Bank to learn about the Bank's operations, internal control mechanism and the implementation of resolutions of the Board meetings, and expressed independent opinions on related party transactions, profit distribution and the Capitalization Issue, internal control, appointment of external audit agency, Shareholders' return scheme for the next three years and other matters of the Bank, earnestly safeguarding the rights and interests of Shareholders, especially those of the public Shareholders.



## CHAPTER VII CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Bank's independent non-executive Directors expressed independent opinions on relevant issues considered by the Board. During Board meetings and inspections of the Bank, they put forward an array of opinions and suggestions, all of which were adopted or responded to by the Bank.

<b>Time of disclosure</b>	<b>Subject matter</b>	<b>Type of opinion</b>
23 January 2020	Independent Opinions on Related Party Transactions	Agree
20 February 2020	Independent Opinions on Related Party Transactions	Agree
9 March 2020	Independent Opinions on Related Party Transactions	Agree
13 March 2020	Independent Opinions on Related Party Transactions	Agree
26 March 2020	Independent Opinions on Related Party Transactions	Agree
26 March 2020	Independent Opinions on Related Party Transactions	Agree
31 March 2020	Independent Opinions on Non-public Issuance of A Shares Involving Related Party Transactions	Agree
31 March 2020	Independent Opinions on Related Party Transactions	Agree
31 March 2020	Independent Opinions on 2019 Profit Distribution and Capitalization Issue Plan of the Bank, the Amendment of the Profit Distribution Policy in the Articles of Association, 2019 Internal Control Self-assessment Report, the Special Report on Related Party Transactions in 2019, the Estimated Amount of Daily Related Party Transactions in 2020, the Appointment of External Audit Agency in 2020, Guarantees and the Occupation of Funds by Controlling Shareholders and Other Related Parties, and Remuneration for Directors, Supervisors and Senior Management	Agree
31 March 2020	Independent Opinions on Shareholder Return Planning of the Bank for the Next Three Years (2020-2022)	Agree
27 April 2020	Independent Opinions on Proposed Change of Executive Directors of the Sixth Session of the Board of Directors	Agree
21 May 2020	Independent Opinions on 2019 Performance Appraisal Results of Executive Directors and Senior Management Personnel	Agree
31 August 2020	Independent Opinions on External Guarantees of the Bank and the Occupation of Funds by Controlling Shareholders and Other Related Parties, the Distribution of Offshore Preference Shares Dividends, 2020 Performance Appraisal Scheme for Executive Directors and Senior Management Personnel, and Changes in Accounting Policies	Agree

On 28 April 2020, an independent Board committee comprising independent non-executive Directors Mr. XIE Taifeng, Mr. WU Ge, Ms. CHAN Mei Bo Mabel, and Ms. LI Yanyan provided advice for independent Shareholders in relation to the subscription of the Bank's non-public issuance of A Shares by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) and Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) in accordance with the conditional share subscription agreements and the supplementary agreements thereof.

# CHAPTER VII CORPORATE GOVERNANCE REPORT

## 5 THE SPECIAL COMMITTEES OF THE BOARD

### 5.1 Strategic Development Committee

The strategic development committee of the Bank currently consists of three executive Directors (Mr. WANG Tianyu, Mr. SHEN Xueqing and Mr. XIA Hua). The strategic development committee is chaired by Mr. WANG Tianyu, an executive Director.

The strategic development committee is mainly responsible for researching the Bank's long-term development strategy and significant investment decisions, setting business and management objectives and long-term development strategy for the Bank, making recommendations for the Bank's significant investment decisions, supervising and checking the implementation of annual business plans and investment plans, communicating regularly with the senior management and heads of departments in relation to the operations and risks of the Bank, providing advice and suggestions, and other matters under the authority granted by the Board.

During the Reporting Period, the strategic development committee held a total of four meetings, in which they considered and approved a number of resolutions such as the Zhengzhou Bank's Strategic Development Plan for 2021-2025, the Mid-term Capital Plan (2021-2023), the Capital Increase to Xunxian Zhengyin County Bank, the Capital Increase to and Acquisition of Yanling Zhengyin County Bank and the 2019 Annual Work Report of the strategic development committee of the Board.

### 5.2 Risk Management Committee

The risk management committee of the Bank consists of two non-executive Directors, Mr. LIANG Songwei and Mr. WANG Shihao, and one independent non-executive Director, Mr. XIE Taifeng. The risk management committee is chaired by Mr. WANG Shihao, a non-executive Director.

The risk management committee is mainly responsible for controlling, managing, monitoring and assessing risks of the Bank, reviewing risk control principles, objectives and policies of the Bank and reporting them to the Board of Directors for deliberation and approval, reviewing risk management measures of the Bank, examining and supervising the risk management work carried out by the senior management in all aspects, conducting surveys and evaluations on risk policies, management status and risk tolerance levels of the Bank on a regular basis and reporting to the Board of Directors, providing recommendations on improving risk management and internal control of the Bank, and formulating approval management plan for the Bank and reporting to the Board of Directors and general meetings for deliberation and approval.

During the Reporting Period, the risk management committee held a total of six meetings to consider and approve a number of resolutions such as the 2019 Compliance Management Report, the Comprehensive Risk Management Report, the Anti-money Laundering Work Report, the Approval Proposal of the Board, and the Risk Preference Statement.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

### 5.3 Related Party Transactions Control Committee

The related party transactions control committee of the Bank consists of one non-executive Director (Mr. LIANG Songwei) and two independent non-executive Directors (Mr. WU Ge and Ms. LI Yanyan). The related party transactions control committee is chaired by Mr. WU Ge, an independent non-executive Director.

The related party transactions control committee is mainly responsible for the management, review and matters, as approved by the Board of Directors, of related party transactions, and controlling the risk of related party transactions, formulating rules and management framework relating to related party transactions of the Bank, reviewing related parties of the Bank and reporting them to the Board of Directors and the Board of Supervisors and announcing identified related parties to relevant staff of the Bank timely, reviewing and supervising the control of related party transactions of the Bank, re-examining materials about related party transactions and subsequently submitting the same to the Board of Directors for approval.

During the Reporting Period, the related party transactions control committee held a total of four meetings to consider and approve a number of resolutions such as the Specific Report on 2019 Related Party Transactions, the Estimated Amount for Daily Related Party Transactions in 2020, the List of Related Parties, and Business Cooperation with High-Quality Related Party Clients Satisfying Relevant Policy Requirements.

### 5.4 Audit Committee

The audit committee of the Bank consists of one non-executive Director (Mr. JI Hongjun) and two independent non-executive Directors (Ms. CHAN Mei Bo Mabel and Mr. XIE Taifeng). The audit committee is chaired by Ms. CHAN Mei Bo Mabel, an independent non-executive Director.

The audit committee is mainly responsible for reviewing the risks and compliance status, internal control management system, accounting policies, auditing basic management system, financial reporting procedures and financial position of the Bank, auditing the financial information of the Bank, preparing a report on audited financial statements and submitting it to the Board for consideration; making recommendations on the appointment and change of external audit agency, coordinating the communications between internal audit departments and external auditors; taking charge of the Bank's annual audit and overseeing the senior management to rectify the issues raised in the audit and implement audit recommendations, reviewing, evaluating and reporting to the Board of Directors on the internal audit on a regular basis.

During the Reporting Period, the audit committee held a total of seven meetings to consider and approve resolutions such as the 2019 Annual Report of the Bank, the 2019 Internal Audit Report, the 2019 Internal Control Self-assessment Report, the Appointment of External Auditors for 2020, and the 2020 Interim Report.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

### 5.5 Nomination Committee

The nomination committee of the Bank consists of one non-executive Director and two independent non-executive Directors. The non-executive Director is Mr. FAN Yutao, and the two independent non-executive Directors are Mr. XIE Taifeng and Mr. WU Ge. The nomination committee is chaired by Mr. XIE Taifeng, an independent non-executive Director.

The nomination committee is responsible for reviewing the structure, size and composition (including skills, know-how, experience and diversity) of the Board and the management every year, and advising the Board on proposed changes to the Board based on the strategy of the Bank; developing the criteria and procedures for selecting Directors and senior management personnel, and formulating or revising the Board Diversity Policy; searching for qualified candidates for Directors and submitting nominations to the Board; assessing the independence of independent non-executive Directors; conducting preliminary review of the qualifications of candidates for directors and senior management personnel, and making recommendations to the Board; and widely searching for qualified candidates for directors and senior management.

During the Reporting Period, the nomination committee held a total of four meetings to consider and approve a number of resolutions such as the 2019 Work Report of the Nomination Committee, the New Establishment of the Position of Director of Innovation Business and the Nomination of Mr. JIANG Tao to Concurrently Hold the Position, the Nomination of Mr. XIA Hua as an Executive Director of the Six Session of the Board of Directors, the Election of Mr. XIE Taifeng as the Chairman of the Nomination Committee of the Sixth Session of the Board of Directors, and the Nomination of Mr. CHEN Heng as the Director of Financial Market Business.

#### *Nomination Policy and Procedures for Selection of Directors*

In order to ensure that the Board of Directors have a balance of skills, experience and diversity of perspectives appropriate to the Bank's business, the nomination committee of the Board of Directors shall recommend nominations of Directors to the Board of Directors in accordance with the principles of the Board Diversity Policy and the Bank's Nomination Policy. The main criteria and principles of the Bank's Nomination Policy include: (1) reviewing the structure, size and composition (including skills, knowledge, experience and diversity) of the Board of Directors and the management every year according to the operations, management, asset scale and equity structure of the Bank, and providing suggestions to the Board in relation to possible changes of the Board of Directors based on the strategy of the Bank; (2) formulating the criteria and procedures for selecting Directors and members of senior management, and providing suggestions to the Board; formulating or revising the Board Diversity Policy and developing the diversity of the Board of Directors in the process of personnel selection, taking into account, among other things, gender, age, culture, perspective, educational background and professional experience; (3) searching for qualified candidates for Directors and proposing nominations to the Board of Directors after due consideration of the Board Diversity Policy of the Bank, the requirements for being a Director of the Bank under the Articles of Association of the Bank, the Stock Exchange Listing Rules and applicable laws and regulations, as well as the contributions that relevant candidates can make to the Board of Directors in terms of qualifications, skills, experience, independence and gender diversity; (4) assessing the independence of independent non-executive Directors according to the factors set out in Rule 3.13 of the Stock Exchange Listing Rules and any other factors as may be considered appropriate by the nomination committee or the Board of Directors; where a proposed independent non-executive Director is proposed to serve as a director of five (or more) listed companies, whether he/she can devote enough time to the Board of Directors will be assessed.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

The main procedures for selection of Directors of the Bank are as follows: (1) The general office of the Board and the nomination committee of the Board of Directors shall actively communicate with relevant departments of the Bank to study the Bank's demand for appointment and re-election of Directors and senior management personnel and prepare relevant written documents; (2) the nomination committee of the Board of Directors may extensively search for candidates for directors and senior management personnel within the Bank and its controlled (associate) companies and talent market; (3) the nomination committee of the Board of Directors shall, after due consideration of relevant requirements, including but not limited to the Nomination Policy and the Board Diversity Policy, identify persons who are eligible to become Board members, and assess the independence of independent non-executive Directors as appropriate; the nomination committee of the Board of Directors shall collect and understand information on the candidates including their occupations, educational background, professional titles, detailed work experience, and full-time and part-time job experience, and formulate relevant written materials; (4) the nomination committee shall solicit the nominees' written consent to their nominations, otherwise they may not be put on the list of candidates for Directors, general manager and other senior management personnel; (5) the nomination committee shall convene meetings to review the qualifications of proposed candidates according to the job qualifications required for Directors, general manager and other senior management personnel; (6) the nomination committee shall make recommendations and submit relevant materials to the Board of Directors on candidates for Directors and senior management personnel within a reasonable time prior to the election and re-election of Directors and appointment of senior management personnel; and (7) the nomination committee shall follow up other matters according to the decisions and feedback of the Board of Directors.

### 5.6 Remuneration and Assessment Committee

The remuneration and assessment committee of the Bank consists of one non-executive Director and two independent non-executive Directors. The non-executive Director is Mr. ZHANG Jingguo, and the two independent non-executive Directors are Ms. CHAN Mei Bo Mabel and Ms. LI Yanyan. The remuneration and assessment committee is chaired by Ms. Li Yanyan, an independent non-executive Director.

The remuneration and assessment committee is mainly responsible for reviewing the remuneration management system and policies of the Bank, studying the criteria for appraising Directors and senior management personnel, and conducting the appraisal and making proposals; making proposals to the Board in respect of the remuneration policies and structures for Directors and senior management of the Bank and the formulated remuneration policies with a view to establishing a set of formal and transparent procedures, supervising and modifying the implementation of the Bank's remuneration policies; reviewing the performance of duties of Directors and senior management personnel and conducting annual performance appraisal on them.

During the Reporting Period, the remuneration and assessment committee held a total of three meetings to deliberate and approve a number of resolutions such as the 2019 Work Report of the Remuneration and Assessment Committee, the 2019 Performance Appraisal Results on Executive Directors and Senior Management Personnel, and the 2020 Performance Appraisal Scheme for Executive Directors and Senior Management Personnel.

# CHAPTER VII CORPORATE GOVERNANCE REPORT

## 5.7 Consumer Rights Protection Committee

The consumer rights protection committee of the Bank consists of three executive Directors (Mr. WANG Tianyu, Mr. SHEN Xueqing and Mr. XIA Hua). The consumer rights protection committee is chaired by Mr. WANG Tianyu, an executive Director.

The consumer rights protection committee is mainly responsible for formulating the Bank's development goals, strategies and plans for the protection of consumer rights, deploying and coordinating for the protection of consumer rights and conducting research on major issues concerning consumer rights protection, regularly communicating with the senior management and heads of departments about consumer rights protection of the Bank and giving comments and suggestions, supervising and inspecting the implementation of the annual work plan, and other matters under the authority granted by the Board of Directors.

During the Reporting Period, the consumer rights protection committee held a total of one meeting to research and deploy the consumer rights protection of the Bank, and considered and approved a number of resolutions such as the 2019 Report of Consumer Rights Protection, the 2019 Work Report of the Consumer Rights Protection Committee, and the Rectification Plan for Consumer Rights Protection.

## 6 CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for establishing sound corporate governance practices and procedures of the Bank. During the Reporting Period, the Board performed the following duties within its terms of reference: formulating and reviewing the Bank's corporate governance policies and practices, and making recommendations; reviewing and monitoring the training and continuous professional development of Directors, Supervisors and senior management; reviewing and monitoring the Bank's policies and practices in respect of compliance with laws and regulatory requirements; formulating, reviewing and monitoring the codes of conduct for Directors, Supervisors and employees; and reviewing compliance with the Corporate Governance Code and the disclosing in the Corporate Governance Report.

## 7 BOARD OF SUPERVISORS

### 7.1 Responsibilities of the Board of Supervisors

The Board of Supervisors, as the supervisory body of the Bank, aims to protect the legitimate rights of the Bank, Shareholders, staff, depositors and other stakeholders. It is accountable to the general meeting. The duties of the Board of Supervisors include: to review the Bank's financial reports prepared by the Board of Directors and express comments thereon in writing; to supervise the performance and due diligence of the Board of Directors, senior management and its members; to question the Directors, the Board of Directors and senior management; to conduct exit audits towards the Directors and senior management personnel if necessary; to require the Directors and senior management personnel to rectify their acts which are detrimental to the interests of the Bank; to examine and supervise the Bank's financial activities; to supervise and audit the business decision making, risk management and internal control of the Bank, if necessary; to propose

## CHAPTER VII CORPORATE GOVERNANCE REPORT

dismissal or initiate legal proceedings against the Directors and senior management personnel who violate laws, administrative regulations, the Articles of Association or resolutions of the general meeting; to propose the convening of extraordinary general meetings and extraordinary Board meetings, convene and preside over the general meeting in the event that the Board of Directors has failed to fulfil its duty as stipulated by the Company Law to convene and preside over the general meeting, and propose resolutions to a general meeting; to verify financial information such as financial reports, business reports and profit distribution plans to be proposed at the general meeting by the Board of Directors; to make arrangements for remuneration (or allowance) for the Supervisors; and to exercise other powers and rights conferred by applicable laws, administrative regulations, departmental rules, regulatory documents and the Articles of Association or those granted by the general meeting.

### 7.2 Operating Model of the Board of Supervisors

This includes convening regular meetings of the Board of Supervisors, attending general meetings, attending the Board meetings and certain meetings of its special committees, attending the relevant meetings of the senior management, reviewing various documents and materials from the senior management, receiving the work report and project report of the senior management, evaluating the annual performance of Directors and the senior management, facilitating communications among the Directors and the senior management, conducting exit audits of the executive Directors and the senior management, conducting investigation and research on branch institutions, carrying out a variety of special investigations, etc. Through the above work, the Board of Supervisors monitors and evaluates the Bank's operation and management, risk management and internal control, as well as the performance of duties of Directors and the senior management personnel. During the Reporting Period, the Board of Supervisors performed its duties diligently, supervised the legal compliance of performance of duties by Directors and the senior management. They also performed audit on the executive Directors and the senior management personnel as required. They reviewed and supervised the financial activities, risk management and internal control of the Bank, and investigated any abnormal operating activities. During the Reporting Period, the Board of Supervisors supervised the 2019 annual performance of the Board of Directors of the Bank, Directors, the senior management and its members and Supervisors, and gave feedback to the Board of Directors and the senior management.

### 7.3 Members of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors consisted of a total of six Supervisors, including three employee representative Supervisors: Ms. ZHAO Lijuan (趙麗娟), Ms. CHENG Jie (成潔) and Mr. LI Huaibin (李懷斌); one Shareholder representative Supervisor: Mr. ZHU Zhihui (朱志暉); and two external Supervisors: Mr. MA Baojun (馬寶軍) and Mr. SONG Ke (宋科). The composition of the Board of Supervisors of the Bank is reasonable, and is sufficiently professional and independent to ensure the effective performance of its supervisory role.

For details of the Supervisors and changes of Supervisors, please refer to the chapter headed "Directors, Supervisors, Senior Management, Staff and Institutions" of this Report.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

### 7.4 Particulars of Meetings of the Board of Supervisors and Supervisor's Attendance

During the Reporting Period, the Bank held a total of six Board of Supervisors meetings to consider 16 major resolutions including the 2019 Work Report of the Board of Supervisors, the 2019 Annual Report and Highlights, the Profit Distribution and Capitalization Issue Plan, the 2019 Performance Assessment Report on the Board of Directors, the Board of Directors, Senior Management and Their Members.

#### *Convening of the Meeting*

Session of the Meeting	Date of convening	Form of convening
The eighth meeting of the sixth session of the Board of Supervisors	30 March 2020	On-site meeting
The ninth meeting of the sixth session of the Board of Supervisors	24 April 2020	On-site meeting
The 2020 first extraordinary meeting of the sixth session of the Board of Supervisors	20 May 2020	By correspondence
The 2020 second extraordinary meeting of the sixth session of the Board of Supervisors	8 July 2020	By correspondence
The tenth meeting of the sixth session of the Board of Supervisors	28 August 2020	On-site meeting
The eleventh meeting of the sixth session of the Board of Supervisors	29 October 2020	On-site meeting

#### *Attendance of Supervisors at Meetings of the Board of Supervisors during the Reporting Period*

Supervisor		Attendance in person	Attendance by proxy	Required attendance
Employee Supervisors	ZHAO Lijuan	6	0	6
	CHENG Jie	6	0	6
	LI Huaibin	6	0	6
Shareholder Supervisor	ZHU Zhihui	6	0	6
External Supervisors	SONG Ke	6	0	6
	MA Baojun	6	0	6

#### *Attendance at General Meetings During the Reporting Period*

During the Reporting Period, all Supervisors attended the annual general meeting and class meetings of Shareholders of the Bank, and supervised the legal compliance of the procedures of meetings and the voting process on-site.



## CHAPTER VII CORPORATE GOVERNANCE REPORT

### *Attendance at the Meetings of the Board and the Senior Management During the Reporting Period*

During the Reporting Period, the Board of Supervisors sent representatives to attend on-site meetings of the Board of Directors, and supervised legal compliance of the meetings and procedures of voting as well as the attendance, speech and voting of Directors. The Board of Supervisors also sent representatives to attend the relevant meetings of the senior management and supervised the execution of resolutions of the Board of Directors by the senior management and the business conducted by the senior management according to the Articles of Association and the approval by the Board of Directors.

### 7.5 Special Committees of the Board of Supervisors

<b>Special Committees of the Board of Supervisors</b>	<b>Chairman</b>	<b>Members</b>
Nomination committee	MA Baojun	ZHAO Lijuan, CHENG Jie
Supervision committee	SONG Ke	ZHU Zhihui, LI Huaibin

### *The Nomination Committee of the Board of Supervisors*

Primary duties of the nomination committee of the Board of Supervisors include: formulating the selection procedures and standards of Supervisors, preliminarily reviewing the qualifications of candidates for supervisors and making recommendations to the Board of Supervisors; supervising the process of election and appointment of Directors; conducting overall assessment on the performance of duties by the Directors, Supervisors and senior management personnel and submitting reports to the Board of Supervisors; supervising whether the remuneration management system and policies of the Bank and the remuneration proposal for its senior management members are scientific and reasonable; and any other matters under the authority granted by the Board of Supervisors.

During the Reporting Period, the nomination committee of the Board of Supervisors held a total of one meeting to consider and approve a number of resolutions including Board of Supervisors' 2019 Assessment Report on the Duties Performed by the Board and Its Members, Board of Supervisors and Its Members and Senior Management and Its Members.

# CHAPTER VII CORPORATE GOVERNANCE REPORT

## *Supervision Committee of the Board of Supervisors*

The primary duties of the supervision committee of the Board of Supervisors are formulating plans for supervision of financial activities of the Bank and implementing relevant inspections; supervising the Board of Directors to establish and adhere to prudent business philosophy and value standards and formulating development strategies that align with the actual situations of the Bank; monitoring and reviewing the business decision making, risk management and internal control of the Bank; and any other matters under the authority granted by the Board of Supervisors. The supervision committee of the Board of Supervisors may conduct investigation on special affairs of the Bank, and the results of the investigation shall be reported to both the Board of Supervisors and the Board of Directors.

During the Reporting Period, the supervision committee of the Board of Supervisors held a total of one meeting to consider and approve one resolution including the Third Quarterly Report of the Bank for 2020.

## 8 MANAGEMENT

### 8.1 Duties and Powers

The management, as the executive body of the Bank, is responsible to the Board of Directors and subject to the supervision of the Board of Supervisors. The division of authority and powers between the management and the Board is determined in accordance with the Articles of Association and other corporate governance documents.

The Bank has one president and several vice presidents and assistants to the president, all of them shall be appointed or removed by the Board. The president is responsible to the Board. Approved and delegated by the Board of Directors, the president of the Bank exercises the following powers and rights: to take charge of the operations management of the Bank, arrange the implementation of the resolutions of the meetings of the Board of Directors and report the work to the Board of Directors; to submit annual business plans and investment proposals to the Board of Directors and arrange the implementation upon approval by the Board of Directors; to draft proposals on the establishment of the internal management departments, basic management systems and specific regulations of the Bank; to propose to the Board of Directors to appoint or dismiss the vice presidents, assistants to the President, financial officers and other senior management personnel; to decide to appoint or dismiss persons in charge of the internal departments and branches of the Bank other than those to be appointed or dismissed by the Board of Directors, and determine their salaries, benefits, reward and punishment according to the remuneration reward and punishment scheme set up by the Board of Directors; to approve senior management members and persons in charge of internal departments and branches to conduct operational activities; to decide on the appointment and dismissal of the Bank's staff, and on matters relating to wages, benefits, reward and punishment; to adopt emergency measures when any material emergency occurs in the Bank and report them to the banking regulatory and administrative authorities under the State Council, the Board of Directors and the Board of Supervisors immediately; and to exercise other powers and rights conferred by applicable laws, administrative regulations, departmental rules, regulatory documents, regulations of the relevant regulatory authorities and the Articles of Association as well as those granted by the Board of Directors.

# CHAPTER VII CORPORATE GOVERNANCE REPORT

## 8.2 Appraisal and Incentives

The Board of Directors determines the remuneration of senior management personnel of the Bank, deliberates and approves the remuneration packages for senior management personnel, and approves the remuneration and assessment committee of the Board to formulate remuneration packages for senior management personnel and carry out performance appraisal for final determination of remuneration. The Bank determines the total annual remuneration of each senior management member based on the annual appraisal results on senior management in accordance with the relevant provisions of the Measures for Compensation and Performance Management of Senior Management Personnel.

## 9 JOINT COMPANY SECRETARIES

Mr. FU Chunqiao and Ms. LEUNG Wing Han Sharon, vice president of SWCS Corporate Services Group (Hong Kong) Limited, have been appointed by the Bank as its joint company secretaries. Ms. LEUNG Wing Han Sharon's main contact person at the Bank is Mr. FU Chunqiao, another joint company secretary. During the Reporting Period, both Ms. LEUNG Wing Han Sharon and Mr. FU Chunqiao had received not less than 15 hours of relevant professional training in accordance with the provisions under Rule 3.29 of the Stock Exchange Listing Rules.

## 10 SHAREHOLDERS' RIGHTS

### 10.1 Convening of General Meetings

Pursuant to the Articles of Association and the Rules of Procedure of General Meetings, an extraordinary general meeting shall be convened within two months upon request in writing by Shareholders holding individually or collectively 10% or more of the voting shares of the Bank (the **"Requesting Shareholders"**).

General meetings shall be convened by the Board. If the Board of Directors is unable to or unwilling to fulfil its duties in convening a general meeting and the Board of Supervisors does not convene a general meeting, Shareholders individually or collectively holding more than 10% of the Bank's total voting Shares for more than 90 consecutive days (the **"Convening Shareholders"**) may convene and preside over the meeting on a unilateral basis.

Any proposal to the Board of Directors for the convening of a general meeting shall be made in writing. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of the meeting within ten days after receiving such proposal.

In the event that the Board of Directors agrees to convene a meeting, the notice of the general meeting shall be issued within five days after the passing of the relevant resolution at the meeting of the Board of Directors. Any changes to the original proposal made in the notice require prior approval of the Shareholders concerned.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

If the Board of Directors does not agree to convene such meetings or does not furnish any reply within ten days after receiving such proposal, Requesting Shareholders shall have the right to propose to the Board of Supervisors for the convening of such meetings, provided that such proposal shall be made in writing.

In the event that the Board of Supervisors agrees to convene the meeting, the notice of the general meeting shall be issued within five days after receiving such request. Any changes to the original proposal made in the notice shall require prior approval of the Shareholders concerned.

Failure of the Board of Supervisors to issue the notice of meeting within the required period shall be deemed a failure of the Board of Supervisors to convene and preside over it, and Shareholders individually or collectively holding more than 10% of the Bank's total voting Shares for more than 90 consecutive days may convene and preside over the meeting on a unilateral basis.

### 10.2 Putting Forward Proposals at General Meetings

Shareholders individually or collectively holding 3% or more of the total outstanding voting shares (the “**Proposing Shareholders**”) have the right to put forward proposals in writing to the Bank. The Proposing Shareholders may submit provisional proposals in writing to the convener ten days before the general meeting is convened. The convener shall issue a supplementary notice of the general meeting within two days after receiving the provisional proposals.

### 10.3 Convening of Extraordinary Board Meeting

The chairman of the Board shall convene and preside over an extraordinary board meeting within ten days upon receipt of the proposal from Shareholders representing more than one tenth voting rights.

### 10.4 Making Inquiries to the Board

Shareholders are entitled to supervise the business activities of the Bank, and make recommendations or inquiries.

Shareholders are entitled to access relevant information in accordance with the laws, administrative regulations, departmental rules, regulatory documents, relevant regulations of the securities regulatory authorities of the places where the Shares of the Bank are listed, and the Articles of Association, including:

1. obtaining a copy of the Articles of Association upon payment of the costs thereof;
2. inspecting, free of charge, and photocopying, after paying a reasonable fee, the following documents:
  - (1) all parts of the register of Shareholders;
  - (2) personal information of Directors, Supervisors, the President and other senior management personnel of the Bank;

## CHAPTER VII CORPORATE GOVERNANCE REPORT

- (3) the Bank's share capital;
- (4) a report showing the total nominal value, quantity, highest and lowest prices of each class of Shares repurchased by the Bank since the previous fiscal year and all costs paid by the Bank in this regard;
- (5) minutes of Shareholders' general meetings;
- (6) special resolutions of the Bank;
- (7) the latest audited financial statements, and reports of the Board of Directors, auditors and the Board of Supervisors; and
- (8) a copy of the latest annual return filed with the PRC company register department or other competent authorities.

A Shareholder who requests to inspect any such information or obtain relevant data shall provide written documentation to the Bank certifying the class and quantity of Shares held by him/her in the Bank. After verifying the identity of the Shareholder, the Bank shall provide the Shareholder with the relevant information as requested.

### 11 COMMUNICATION WITH SHAREHOLDERS

#### Investor Relations

The Bank attaches importance to communication with Shareholders, actively responds to Shareholders' advices and recommendations, and seeks to improve mutual understanding and communication with Shareholders through various channels including general meetings and results presentation conferences and enhance engagement with Shareholders via the Bank's website, e-mail and telephone.

For enquiries to the Board, investors may contact:

The general office of Board of Directors of Bank of Zhengzhou Co., Ltd.  
Address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan, PRC  
Tel: +86-371-67009199 Fax: +86-371-67009898  
Email: ir@zzbank.cn

#### Information Disclosure

The Board of Directors and senior management of the Bank place great importance on information disclosure. They rely on good corporate governance and sound internal control to ensure that investors have access to information in a timely and accurate manner.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

In accordance with the Administrative Measures for Information Disclosure of Listed Companies, the Measures for Information Disclosure of Commercial Banks, the SZSE Listing Rules and the Stock Exchange Listing Rules, the Bank continuously improves the timeliness, accuracy and completeness of the information disclosed. During the Reporting Period, the Bank published relevant announcements and circulars on the websites of the Hong Kong Stock Exchange, CNINFO (cninfo.com.cn) (巨潮資訊網), China Securities Journal (《中國證券報》), Shanghai Securities News (《上海證券報》), Securities Times (《證券時報》) and Securities Daily (《證券日報》) from time to time. Meanwhile, the full texts of the Bank's announcements, circulars, and financial reports such as annual reports and interim reports are made available on the website of the Bank, and the annual reports and interim reports are available for inspection by investors and stakeholders in the general office of the Board of Directors and main outlets of the Bank.

### 12 FINANCIAL, BUSINESS AND FAMILY RELATIONSHIP AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PERSONNEL

The Directors, Supervisors and senior management personnel (including the chairman and the president) of the Bank do not have any relationship, including financial, business, family and other material relations.

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

The Bank has adopted a code of conduct on terms no less exacting than the required standards in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Stock Exchange Listing Rules as the code governing securities transactions by Directors and Supervisors and relevant employees. After having made inquiries to all Directors and Supervisors, the Bank confirmed that they had complied with the above code during the Reporting Period.

The Bank is not aware of any Director, Supervisor and senior management personnel violating the restrictive share trading requirements under the Guidelines for the Standard Operation of Listed Companies on the Shenzhen Stock Exchange and other standard documents during the Reporting Period.

In March 2021, Mr. Li, the spouse of Ms. WANG Zhaoqi, a senior management member of the Bank, was found to have committed short-swing transactions due to misoperation during the period between January 2021 and March 2021. The gain of RMB150.00 from such short-swing transaction has been handed over to the Bank in full. The Bank has reprimanded Ms. WANG Zhaoqi, demanding that she increase study of relevant laws and regulations, strictly restrain her personal and relatives' transactions, and prevent the recurrence of similar incidents. Ms. WANG Zhaoqi has expressed deep remorse for failing to perform her supervision obligations in a timely manner. She conducted profound reflection, submitted an incident report to the Bank, and undertook to further study relevant laws and regulations, so as to regulate her personal and relatives' transactions, strengthen securities account management, voluntarily safeguard the order of the securities market, and prevent the recurrence of similar incidents. For details, please refer to the announcement published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange dated 9 March 2021.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

### 14 TRAININGS AND RESEARCHES OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

#### Trainings and Researches of Directors

All Directors of the Bank are able to undertake their responsibilities, perform their duties, study relevant regulations and books in respect of the standard operation and information disclosure of listed companies, learn the latest regulatory policies and related systems, improve self-discipline awareness, compliance awareness, integrity awareness and professional skills. During the Reporting Period, all Directors participated in a number of training sessions conducted by the Henan Branch of the CSRC, the SZSE, and China Merchants Securities Co., Ltd. (the sponsor for continuous supervision of the Bank), through which they systematically studied the key amendments to the Securities Law, Opinions of the State Council on Further Improving the Quality of Listed Companies and acquired a deeper understanding of the responsibilities and obligations of directors, supervisors, and senior management personnel as well as relevant Shareholders. Non-executive Director Mr. WANG Shihao and independent non-executive Directors Mr. XIE Taifeng and Ms. LI Yanyan visited the Anyang Branch of the Bank to conduct surveys, thereby better understanding the Bank's business operations and day-to-day management.

#### Trainings of and Researches of Supervisors

Each Supervisor of the Bank studied in depth the regulatory policies at home and abroad and the responsibilities and obligations of directors, supervisors, and senior management personnel to improve their overall quality and ability to perform their duties. During the Reporting Period, all Supervisors participated in a number of training sessions conducted by the Henan Branch of the CSRC, the SZSE, and China Merchants Securities Co., Ltd. (the sponsor for continuous supervision of the Bank), through which they systematically studied the key amendments to the Securities Law, Opinions of the State Council on Further Improving Quality of Listed Companies, and acquired a deeper understanding of the responsibilities and obligations of directors, supervisors, and senior management personnel as well as relevant Shareholders. All Supervisors conducted surveys and inspections on some departments of the head office, branches, and subsidiaries, and had in-depth communication with the relevant persons in charge and employees.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

### 15 EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

At the 2019 AGM held on 20 May 2020, the Bank considered and approved the re-appointment of KPMG Huazhen LLP and KPMG as its domestic and overseas auditors, respectively, for a term until the 2020 annual general meeting of the Bank. The two accounting firms have been providing accounting services for the Bank for 9 years and 6 years, respectively. The Bank did not change its auditors in the past three years. In 2020, the certified public accountants who signed the auditor's report of the financial statements, which was prepared in accordance with the Accounting Standards for Business Enterprises of the PRC by the Bank, were Mr. GONG Kai and Mr. LI Jie, both had served as certified public accountant signing the auditor's report of financial statements of the Bank consecutively for one year; the certified public accountant who signed the auditor's report of the financial statements, which was prepared in accordance with the IFRS by the Bank, was Mr. Eric Pang, who had provided audit services for the Bank consecutively for one year.

During the Reporting Period, the Bank paid a total of RMB5.2 million as remuneration to KPMG Huazhen LLP and KPMG for their review of the Bank's interim financial statements and audit of the Bank's annual financial statements, and paid internal control audit fees for 2020 of RMB0.4 million to KPMG Huazhen LLP. KPMG Huazhen LLP's and KPMG's responsibility statements on the financial reports were set out in the audit reports of the A Share and H Share annual reports, respectively.

The Board and the audit committee of the Board agreed on the selection and appointment of the external auditors of the Bank without any disagreement.



# CHAPTER VII CORPORATE GOVERNANCE REPORT

## 16 RISK MANAGEMENT AND INTERNAL CONTROL

### 16.1 Procedures for Identification, Assessment and Management of Material Risks

In order to handle major emergencies in the Bank in a timely and proper manner, effectively prevent and resolve risks, and maintain financial order and social stability, the Bank continuously enhanced its risk management system, strengthened its risk management policies and system construction, and improved the operational mechanisms of the risk management committee of the Board and the risk management committee of the senior management to play their roles in the decision-making on major risks and internal control matters, while improving the comprehensive assessment system on risk management of the branches. The Bank has formulated a series of management measures including the Management for the Reporting of Major Emergencies which provide that major emergencies shall be classified by nature and business type and be reported, filed and managed by different departments accordingly in a timely, accurate, true and comprehensive manner.

### 16.2 Risk Management Responsibility of the Board

The Board of Directors is well aware of its responsibility for implementing risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable but not absolute guarantee against material misstatements or losses. In accordance with relevant laws and regulations including the Comprehensive Risk Management Guidelines for Financial Institutions in the Banking Industry, the Guidelines for Internal Control of Commercial Banks, and code provisions C.2.1 and C.2.2 of the Corporate Governance Code, the Board has formulated the Basic Rules for Comprehensive Risk Management, the Measures for Risk Appetite Management, the Measures for Management of Risk Limits, and has established and implemented risk management and internal control systems. The Board is also responsible for timely reviewing the effectiveness of such measures and systems, reviewing risk control principles, objectives and policies of the Bank, determining the acceptable risk exposure, ensuring that the senior management takes necessary risk control measures, and supervising the senior management's monitoring and assessment of the adequacy and effectiveness of the risk management and internal control systems. The Bank reviews the effectiveness of the risk management and internal control systems of the Bank and its subsidiaries at least once a year. During the Reporting Period, the Bank revised the Basic Rules for Comprehensive Risk Management, further detailed the risk governance structure and organizational responsibilities, and specified the risk preference, risk limit, internal audit and other management mechanisms. For the Reporting Period, the Board believes that the risk management and internal control systems developed and implemented by the Bank were adequate and effective.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

### 16.3 Characteristics of the Risk Management System

The Bank has continuously established the comprehensive risk management system, improved comprehensive risk management policies and procedures, ensured the implementation of policies, conducted self-assessment of the comprehensive risk management system, and enhanced the self-discipline mechanism. We combine qualitative and quantitative methods to identify, measure, evaluate, monitor, report, control or mitigate various risks such as credit risk, market risk, liquidity risk, operational risk, reputation risk and information technology risk, while carefully evaluating the interaction between various risks. The Bank's risk management system comprises the following elements: risk management framework, risk appetite and risk limits, risk management policies and procedures, management information system, internal control and audit systems, etc.

### 16.4 Characteristics of the Internal Control System

#### *Overview of Internal Control*

The Bank has built three lines of defence in internal control. The business operation department acts as the first line of defence, responsible for identifying and assessing risks at the corporate level as well as formulating risk mitigation measures. The risk management department acts as the second line of defence, responsible for developing the Bank's overall risk appetite and risk management policies, procedures and quotas, monitoring transactions, and dealing with risk events, etc. The internal audit department of the Board of Directors acts as the third line of defence, responsible for independent testing, verifying and evaluating the completeness, adequacy and effectiveness of the internal control, and reporting to the Board of Directors directly. These three lines of defence come with well-defined responsibilities and division of work, and complement each other, creating all-round, whole-process and full-service surveillance. Through information exchange and close collaboration, these three lines of defence are identifying and solving problems on an ongoing basis, which boosts an enhancement in the internal control standards of the Bank.

The Bank has established a regulated and standard internal control system. A comprehensive, systematic and regulated business policy and a management system have been set up throughout the entire decision-making, execution and supervision process. By smoothening process as well as identifying and assessing operational risks, the job duties of each position and section are well defined, and the business operation procedures of each section are clearly described to regulate each process stringently, fully reveal possible problems or risk points and provide control measures accordingly, so that a regulated and standard business and management process has been established to increase the effectiveness of internal control.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

The Bank has established a sound and efficient electronic information management system for its principal business activities, such as the payment and settlement system, accounting system, domestic- and foreign-currency fund business system, bank card business system, international settlement business system, credit business system, post-loan management system and risk management system, through embedding a computer system's rigid control into the business process. Moreover, the Bank has established relevant sound policies and procedures for stringently managing the work process for the approval, initiation, design, development, debugging, operation and maintenance, disaster recovery management and user authority in respect of a system project; defining management standards; and refining management responsibilities for the prevention of risks in information technology.

The Bank has established an efficient and effective supervisory mechanism for internal control. It has formulated an internal control compliance and operational risk management policy by making full use of big data technology and model for risk control. It continues to adopt innovative off-site inspection methods (such as building a platform for "early warning of in-event risks" and for "analysis of customers' risk data hologram tables") and enhance monitoring models. It has created an environment for the analysis of multi-risk data sources with the use of internal and external data sources; closely followed the Bank's business development pattern; and carried out multi-dimensional monitoring and analysis of operational risks, business risks, business early warning, at-risk customers, etc., to identify, warn, deal with and rectify any problems at an early stage for the prevention of compliance and operational risks effectively.

### 16.5 Internal Control Assessment

#### *16.5.1 Particulars of Major Internal Control Defects Discovered During the Reporting Period*

During the Reporting Period, the Bank found no major defects on internal control.

#### *16.5.2 Self-assessment Report on Internal Control*

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Date of full-text disclosure of internal control assessment report	31 March 2021
Websites for full-text disclosure of internal control assessment report	CNINFO (www.cninfo.com.cn) Website of the Bank (www.zzbank.cn)

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The proportion of the total assets of entities covered by the assessment in the total assets in the consolidated financial statements of the Bank	100.00%
The proportion of the operating income of entities covered by the assessment in the operating income in the consolidated financial statements of the Bank	100.00%

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## CHAPTER VII CORPORATE GOVERNANCE REPORT

### Defect recognition criteria

Category	Financial reports	Non-financial reports
Qualitative criteria	<p>Qualitative criteria for identifying a material weakness: a deficiency, or a combination of deficiencies, in internal control of financial reporting, such that there is a reasonable possibility that a material misstatement of financial statements will not be prevented or detected and corrected on a timely basis. Signs of material weaknesses include but are not limited to: directors, supervisors or senior management personnel commit fraud or other malpractices; there are material misstatements in the published financial statements; material or significant weaknesses in internal control of financial reporting have not been rectified; the supervision over internal control of financial reporting is ineffective.</p> <p>Qualitative criteria for identifying a significant weakness: a deficiency, or a combination of deficiencies, in internal control of financial reporting, such that there is a reasonable possibility that a misstatement of financial statements, which is not material but important enough to merit attention by the board of directors and the management, will not be prevented or detected and corrected on a timely basis. Signs of important weaknesses include but are not limited to: failure to select and apply accounting policies in accordance with generally accepted accounting standards, no anti-fraud procedures and control measures have been established; for the accounting treatment of unconventional or special transactions, the corresponding control mechanisms have yet to be established or implemented and there is a lack of remedial control measures; there are one or more deficiencies in the control of the financial reporting process at the end of each reporting period and there is no reasonable assurance that financial statements will be prepared in a true and complete manner.</p> <p>Qualitative criteria for identifying a general weakness: any other weakness in internal control of financial reporting that does not constitute a material or significant weakness.</p>	<p>Qualitative criteria for identifying a material weakness: a deficiency or a combination of deficiencies that has a material negative impact on legal compliance, asset safety, improvement of operating efficiency and effectiveness, achievement of development strategies and other internal control objectives. Signs of material weaknesses include but are not limited to: material decision-making mistakes; serious violations of national laws and regulations and consequent severe penalties; frequent and extensive negative news in the media; overall ineffective control systems for important business activities.</p> <p>Qualitative criteria for identifying a significant weakness: a deficiency or a combination of deficiencies that has a significant negative impact on legal compliance, asset safety, improvement of operating efficiency and effectiveness, achievement of development strategies and other internal control objectives. Signs of important weaknesses include but are not limited to: significant decision-making mistakes; serious losses arising from violation of internal rules and regulations; negative news in the media with limited impact; significant mistakes in the design and control of systems for important business activities.</p> <p>Qualitative criteria for identifying a general weakness: any other weakness in internal control over non-financial reporting activities that does not constitute a material or significant weakness.</p>

# CHAPTER VII CORPORATE GOVERNANCE REPORT

## Defect recognition criteria

Category	Financial reports	Non-financial reports
Quantitative criteria	<p>Quantitative criteria for identifying a material weakness: The amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the following criteria: amount of misstatement <math>\geq 5\%</math> of the total profit before tax in the consolidated income statement for the current year.</p> <p>Quantitative criteria for identifying a significant weakness: The amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the following criteria: 0.25% of the total profit before tax in the consolidated income statement for the current year <math>\leq</math> amount of misstatement <math>&lt; 5\%</math> of the total profit before tax in the consolidated income statement for the current year.</p> <p>Quantitative criteria for identifying a general weakness: The amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the following criteria: amount of misstatement <math>&lt; 0.25\%</math> of the total profit before tax in the consolidated income statement for the current year.</p>	<p>Quantitative criteria for identifying a material weakness: The direct property loss that may be caused by the underlying internal control weakness meets the following criteria: direct property loss <math>\geq 5\%</math> of the total profit before tax in the consolidated income statement for the current year.</p> <p>Quantitative criteria for identifying a significant weakness: The direct property loss that may be caused by the underlying internal control weakness meets the following criteria: 0.25% of the total profit before tax in the consolidated income statement for the current year <math>\leq</math> direct property loss <math>&lt; 5\%</math> of the total profit before tax in the consolidated income statement for the current year.</p> <p>Quantitative criteria for identifying a general weakness: The direct property loss that may be caused by the underlying internal control weakness meets the following criteria: direct property loss <math>&lt; 0.25\%</math> of the total profit before tax in the consolidated income statement for the current year.</p>
Number of major defects in financial reports	Nil	
Number of major defects in non-financial reports	Nil	
Number of important defects in financial reports	Nil	
Number of important defects in non-financial reports	Nil	

## CHAPTER VII CORPORATE GOVERNANCE REPORT

### 16.6 Audit Report on Internal Control

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Review opinions in the audit report on internal control

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KPMG Huazhen LLP believes that as at 31 December 2020, Zhengzhou Bank had maintained effective internal control over its financial reporting in all material aspects in accordance with the Basic Rules for Internal Control of Enterprises and other relevant regulations.

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Disclosure of the audit report on internal control	Disclosed
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Date of full-text disclosure of the audit report on internal control	31 March 2021
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Websites for full-text disclosure of the audit report on internal control	CNINFO (www.cninfo.com.cn) Website of the Bank (www.zzbk.com.cn)
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Type of opinion in the audit report on internal control	Standard unqualified opinion
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Whether there are major defects in non-financial reports	No
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The audit report on internal control issued by the accounting firm is consistent with the self-assessment report of the Board.

### 17 INTERNAL AUDIT

Pursuant to the requirements of the Guidelines for Internal Audit of Commercial Banks and the Guidelines for Internal Control of Commercial Banks, the Bank has established an independent and vertical internal audit management system where the internal audit office as the executive body of the internal audit of the Bank is subordinate to the Board and works under the specific guidance of the audit committee of the Board. In accordance with regulatory requirements and relevant rules and regulations, the internal audit office conscientiously performs its duties, timely submits audit results to the senior management, and regularly reports to the Board of Directors and the Board of Supervisors on the audit work.

Adhering to the principles of independence, objectivity and significance, the internal audit department of the Bank formulates the master plan and annual work plan for internal audit of the Bank, arranges the audit of the Bank's business activities, operations and economic responsibilities of key personnel during their term of service, inspects, assesses, supervises and improves the Bank's business operations, risk management, internal control compliance, and corporate governance effects, and makes improvement suggestions to the management.

During the Reporting Period, the internal audit department of the Bank adhered to the principle of risk-based auditing, actively adjusted to the needs for risk management situation, continuously strengthened audit supervision, followed up the correction of identified audit problems, improved the training and subsequent education of internal audit personnel, constantly enhanced their professional competence, and improved the quality and efficiency of internal audit.

## CHAPTER VII CORPORATE GOVERNANCE REPORT

### 18 INSIDE INFORMATION MANAGEMENT

The Board is responsible for disclosing information of the Bank, which includes enacting standard procedures and methods in relation thereto and reviewing information to be disclosed, and it also assumes liabilities for the truthfulness, accuracy and completeness of the information disclosed. The information disclosure of the Bank is subject to the supervision of regulators and the Board of Supervisors. The chairman of the Board is the primary person responsible for implementing the management measures for information disclosure, while the secretary of the Board is in charge of its execution and the general office of the Board deals with the daily work thereof.

The Bank enacted the Management System for Information Disclosure Affairs 《信息披露事務管理制度》 and Insider Information and Insider Registration Management System 《內幕信息及知情人登記管理制度》 based on domestic and overseas laws, regulations and other regulatory documents such as the Company Law, the Securities Law, Measures for Information Disclosure of Commercial Banks 《商業銀行信息披露辦法》, and the SZSE Listing Rules and the Stock Exchange Listing Rules, in order to ensure confidentiality of the Bank's inside information, safeguard the fairness in information disclosure and protect the legal rights of investors.

The Bank makes information disclosure and manages inside information in strict compliance with the regulatory requirements and specifies the principles, contents, management and procedures for information disclosure in the Management System for Information Disclosure Affairs, which also provides for the coverage, insider limits and registration, and the security management of inside information as well as punishment for divulging inside information, etc.

During the Reporting Period, the Bank not only stringently complied with the regulatory requirements of domestic and overseas regulators, but also intensified its management rules and enhanced the security measures of its inside information as well as disclosing relevant information timely according to requirements. There was no incident of breaching the confidentiality of inside information.

### 19 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In accordance with the requirements of the Company Laws, the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97), the Guidelines for Articles of Association of Listed Companies, the Administrative Measures for the Issuance of Securities by Listed Companies, and other applicable laws, regulations, regulatory provisions and regulatory documents, and taking account of its actual situation, the Bank amended some provisions of the Articles of Association during the Reporting Period. The amendments were considered and approved at the 2019 AGM, the 2020 first class meeting of the A Shareholders, and the 2020 first class meeting of the H Shareholders, and had been approved by the competent banking regulatory authorities. For details of the amendments, please refer to the Bank's announcements dated 31 March 2020, 28 April 2020, 21 May 2020, and 2 September 2020 published on CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the Bank's announcements dated 30 March 2020, 20 May 2020, and 2 September 2020 and circular dated 28 April 2020 published on the website of the Hong Kong Stock Exchange.

# CHAPTER VII CORPORATE GOVERNANCE REPORT

## 20 PROTECTION OF CONSUMER RIGHTS

During the Reporting Period, the Bank has conscientiously implemented the requirements from the regulatory authorities such as the CBIRC and the PBoC and fully leveraged the coordination mechanism of various departments and actively carried out the protection of consumer rights.

Enhanced consumer protection for the protection of their legitimate rights and interests. During the Reporting Period, the Bank sent the key staff involved in the protection of consumer rights and interests to attend special online training programmes for the protection of consumer rights and interests, had front-line responsible and key staff attended various online and offline training sessions related to the protection of consumer rights and interests in the Bank, and enhanced the professional competence and handling capabilities of staff involved in the protection of consumer rights and interests. Meanwhile, the Bank handled various petition and complaint cases efficiently in accordance with the relevant rules and regulations for petitions and complaints, thus having effectively protected the legitimate rights and interests of consumers of the Bank.

Strengthened publicity and education of financial knowledge to raise consumers' awareness about financial security. During the Reporting Period, the Bank rolled out a number of publicity campaigns such as prevention of phone fraud, prevention of illegal fundraising, promotion on Consumer Rights Day, financial knowledge promotion month and two other financial knowledge promotional events. Various publicity materials about financial knowledge were shown on WeChat public accounts and on LED screens at our branches, and an array of publicity campaigns were staged on campus and in the community by a number of branches. The Bank worked in liaison with local media and community offices to increase the effectiveness of publicity campaigns so as to foster and promote relevant financial knowledge among general financial consumers, with emphasis placed on guiding consumers to invest and consume in a rational manner and on raising their awareness about risk prevention and their capability to protect themselves.



# CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

## 1 PRINCIPAL BUSINESS AND BUSINESS REVIEW

The Bank is primarily engaged in the PRC banking and related financial services, including corporate banking, retail banking, treasury operation and other businesses.

Further discussion and analysis of the business review as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong), including the key risks and uncertainties faced by the Group, the possible future development plan of the Group's business and the Bank's compliance with laws and regulations, are set out in the sections headed "Highlights of Accounting Data and Major Financial Indicators", "Management Discussion and Analysis", "Significant Events" and "Report of the Board of Supervisors" of this Report. Such discussions form an integral part of this "Report of the Board of Directors".

## 2 PROFIT DISTRIBUTION

### 2.1 Formulation, Implementation or Adjustment of Profit Distribution Policy for Ordinary Shares During the Reporting Period

According to the current Articles of Association, the Bank shall give preference to cash dividend distribution with reference to the continuous profitability, compliance with regulatory requirements, and the normal operation and long-term development of the Bank. The Bank shall not distribute profits to holders of Ordinary Shares until it has paid the agreed dividends to holders of the Preference Shares in full. Subject to the conditions for dividend distribution as stipulated by laws and regulations, the cumulative profits available for distribution in terms of cash dividends in the last three years shall be no less than 30% of the annual average distributable profits achieved by the Bank in the last three years. Where the Bank is to adjust its profit distribution policy, the Board shall make a special discussion on that, elaborate on the reasons for the adjustment, formulate a written demonstration report and submit it to the general meeting for approval after it is reviewed by the independent non-executive Directors. The adoption of the underlying resolution is subject to affirmative votes representing at least two-thirds of the voting rights held by the Shareholders present at the general meeting. The Bank shall make internet voting accessible to Shareholders.

The Bank formulated the Shareholder Return Planning of the Bank for the Next Three Years (2020-2022) pursuant to relevant requirements such as Notice on Further Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies 《關於進一步落實上市公司現金分紅有關事項的通知》 and Guideline No. 3 on the Supervision and Administration of Listed Companies – Cash Dividends of Listed Companies 《上市公司監管指引第3號-上市公司現金分紅》 of the CSRC, and amended the provisions of the Articles of Association in relation to cash dividends pursuant to the Administrative Measures for the Issuance of Securities by Listed Companies 《上市公司證券發行管理辦法》 and Guidelines for the Standard Operation of Listed Companies of the SZSE, so as to further complete the profit distribution system and improve and implement the cash dividend policy.

## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

The above formulation of and amendments to the dividend policy have received approval opinions from independent non-executive Directors, and have been considered and approved by the eighth meeting of the sixth session of the Board of Directors, the 2019 AGM, the 2020 first class meeting of the A Shareholders, and the 2020 first class meeting of the H Shareholders.

The formulation and implementation of the Bank's cash dividend policy is in compliance with the provisions of the Articles of Association and the resolutions of the general meeting. The policy has clearly defined criteria and proportion of dividend distribution and is underpinned by well-established decision-making procedures and mechanisms in which the independent non-executive Directors have performed their duties and roles in good faith. Minority Shareholders have been given the opportunity to fully express their opinions and demands, and their legitimate rights and interests have been fully protected. The conditions and procedures for the adjustment to or change in cash dividend policy are compliant and transparent.

### 2.2 Profit Distribution and Capitalization Issue for the Reporting Period

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Number of bonus shares per 10 Shares	–
Cash dividend per 10 Shares (RMB) (inclusive of tax)	–
Number of Shares capitalized per 10 Shares	1
Share capital base for the distribution proposal (Shares)	7,514,125,090
Total cash dividends (RMB'000) (inclusive of tax)	–
Distributable profit (RMB'000)	12,185,948
Cash dividends as a percentage of total distributable profit (%)	–

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#### Particulars of the cash dividend distribution

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For details, please refer to “Section XVI Dividend Distribution Policy” of the (A-Share) Initial Public Offering Prospectus of the Bank disclosed on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on 30 August 2018.

## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

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### Particulars of the proposal for profit distribution and capitalization issue

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In 2020, net profit attributable to the parent company under the consolidated financial statements of the Bank audited by KPMG Huazhen LLP amounted to RMB3,167,567 thousand. In accordance with the requirements of the existing Accounting Standards for Business Enterprises and the Articles of Association, the audited net profit attributable to the parent company of the Bank amounted to RMB3,010,254 thousand; after deducting dividends on Offshore Preference Shares distributed on 19 October 2020 amounting to RMB493,442 thousand, the profit of the year available for distribution to Ordinary Shareholders amounted to RMB2,516,812 thousand. The balance of capital reserve of the parent company of the Bank as at the end of 2020 was RMB8,203,961 thousand, of which share premium was RMB8,139,346 thousand. The proposed 2020 plan for profit distribution and transfer of capital reserve to Shares are as follows:

1. 10% of the net profit, equivalent to RMB301,025 thousand, will be appropriated as statutory surplus reserve;
2. RMB458,000 million will be appropriated as general risk reserves;
3. No cash dividends will be distributed this year, but one new Share for every 10 Shares shall be issued to the Ordinary Shareholders, whose names appear on the register of Shareholders as at the dividend distribution registration date, by way of conversion of capital reserve. Calculated based on the total share capital of 7,514,125,090 Ordinary Shares of the Bank as at 31 December 2020, a total of 751,412,509 conversion shares will be converted. After the implementation of the transfer of capital reserve to share capital, the registered capital of the Bank will increase from RMB7,514,125,090 to RMB8,265,537,599;
4. The remaining undistributed profit will be carried forward to next year.

The Bank will not distribute cash dividends for 2020 after taking into account mainly the following factors: firstly, facing the impact of the pandemic, the Bank proactively implemented national macro policies to support enterprises in resuming operation and production through a number of measures including lowering interest rates, reducing handling fees, extending credit loans and deferring repayment of principal and interest due, to continuously boost the real economy while responding to the regulatory guidance on strengthening risk resistance capabilities by increasing the provision for asset impairment, resulting in pressure on the growth of net profits. Secondly, given that the requirements under the capital regulatory policies have become increasingly stringent for commercial banks, and external capital replenishment is relatively difficult, replenishing capital through internal capital became increasingly important for small and medium banks to ensure capital adequacy, especially for core tier-one capital adequacy level. The Bank has formulated a new five-year plan and is carrying out it in a solid manner for its transformation and upgrade to high-quality development. The retained undistributed profits will be used to replenish the Bank's core tier-one capital, which can help raise the Bank's capital adequacy level and risk-resistance capacities to support the Bank's strategic transformation as well as the healthy and sustainable development of various businesses, thereby creating a greater value for investors. Thirdly, the Bank has distributed cash dividends of RMB888,290,000 and RMB592,193,000 to Ordinary Shareholders for 2018 and 2019 respectively, the total amount of which accounted for more than 30% of the average annual profit distributed by the Bank from 2018 to 2020. The Bank complies with requirements under laws and regulations as well as the Articles of Association and the Shareholder Return Planning of the Bank for not distributing cash dividends for 2020.

The dividend distribution plan will be implemented after being submitted for consideration and approval at the general meeting of the Bank. The date is expected to be around 15 July 2021 (Thursday). An announcement regarding the specific date will be made separately by the Bank.

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## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

### 2.3 Proposal for Profit Distribution and Capitalization Issue for the Past Three Years (Including the Reporting Period)

2020 profit distribution plan of Ordinary Shares: the Board of the Bank recommended that one new Share for every 10 Shares shall be issued to the Ordinary Shareholders whose names appeared on the register of Shareholders as at the dividend distribution registration date by way of capitalization issue, and no cash dividend or bonus share shall be distributed or issued. The profit distribution plan will be proposed at the general meeting of the Bank for approval.

2019 profit distribution plan of Ordinary Shares: after the consideration and approval at the 2019 AGM, the 2020 first class meeting of the A Shareholders and the 2020 first class meeting of the H Shareholders, the Bank has distributed cash dividends of RMB1.00 (tax inclusive) per 10 Shares to the A Shareholders whose names appeared on the register of Shareholders as at 29 June 2020 and H Shareholders whose names appeared on the register of Shareholders as at 2 June 2020, and issued Shares on the basis of one new Share for every 10 Shares held by the above Ordinary Shareholders by way of Capitalization Issue. Total cash dividends of RMB592,193,000 and a total of 592,193,190 new Shares were distributed and issued by way of Capitalization Issue respectively.

2018 profit distribution plan of Ordinary Shares: after the consideration and approval at the 2018 annual general meeting, the Bank has distributed the 2018 annual dividends in the form of cash to A Shareholders whose names appeared on the register of Shareholders as at 18 June 2019 and H Shareholders whose names appeared on the register of Shareholders as at 4 June 2019. Such dividends were based on RMB1.50 (tax inclusive) per 10 Shares and amounted to approximately RMB888,290,000 in total.

## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

The cash dividends for Ordinary Shares of the Bank for the last three years (including the Reporting Period) are as follows:

Unit: RMB'000

Year of dividends	Cash dividend per 10 Shares (inclusive of tax) (RMB/Share)	Cash dividends (inclusive of tax)	Net profit (deducting dividend on preference shares) attributable to Ordinary Shareholders of the Bank in the consolidated financial statements for the relevant year	Percentage of cash dividend in the net profit (deducting dividend on preference shares) attributable to Ordinary Shareholders of the Bank in the consolidated financial statements for the relevant year (%)	Amount of cash dividends distributed by other means (such as repurchased Shares)	Percentage of cash dividend by other means in the net profit (deducting dividend on preference shares) attributable to Ordinary Shareholders of the Bank in the consolidated financial statements for the relevant year (%)	Total cash dividends (including by other means)	Percentage of total cash dividend (including by other means) in the net profit (deducting dividend on preference shares) attributable to Ordinary Shareholders of the Bank in the consolidated financial statements for the relevant year (%)
2020	-	-	2,674,125	-	-	-	-	-
2019	1.00	592,193	2,772,332	21.36	-	-	592,193	21.36
2018	1.50	888,290	2,556,488	34.75	-	-	888,290	34.75

For details of the profit distribution of Offshore Preference Shares, please refer to the chapter headed "Issuance of Preference Shares".

# CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

## 2.4 Dividend Tax

### *Distribution of Cash Dividends*

#### *Holder of A Shares*

For individual Shareholders, according to the provisions of the Circular on Issues Concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) and the Circular on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) issued by the MOF, the State Administration of Taxation and the CSRC, where an individual acquires the shares of a listed company from public offering of the company or from the stock market, for a holding period of not more than one month (inclusive), the dividends and bonuses paid on such shares shall be included into his taxable income in full amount; for a holding period of more than one month but not more than one year (inclusive), 50% of the dividends and bonuses paid on such shares shall be included into his taxable income; for a holding period of more than one year, the dividends and bonuses paid on such shares are temporarily exempted from individual income tax. The above income is subject to a uniform 20% tax rate for individual income tax. For Shareholders being securities investment funds, their dividend income shall also be subject to the above provisions.

For Shareholders being resident enterprises, according to the provisions of paragraph (2) of Article 26 of the Corporate Income Tax Law, dividends, bonuses and other equity investment income between eligible resident enterprises are tax-free income. According to the provisions of Article 83 of the Regulations on the Implementation of the Corporate Income Tax Law, the “dividends, bonuses and other equity investment income between eligible resident enterprises” as mentioned in the provisions of paragraph (2) of Article 26 of the Corporate Income Tax Law refer to investment return received from a resident enterprise’s direct investment in other resident enterprises, excluding the investment income obtained by continuously holding shares publicly issued and listed by resident enterprises for less than 12 months.

For non-resident enterprise Shareholders, according to the provisions of the Corporate Income Tax Law” and the Regulations on the Implementation of the Corporate Income Tax Law, the dividend income obtained by non-resident enterprises shall be taxed at a reduced rate of 10%.

For Qualified Foreign Institutional Investors (QFIIs), according to the Circular of the State Administration of Taxation on Issues Concerning the Withholding and Payment of Corporate Income Tax on Dividends, Bonus and Interest Paid by PRC Resident Enterprises to QFIIs (Guo Shui Han [2009] No. 47), listed companies shall withhold and remit corporate income tax for QFIIs at a rate of 10%. QFII Shareholders who wish to enjoy tax treaty (arrangement) benefits may apply to the competent tax authority for tax benefits in accordance with the relevant provisions of the tax treaty, and the competent tax authority shall follow such provisions after verification thereof. Where tax refund is involved, an application for tax refund may be made to the competent tax authority in a timely manner after dividends and bonuses are obtained.

## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

### *Holder of H Shares*

For overseas non-resident enterprise Shareholders, pursuant to the applicable provisions of the Corporate Income Tax Law of the People's Republic of China and its implementing regulations, the Notice of the State Administration of Taxation on Issues Concerning the Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Offshore Non-resident Enterprise Holders of H Shares (Guo Shui Han [2008] No. 897) 《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), and the letter "Tax Arrangements of Enterprises in Mainland China on Dividend Issuance to Hong Kong Residents" issued by the Hong Kong Stock Exchange, the Bank shall withhold and remit corporate income tax at a rate of 10% when distributing final dividends to non-resident enterprise holders of H Shares (including H Shares registered in the name of HKSCC Nominees Limited).

For overseas non-resident individual Shareholders, pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China and its implementing regulations as well as the Notice of the State Administration of Taxation on Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) 《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the overseas resident individual Shareholders of a domestic non-foreign-invested enterprise which issued stocks in Hong Kong are entitled to relevant preferential tax treatments in accordance with the tax treaties entered into by and between the countries they are from and China as well as the taxation arrangement between the Mainland China and Hong Kong (Macao). An individual income tax shall be withheld at a preferential tax rate of 10% generally for dividends paid to overseas resident individual Shareholders by the domestic non-foreign-invested enterprise which issued stocks in Hong Kong, unless otherwise required by the regulations of relevant tax laws and tax conventions.

Generally, the Bank will withhold and remit individual income tax for holders of H Shares in accordance with the above arrangements, but if the tax authorities require otherwise, the Bank will follow their requirements.

For tax issues concerning Shenzhen-Hong Kong Stock Connect, the provisions of the Circular on Taxation Policies Concerning the Pilot Program of a Mechanism for Mutual Stock Market Access Between Shenzhen and Hong Kong (Cai Shui [2016] No. 127) issued by the MOF, the State Administration of Taxation and the CSRC shall apply.

## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

### *Capitalization Issue*

Pursuant to the Notice of State Administration of Taxation in relation to the Capitalisation of Capital Reserve and the Levy of Individual Income Tax regarding the Distribution of Bonus Shares of Joint-Stock Enterprises (Guoshuifa [1997] No. 198) 《國家稅務總局關於股份制企業轉增股本和派發紅股徵免個人所得稅的通知》(國稅發[1997]198號)), the increase of share capital of joint-stock enterprises by way of capitalization issue does not belong to the distribution of dividends and bonuses. The shares obtained by individuals from the capitalization issue are not treated as individual income, and are exempted from individual income tax. As a result, there will be no levy of PRC taxation in respect of the issue of new shares under the capitalization issue and no relevant taxation will be withheld and paid.

Dealings in the new H Shares will be subject to the payment of stamp duty, the Hong Kong Stock Exchange trading fee, transaction levy, or any other applicable fees and charges in Hong Kong.

### *Distribution of Dividends on Offshore Preference Shares*

Pursuant to the PRC tax laws and regulations, the Bank is required to withhold and remit corporate income tax at a rate of 10% when distributing dividends on Offshore Preference Shares to overseas non-resident enterprise Shareholders. Pursuant to the regulations of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends on Offshore Preference Shares paid by the Bank.

Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares and Offshore Preference Shares of the Bank. The Bank will not take any responsibility for any taxation impact or liability of holders of H Share.



## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

### 3 CLOSURE OF REGISTER OF MEMBERS OF H SHARES

In order to determine the eligibility of holders of H Shares of the Bank to vote at the forthcoming annual general meeting, the register of members of H Shares will be closed accordingly. For details, please refer to the circular of the 2020 annual general meeting to be despatched to the Shareholders by the Bank.

### 4 SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

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

### 5 ISSUANCE OF DEBT SECURITIES

For details of the issuance of debt securities of the Bank, please refer to the paragraph headed “Issuance and Repurchase of Bonds” in the chapter headed “Significant Events” in this Report.

### 6 USE OF PROCEEDS

For details of the use of proceeds of the Bank, please refer to the chapter headed “Management Discussion and Analysis”.

### 7 RESERVES

Details of movements in the reserves (and reserves distributable to Shareholders) of the Bank for the Reporting Period are set out in the consolidated statement of changes in Shareholders’ equity.

### 8 PROPERTY AND EQUIPMENT

Details of movements in property and equipment of the Bank are set out in Note 22 to the financial statements in the chapter headed “Independent Auditor’s Report” of this Report.

## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

### 9 CONNECTED TRANSACTIONS

In the ordinary and usual course of business, the Bank offers commercial banking services and products to the public in China, including certain connected persons of the Bank such as the Shareholders, Directors, Supervisors, president and/or their respective associates. Pursuant to the Stock Exchange Listing Rules, such transactions, being conducted on normal commercial terms in the ordinary and usual course of the business of the Bank, shall be exempt from the reporting, annual review, disclosure and independent Shareholders' approval requirements under Chapter 14A of the Stock Exchange Listing Rules. The Bank has reviewed all its connected transactions and acknowledged that it had complied with the requirements under Chapter 14A of the Stock Exchange Listing Rules.

During the Reporting Period, to increase the capital adequacy ratio of the Bank, improve the capital structure, establish and improve the long-term capital management mechanism, and enhance the sustainable development capabilities, the Board resolved to approve the amendments to the plan for non-public issuance of A Shares on 30 March 2020. On the same day, the Bank entered into the supplemental agreement of the conditional share subscription agreement with Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) and Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), respectively. Zhengzhou Investment Holdings Co., Ltd. shall subscribe for not less than 171.5 million A Shares of the Bank under the non-public issuance, and Henan Guoyuan Trade Co., Ltd. shall subscribe for A Shares with an amount of not more than RMB600 million but not less than RMB450 million under the non-public issuance. As at the date of the supplemental agreements, Zhengzhou Investment Holdings Co., Ltd. was an indirect wholly-owned subsidiary of Zhengzhou Finance Bureau (a substantial Shareholder and connected person of the Bank under Chapter 14A of the Stock Exchange Listing Rules). Therefore, Zhengzhou Investment Holdings Co., Ltd. was an associate of Zhengzhou Finance Bureau, and thus a connected person of the Bank. Mr. ZHU Zhihui, a Supervisor, being a connected person of the Bank under Chapter 14A of the Stock Exchange Listing Rules, held 90% of the equity interest in Henan Guoyuan Trade Co., Ltd.. Therefore, Henan Guoyuan Trade Co., Ltd. is an associate of Mr. ZHU Zhihui and thus a connected person of the Bank. The revised transactions constitute connected transactions of the Bank. The Bank has complied with the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Stock Exchange Listing Rules. In November 2020, the Bank completed the non-public issuance of A Shares. Zhengzhou Investment Holdings Co., Ltd. subscribed for 171.5 million A Shares with a subscription amount of RMB796 million, and Henan Guoyuan Trade Co., Ltd. subscribed for 100 million A Shares with a subscription amount of RMB464 million. For details, please refer to the announcements of the Bank dated 30 March 2020, 6 April 2020, 20 May 2020 and 26 November 2020 and the circular dated 28 April 2020 published by the Bank on the website of the Hong Kong Stock Exchange.

The definition of connected persons under Chapter 14A of the Stock Exchange Listing Rules is different from the definition of related parties under International Accounting Standard, and its interpretations by the International Accounting Standards Board. Some of the Bank's related party transactions also constitute connected transactions or continuing connected transactions as defined under the Stock Exchange Listing Rules, but none of them constitutes a disclosable connected transaction as defined under the Stock Exchange Listing Rules except for the above connected transactions with Zhengzhou Investment Holdings Co., Ltd. and Henan Guoyuan Trade Co., Ltd..

## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

### 10 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details regarding the Directors, Supervisors and senior management of the Bank are set out in the chapter headed “Directors, Supervisors, Senior Management, Staff and Institutions” of this Report.

### 11 INTERESTS OF DIRECTORS AND SUPERVISORS IN BUSINESS IN COMPETITION WITH THE BANK

None of the Directors or Supervisors of the Bank holds any interest in any business which competes or is likely to compete, whether directly or indirectly, with that of the Bank.

### 12 REMUNERATION OF THE DIRECTORS AND SUPERVISORS, AND RETIREMENT BENEFITS

Details of the remuneration of the Directors and Supervisors are set out in the chapter headed “Directors, Supervisors, Senior Management, Staff and Institutions” of this Report and in note 9 to the financial statements of the independent auditor’s report of this Report. Retirement benefits offered by the Bank to employees are set out in note 32(a) to the financial statements of the independent auditor’s report of this Report. Details of the remuneration of the top five highest-paid individuals are set out in note 10 to the financial statements of the independent auditor’s report of this Report.

### 13 SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Directors or Supervisors entered into a service contract with the Bank which was not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

### 14 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

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

Name	Position	Class of Shares	Nature	Number of Shares		
				held directly or indirectly (Shares) (Long position)	Percentage of the relevant class of Shares in issue (%)	Percentage of all Ordinary Shares in issue (%)
WANG Tianyu	Director	A Shares	Beneficial owner	27,503	0.00047	0.00037
ZHU Zhihui	Supervisor	A Shares	Interest of controlled corporation <sup>(Note)</sup>	318,951,121	5.46	4.24
CHENG Jie	Supervisor	A Shares	Beneficial owner	6,940	0.00012	0.00009

*Note:* 318,951,121 A Shares of the Bank are held directly by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), which is owned as to 90% by Mr. ZHU Zhihui, a Supervisor of the Bank. By virtue of the SFO, Mr. ZHU Zhihui is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司).

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

### 15 MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, neither the Bank nor any of its subsidiaries entered into any significant transaction, arrangement or contract in which the Directors or Supervisors or entity connected with the Directors or Supervisors directly or indirectly had a material interest.

## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

### 16 THE BANK'S LOANS TO ENTITIES

During the Reporting Period, the Bank did not provide any entity with loans that shall be disclosed under Rule 13.13 of the Stock Exchange Listing Rules.

### 17 ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank or any of its subsidiaries a party to any arrangement to enable the Directors and/or 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.

### 18 MANAGEMENT CONTRACTS

No management or administration contract in relation to all or substantial parts of the business of the Bank was entered into during the Reporting Period.

### 19 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR REDEEMABLE SECURITIES OF THE BANK

During the Reporting Period, the Bank and its subsidiaries had not purchased, sold or redeemed any listed securities or redeemable securities of the Bank.

### 20 CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

As at the end of the Reporting Period, the Bank had not issued or granted any convertible securities, options, warrants or other similar rights, and there had been no exercise of conversion or subscription rights over the convertible securities, options, warrants or other similar rights issued or granted by the Bank at any time.

### 21 LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE BANK

During the Reporting Period, the Bank did not provide any of its affiliated companies with any financial assistance or guarantees required to be disclosed under Rule 13.16 of the Stock Exchange Listing Rules. The Bank does not have a controlling Shareholder or ultimate controller, nor has it entered into any loan agreement with covenants relating to specific performance of the controlling Shareholder or breached the terms of any loan agreement.

### 22 PRE-EMPTIVE RIGHTS

During the Reporting Period, the Bank did not have provisions in respect of pre-emptive rights under the Articles of Association and according to the relevant provisions of the PRC laws and regulations.

### 23 DONATIONS

During the Reporting Period, the Bank made charitable and other donations in an aggregate sum of approximately RMB9,076,800.

## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

### 24 EQUITY-LINKED AGREEMENTS

During the Reporting Period, other than Offshore Preference Shares, the Bank neither had nor entered into any equity-linked agreements.

Upon approval by the former CBRC Henan Office and the CSRC, the Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,191 million on 18 October 2017 through a private offering on the overseas market. Pursuant to regulations including the Measures on Capital Management of Commercial Banks (Trial) and the Trial Administrative Measures on Preference Shares, a commercial bank shall set up the provisions of coercive conversion of preference shares into Ordinary shares, under which the commercial bank shall convert the preference shares into Ordinary Shares as contractually agreed in case of a trigger event. Such trigger event happens when the common equity tier 1 capital adequacy ratio has fallen to 5.125% (or below) and when the CBIRC determines that the bank will not be able to exist if shares of the bank are not transferred or written down, or when relevant regulators determine that the bank will not be able to exist if there is no capital injection from public sectors or supports with coordinative effects. The Bank, according to relevant regulations, has formulated provisions of trigger events under which Offshore Preference Shares shall be coercively converted into H Shares. If such trigger events happen to the Bank and all Offshore Preference Shares need to be coercively converted into H Shares in accordance with their initial conversion price, the total amount of the Offshore Preference Shares which would be converted into H Shares will not exceed 1,719,533,921 H Shares. During the Reporting Period, the Bank did not experience any trigger event in which the Offshore Preference Shares need to be coercively converted into H Shares.

### 25 RELATIONS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Bank takes effective measures to safeguard the legitimate rights and interests of its employees, striving to establish a harmonious and stable employment relationship. The Bank enters into labor contracts with its employees in accordance with the relevant laws, and continuously improves the relevant labor employment system and employee security system. By conscientiously implementing the national policies and regulations on salary and welfare, the Bank has developed the “Administrative Measures on Salary and Welfare”, under which it pays employees full salaries on time, contributes various social insurance and housing provident fund and built a multi-level pension and medical security system. Assuming the responsibility of protecting the vital interests of employees, the Bank establishes a care-giving relief fund, regularly arranges for employees to receive health check-ups, and purchases mutual insurance for accidental injury and critical illness insurance for employees. The Bank also keeps helping employees to enhance their value through enhancing position system for smooth career development path and providing them with a wide range of professional training.

## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

The Bank adheres to a customer-oriented approach, promotes service etiquette and knowledge, and promotes standard services at outlets to continuously improve customers' financial experience. To protect consumer rights, the Bank integrated the concept and requirements of consumer protection into its systems and established a consumer rights protection system involving consumer services, information privacy, education on financial knowledge, and customer complaints handling. The Bank pays attention to communication with customers. It keeps in touch with customers through letters, telephone, fax, direct visits, the internet and other forms of communication channels, provides customers with round-the-clock telephone banking services in China through the unified customer service telephone line, and offers online customer service to provide customers with intelligent online services.

Adhering to the principles of openness, fairness and impartiality, the Bank has established the bidding committee, selects suppliers by means of bidding and other similar forms, and maintains good communication and cooperation with various suppliers.

### 26 PUBLIC FLOAT

As at the Latest Practicable Date, according to the data publicly available to the Bank and the Directors have been aware of, the Bank has complied with the public float requirements under the Stock Exchange Listing Rules.

### 27 CORPORATE GOVERNANCE

The Bank is committed to maintaining a high standard of corporate governance. During the Reporting Period, the Bank strictly abided by the code provisions in the Corporate Governance Code and the relevant Stock Exchange Listing Rules on disclosure of inside information. Details of corporate governance of the Bank are set out in the chapter headed "Corporate Governance Report" of this Report.

### 28 MAJOR DEPOSITORS AND BORROWERS

The Bank is not dependent on a single major depositor/borrower. As at the end of the Reporting Period, the deposits balance of the five largest depositors and loan balance of the five largest borrowers of the Bank represented no more than 30% of the total deposits balance, gross loans and advances of the Bank. The Directors of the Bank and their close associates or any Shareholder which to the knowledge of the Directors own more than 5% of the number of issued Shares do not have any interest in the above five largest depositors/borrowers.

### 29 PERMITTED INDEMNITY PROVISION

According to provision A.1.8 of the Corporate Governance Code, the Bank shall maintain appropriate insurance to cover the potential litigation initiated against the Directors. According to the Articles of Association, unless Directors, Supervisors and senior management personnel are proved to have failed to perform their duties honestly or in good faith, the Bank shall, to the fullest extent permitted by laws and administrative regulations or to the extent not prohibited by laws and administrative regulations, assume civil liabilities incurred by Directors, Supervisors and senior management personnel during their performance of duties. The Bank has purchased appropriate liability insurance for the Directors and provided them with an indemnity for liabilities incurred during the operations of the Bank for the Reporting Period.

## CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

### 30 OTHER MATTERS

As far as the Board is aware, the Bank has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Bank in all material respects. In the meantime, the Bank is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Bank endeavors to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. For details, please refer to the 2020 Corporate Social Responsibility Report published on the websites of CNINFO and Hong Kong Stock Exchange on 30 March 2021 by the Bank.

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

During the Reporting Period, the Directors of the Bank did not waive or agreed to waive relevant remuneration arrangement.

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

During the Reporting Period, the Bank had no controlling Shareholder or ultimate controller. As a result, the Bank did not have any controlling Shareholder pledging the Bank's shares to secure the Bank's debts or to secure guarantees or other support of the Bank's obligations.

Subsequent to the Reporting Period, on 8 March 2021, the name of the building where the Bank's principal place of business in Hong Kong was located has been changed, so the address of the Bank's principal place of business in Hong Kong has been changed. The website, telephone number and fax number of the Bank remain unchanged.

As at the Latest Practicable Date, save as disclosed in this Report, there were no other significant subsequent events of the Bank requiring disclosure.

By order of the Board  
**Bank of Zhengzhou Co., Ltd.**  
**WANG Tianyu**  
*Chairman*

30 March 2021



# CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors of the Bank was dedicated to performing its duties diligently based on its responsibility to the Shareholders and employees in accordance with the Company Law, the Guidelines on the Corporate Governance of Commercial Banks, the Articles of Association and the requirements of the rules and regulations to the Board of Supervisors, and formed a relatively complete supervisory system covering the supervision over meetings, strategies, financial affairs and performance assessment, which was a positive driving force for steady business development, enhancement of risk control and improvement of the corporate governance structure of the Bank.

## 1 MAJOR WORK OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors attended all the meetings and activities of the “Three Boards and one Management” of the Bank. The Board of Supervisors convened six meetings in total and special committees of the Board of Supervisors each convened one meeting to consider 16 resolutions concerning business operation, internal control, corporate governance and performance assessment of the Directors and the Supervisors and review 36 reports concerning internal audit, related party transactions and quality of assets. Members of the Board of Supervisors attended the general meetings and were present at all the on-site meetings of the Board, and supervised the compliance with laws and regulations in relation to the convening of the general meetings and Board meetings, voting procedures, and the Directors’ attendance, opinions expressed and voting at the general meetings and Board meetings. Members of the Board of Supervisors attended and presented at various meetings and activities to obtain information on the operations management of the Bank in all aspects in a timely manner, thereby substantially consolidating their supervision functions. The Board of Supervisors had no objection to the supervisory affairs during the Reporting Period.

The sixth session of the Board of Supervisors consists of six Supervisors (three employee representative Supervisors, one Shareholder representative Supervisor and two external Supervisors). Each of the supervisory committee and the nomination committee has three members, respectively, and is chaired by an external Supervisor, thus satisfying the regulatory requirements of the composition and proportion of members of the Board of Supervisors.

During the Reporting Period, the external Supervisors actively acquainted themselves with the operations management of the Bank, and gave opinions or suggestions on significant matters by attending meetings of the Board of Supervisors, convening special committee meetings of the Board of Supervisors, being present at the Board meetings, participating in investigations and surveys conducted by the Board of Supervisors (on a collective or separate basis) at the branch level. During the adjournment of the Board of Directors and the Board of Supervisors, the external Supervisors were able to review various documents and reports of the Bank and exchange opinions with the Board of Directors and management on any problems found in a timely manner, playing an active role in performing the supervisory duties of the Board of Supervisors.

# CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

## 2 INDEPENDENT OPINIONS ON RELEVANT MATTERS

### **Performance of Duties by the Board of Directors and Senior Management and Its Members**

The Board of Supervisors completed the 2019 report of performance assessment of the Board of Directors, senior management and its members as required and reported the performance assessment results to the general meetings and regulatory authorities. The Board of Supervisors was of the view that the Board of Directors and senior management performed their duties according to the Guidelines on the Corporate Governance of Commercial Banks and the Articles of Association and gave full play to their strategic leadership functions to facilitate the Bank to achieve quality development. The senior management continued to improve their capability of implementing strategic decisions, established and finalized various measures, ensuring the smooth completion of various jobs throughout the year. The Board of Supervisors will conduct the 2020 annual assessment on the performance of duties by the Board, senior management and its members as required, and report the assessment results to the general meeting and regulatory departments.

### **Compliance with Laws and Regulations in Operations**

During the Reporting Period, the operating activities of the Bank complied with the requirements of the Company Law, the Law on Commercial Banks and the Articles of Association, and the decision-making process was legitimate and effective. The Directors and senior management were honest, trustworthy, diligent and conscientious. No acts in violation of laws and regulations and the Articles of Association or detrimental to the interests of the Bank and Shareholders were found in the performance of duties by the Directors and senior management of the Bank during the year.

### **Truthfulness of Financial Report**

Upon careful review of the 2020 annual report of the Bank by all Supervisors in a practical and responsible manner to all Shareholders, the Board of Supervisors was of the view that procedures for the preparation of the 2020 annual report by the Board complied with the laws, administrative regulations and requirements of the CSRC; the contents of the report truthfully, accurately and completely reflected the actual situation of the Bank; and there were no false representations, misleading statements or material omissions contained therein.

### **Related Party Transactions**

During the Reporting Period, the Board of Supervisors supervised the related party transactions, and considered that the prices of the related party transactions of the Bank were fair and reasonable and no acts detrimental to the interests of the Bank and Shareholders were found by the Board of Supervisors.

# CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

## **Internal Control**

The Board of Supervisors considered that the Bank had established a relatively comprehensive corporate governance structure, formulated relatively complete management systems relating to corporate governance and internal control, and was capable of improving the foregoing in accordance with the actual situation of the Bank and regulatory requirements. The internal control system of the Bank had been carried out smoothly, complied with the relevant standard requirements of laws and regulations on the management of corporate internal control systems, and completely, truthfully and objectively reflected the establishment and operation of the internal control system of the Bank. The Board of Supervisors reviewed the 2020 Internal Control Self-Assessment Report of the Bank and had no objection to its contents.

## **Implementation of Resolutions of General Meetings**

During the Reporting Period, the Board of Supervisors supervised the implementation of the resolutions of general meetings, and considered that the Board was capable of earnestly implementing the relevant resolutions of general meetings and did not take any action detrimental to the interests of Shareholders.

## **Profit Distribution Plan**

The Board of Supervisors reviewed the 2020 Profit Distribution Plan of the Bank, and considered that the profit distribution plan complied with the relevant requirements of laws, regulations and the Articles of Association and was in the interests of all Shareholders and beneficial to the long-term development of the Bank.

## **Dividend Distribution Plan for Preference Shares**

During the Reporting Period, the dividend distribution plan for preference shares of the Bank complied with the relevant requirements of laws, regulations, the Articles of Association and the issuance terms or provisions of preference shares.

# CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

## Changes in Accounting Policies

During the Reporting Period, changes in accounting policies of the Bank were reasonably made in accordance with the requirements of the relevant documents issued by International Accounting Standards Board (IASB) and the MoF, compiled with the relevant requirements of IASB, the MoF, CSRC, SZSE, the Hong Kong Stock Exchange and other regulatory authorities, were able to reflect the financial position and operating results of the Bank in a more objective and fair manner, and were in the interests of the Bank and Shareholders.

## Information Disclosure Matters

During the Reporting Period, the Board of Supervisors oversaw the information disclosure matters of the Bank and was of the opinion that: the Bank had established a sound system for the management of information disclosure matters and had fulfilled its information disclosure duties in compliance with the provisions of relevant laws and regulations and regulatory requirements. The contents of disclosure are truthful, accurate and complete without any false representation, misleading statement or material omission.

Save as disclosed above, the Board of Supervisors had no objection to other supervisory affairs during the Reporting Period.

By order of the Board of Supervisors

**Bank of Zhengzhou Co., Ltd.**

**ZHAO Lijuan**

*Chairwoman of the Board of Supervisors*

30 March 2021

# CHAPTER X SIGNIFICANT EVENTS

## 1 ISSUANCE AND REPURCHASE OF BONDS

The Bank issued the tier II capital bonds (Bonds code: 1620066), whose date of value was 21 December 2016, in an amount of RMB3 billion in the national interbank bond market on 19 December 2016, with a fixed rate for a term of 10 years. The Bank shall have the issuer redemption right at the end of the fifth year and the coupon rate is 4.10%.

The Bank issued the tier II capital bonds (Bonds code: 1720014), whose date of value was 31 March 2017, in an amount of RMB2 billion in the national interbank bond market on 30 March 2017, with a fixed rate for a term of 10 years. The Bank shall have the issuer redemption right at the end of the fifth year and the coupon rate is 4.80%.

The Bank issued the 2017 first tranche of green financial bonds (Bonds code: 1720065), whose book-building was recorded in the national interbank bond market, in an amount of RMB3 billion on 5 September 2017, for a maturity term of three years and a coupon rate of 4.70%. All of the bonds expired and were redeemed on 4 September 2020.

The Bank issued the 2019 first tranche of green financial bonds (Bonds code: 1920043), whose book-building was recorded in the national interbank bond market, in an amount of RMB2 billion on 3 June 2019, for a maturity term of three years and a coupon rate of 3.70%. The proceeds from the issuance of the bonds was specially used for green industry projects as defined in the List of Projects Supported by Green Financial Bonds formulated by the Green Finance Committee of China Society of Finance & Banking.

Jiu Ding Financial Leasing Co., Ltd., a subsidiary of the Bank, issued financial bonds (Bonds code: 2022047) which value date was 24 November 2020, in an aggregate amount of RMB1.4 billion in the national interbank bond market on 20 November 2020. These bonds are 3-year fixed-rate bonds with a coupon rate of 4.20%.

# CHAPTER X SIGNIFICANT EVENTS

## 2 PERFORMANCE OF UNDERTAKINGS

### 2.1 Undertakings Fully Performed by the Bank's de facto Controller, Shareholders, Related Parties, Purchasers and the Bank during the Reporting Period and Undertakings Not Fully Performed as at the End of the Reporting Period

Undertakings	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Zhengzhou Finance Bureau (鄭州市財政局)	Undertaking on shares with selling restrictions	<p>Within 36 months since the date of the initial public offering of the Bank's A Shares on the SZSE, Zhengzhou Finance Bureau shall not transfer or entrust others to manage the issued Shares of the Bank held by it before this round of issue, and shall not allow the Bank to repurchase such Shares; if the closing price of the Shares issued in this round by the Bank is lower than the issue price for 20 consecutive trading days within six months, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period for the Bank's Shares held by Zhengzhou Finance Bureau shall be automatically extended by six months.</p> <p>If it intends to reduce its shareholdings within two years after the expiry of the share lockup period, the annual reduced shareholdings shall be no more than 5% of the number of shares held by it; if it intends to reduce its shareholdings two years after the expiry of the share lockup period, the number of reduced shareholdings will be announced three trading days before it reduces its shareholding, the selling price shall be no less than the issue price of the initial public offering of the Bank's A Shares (if there is any dividend distribution, bonus issue of shares, capitalization of capital reserve, share placing, share subdivision and other ex-rights and ex-dividend events of the Bank's shares, the selling price will be adjusted accordingly by ex-rights and ex-dividend).</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance

## CHAPTER X SIGNIFICANT EVENTS

Undertakings	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Shareholders in aggregate holding more than 51% of the Shares (Zhengzhou Finance Bureau excluded) (please refer to the relevant content of the Prospectus of the Shares (A Shares) of the IPO of the Bank for detailed list)	Undertaking on shares with selling restrictions	Within 36 months since the date of the initial public offering of the Bank's A Shares on the SZSE, these Shareholders shall not transfer or entrust others to manage the issued Shares of the Bank held by them directly or indirectly before this round of issue, and shall not allow the Bank to repurchase such Shares.	19 September 2018	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Directors, Supervisors and senior management personnel of the Bank	Undertaking on shares with selling restrictions	<p>Within 36 months since the date of the initial public offering of the Bank's A Shares on the SZSE, they shall not transfer or entrust others to manage the issued Shares of the Bank held by them before this round of issue, and shall not allow the Bank to repurchase such Shares.</p> <p>After the expiry of the lockup period, they shall transfer no more than 15% of the total number of the Shares held by them annually during the term of office, and no more than 50% of the total number of the Shares held by them within five years, they shall not repurchase in six months after selling their shares or resell in six months after purchasing Shares; they shall not transfer the Shares of the Bank held by them within six months after they leave office.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance

## CHAPTER X SIGNIFICANT EVENTS

Undertakings	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Directors, senior management personnel of the Bank	Undertaking on shares with selling restrictions	<p>If the closing price of the A Shares of the initial public offering of the Bank on the SZSE is lower than the issue price for 20 consecutive trading days within six months, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period for the Bank's Shares held by them shall be automatically extended by six months. During the extended lockup period, they shall not transfer or entrust others to manage the issued Shares of the Bank held by them before this round of issue, and shall not allow the Bank to repurchase such Shares.</p> <p>If the Shares are reduced within two years after the expiry of the lockup period, the selling price shall be no less than the issue price of the initial public offering of the Bank's A Shares.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Individuals of the Bank holding more than 50,000 internal staff Shares	Undertaking on shares with selling restrictions	<p>Within three years since the listing date of the Bank on the SZSE, they shall not transfer the Shares of the Bank of Zhengzhou held by them. After the expiry of the above three-year Shares transfer lockup period, they shall transfer no more than 15% of the total number of the Shares held by them annually, and no more than 50% of the total number of the Shares held by them within five years.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance



## CHAPTER X SIGNIFICANT EVENTS

Undertakings	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Additional Shareholders of the Bank during the Reporting Period	Undertaking on shares with selling restrictions	Within 36 months since the date of the initial public offering of the Bank's A Shares on the SZSE, these Shareholders shall not transfer or entrust others to manage the issued Shares of the Bank held by them directly or indirectly before this round of issue, and shall not allow the Bank to repurchase such Shares.	19 September 2018	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	The Bank, Zhengzhou Finance Bureau, all Directors (independent non-executive Directors excluded) of the Bank and senior management personnel	Undertakings on the price stabilization	They will strictly observe and execute the "Price Stabilization Plan for A Shares" considered and approved at the general meeting of the Bank and perform the obligations of stabilising the Share price of the Bank according to the requirements of such plan. Please refer to the relevant content of the prospectus of the Shares (A Shares) of the initial public offering of the Bank for the conditions triggering the implementation of the price stabilization measures and specific measures to maintain stable share price.	19 September 2018	Refer to the details of the undertakings	During the course of performance

## CHAPTER X SIGNIFICANT EVENTS

Undertakings	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Zhengzhou Finance Bureau (鄭州市財政局)	Undertakings on avoiding horizontal competition	<p>During the period for being a major Shareholder of the Bank, its subsidiary enterprises (including wholly-owned, controlled subsidiaries and effectively-controlled enterprises) will not engage in, directly or indirectly, any forms of business activities that will compete or likely to compete with the Bank's principal business. Zhengzhou Finance Bureau will supervise its subsidiary enterprises in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking.</p> <p>Zhengzhou Finance Bureau will strictly comply with the relevant laws and regulations of the CSRC and the stock exchanges where the Bank's Shares are listed and the requirements of company management policies such as the Article of Association and management policies on related party transactions of the Bank, exercise the Shareholder's rights and perform the Shareholder's obligations as equally as other Shareholders, and neither seek unfair interest by use of the position of major Shareholder, nor impair the legal interests of the Bank and other Shareholders.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance
Undertakings made in non-public issuance of A Shares	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Undertaking on shares with selling restrictions	It shall not transfer Shares under non-public issuance of the Bank within 60 months since the date of the listing thereof.	27 November 2020	Refer to the details of the undertakings	During the course of performance
Undertakings made in non-public issuance of A Shares	Bridge Trust Company Limited (百瑞信託有限責任公司)	Undertaking on shares with selling restrictions	It shall not transfer Shares under non-public issuance of the Bank within 18 months since the date of the listing thereof.	27 November 2020	Refer to the details of the undertakings	During the course of performance

## CHAPTER X SIGNIFICANT EVENTS

Undertakings	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in non-public issuance of A Shares	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Undertaking on shares with selling restrictions	It shall not transfer Shares under non-public issuance of the Bank within 60 months since the date of the listing thereof.	27 November 2020	Refer to the details of the undertakings	During the course of performance
Undertakings made in non-public issuance of A Shares	23 targets of the non-public issuance including Zhengzhou Gaoxin Investment Holding Group Co., Ltd. (鄭州高新投資控股集團有限公司)	Undertaking on shares with selling restrictions	They shall not transfer Shares under non-public issuance of the Bank within 6 months since the date of the listing thereof.	27 November 2020	Refer to the details of the undertakings	During the course of performance
Whether the undertakings are performed on time			Yes			
If the undertakings are not performed when overdue, explanations on reasons and working plans for the next step shall be stated in detail			Not applicable			

### 2.2 Existence of the Profit Forecast about Assets or Projects, and the Reporting Period Was Still in the Profit Forecast Period, the Bank's Explanation on the Profit of Assets or Projects Reaching the Goal and the Reasons

There was no existence of the profit forecast about assets or projects nor the Reporting Period was still in the forecast period for the Bank.

## CHAPTER X SIGNIFICANT EVENTS

### 3 SIGNIFICANT RELATED PARTY TRANSACTIONS

In accordance with relevant provisions under the Administrative Measures for Related Party Transactions Between Commercial Banks and Insiders or Shareholders, the SZSE Listing Rules, the Accounting Standards for Business Enterprises, and other laws, administrative rules, departmental regulations, and regulatory documents, the Bank relentlessly improved its regulations such as Administrative Measures of Related Party Transactions, continuously enhanced its management mechanism of related party transactions, and prudently carried out related party transactions using relevant systems for supervision and approval of related party transactions to effectively prevent related party transaction risks. During the Reporting Period, related party transactions between the Bank and its related parties are conducted in the ordinary course of its business with terms and prices agreed in accordance with the principles of fairness as well as on conditions no better than non-related party transactions of the same type. Such related party transactions had no significant impact on the operation results and financial conditions of the Bank and the indicators on the control of related party transactions were in compliance with the related regulations of regulatory authorities.

#### 3.1 Related Shareholders Directly or Indirectly Holding 5% or more of the Shares of the Bank

Name of the related party	Relationship with the related party	Place of registration	Organization type	Registered capital	Legal representative	Principal business	Change(s) during the Reporting Period
Zhengzhou Finance Bureau (鄭州市財政局)	Shareholder	N/A	Government department	N/A	N/A	N/A	Nil
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Shareholder	Zhengzhou, Henan	Company with limited liability	RMB3.51 billion	LIANG Songwei	Investment and management of state-owned assets, real estate development and sale; house leasing.	Nil

*Note:* In November 2020, the Bank completed the non-public issuance of A Shares, upon which the total number of Ordinary Shares increased from 6,514,125,090 Shares to 7,514,125,090 Shares. Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) subscribed for 171.5 million A Shares, and held 408,918,926 A Shares as at the end of the Reporting Period, representing 5.44% of the Bank's total issued Ordinary Shares. The number of A Shares held directly and indirectly through Zhongyuan Trust Co., Ltd. (中原信託有限公司), and Henan Investment Group Co., Ltd. (河南投資集團有限公司) amounted to 362,115,251 Shares, and the total shareholding percentage decreased from 5.56% to 4.82%.

# CHAPTER X SIGNIFICANT EVENTS

## 3.2 Significant Related Party Transaction

In accordance with the relevant requirements of the Administrative Measures for Related Party Transactions Between Commercial Banks and Insiders or Shareholders and the Administrative Measures for Related Party Transactions of the Bank, related party transactions are defined as follows:

A general related party transaction shall refer to a transaction between the Bank and a single related party with an amount of no more than 1% of the net capital of the Bank and the balance of the transactions between the Bank and the related party after such transaction constituting no more than 5% of the net capital of the Bank. A significant related party transaction shall refer to a transaction between the Bank and a single related party with an amount of more than 1% of the net capital of the Bank or the balance of the transactions between the Bank and the related party after such transaction constituting more than 5% of the net capital of the Bank. If the transaction is non-credit-grant-type, the transaction amount shall be the cumulative amount of all relevant transaction balances between the Bank and the same related party continuously within 12 months; if the transaction is credit-grant-type, the transaction amount shall be the credit balance between the Bank and the same related party; if the transaction involves both non-credit-grant-type and credit-grant-type, the transaction amount shall be calculated on an aggregate basis. In calculating the amount of transactions between a natural person related party and the Bank, the transactions between the person's close relatives and the Bank shall be aggregated; in calculating the amount of transactions between a legal person related party or other organizations and the Bank, the transactions between the legal persons or other organizations constituting a group client together with the legal person related party and the Bank shall be aggregated.

## 3.3 Implementations of Related Party Transactions

During the Reporting Period, in strict compliance with the requirements of the Company Law and the SZSE Listing Rules, the Bank conducted recurring related party transactions within the estimated quota on recurring related party transactions for 2020 as approved by the general meeting. The details of such transactions are set out in the following table. Apart from such transactions as listed below, the Bank conducted no other significant transactions that met the above requirements.

## CHAPTER X SIGNIFICANT EVENTS

### 3.3.1 Related party transactions of corporation credit grant type

Unit: RMB'000

Number	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Credit granted
1	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) and its related parties	3,200,000	3,170,000	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司)	690,000
				Zhengzhou Road and Bridge Construction Investment Group Co., Ltd. (鄭州路橋建設投資集團有限公司)	1,188,500
				Zhengzhou Highway Engineering Company (鄭州市公路工程公司)	601,500
				Zhengzhou Songyue Highway Development Co., Ltd. (鄭州嵩岳公路開發有限公司)	690,000
2	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司) and its related parties	1,200,000	800,000	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司)	800,000
3	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) and its related parties	550,000	420,000	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司)	300,000
4	Henan Investment Group Co., Ltd. (河南投資集團有限公司) and its related parties	4,000,000	1,110,000	Henan Kanghui Cement Products Co., Ltd. (河南康暉水泥製品有限公司)	120,000
				Luohe Big Data Operation Co., Ltd. (漯河市大數據運營有限公司)	380,000
				Henan Yicheng Holdings Co., Ltd. (河南頤城控股有限公司)	380,000
				Zhumadian City Yulong Tongli Cement Limited Company (駐馬店市豫龍同力水泥有限公司)	50,000
				Henan Development Gas Co., Ltd. (河南省發展燃氣有限公司)	200,000
Xinxiang Zhongyi Power Generation Co. Ltd. (新鄉中益發電有限公司)	100,000				

## CHAPTER X SIGNIFICANT EVENTS

Number	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Credit granted
5	Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程集團有限公司) and its related parties	3,500,000	1,075,000	Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程集團有限公司)	550,000
				Zensun Enterprises Limited (正商實業有限公司)	525,000
6	Henan Huida Jiarui Real Estate Co., Ltd. (河南暉達嘉睿置業有限公司) and its related parties	3,000,000	2,884,310	Zhengzhou Huida Industrial Development Co., Ltd. (鄭州暉達實業發展有限公司)	498,500
				Henan Huida Construction Investment Co., Ltd. (河南暉達建設投資有限公司)	1,266,610
				Zhengzhou Yingshou Trading Co., Ltd. (鄭州盈首商貿有限公司)	150,000
				Henan Xincheng Real Estate Co., Ltd. (河南新城置業有限公司)	144,000
				Henan Yingshuo Construction Engineering Co., Ltd. (河南盈碩建築工程有限公司)	525,200
				Henan Kairui Real Estate Co., Ltd. (河南凱睿置業有限公司)	300,000
7	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) and its related parties	4,200,000	3,120,000	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	1,000,000
				Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	390,000
				Zhengzhou Guotou Industrial Development Fund (Limited Partnership) (鄭州國投產業發展基金(有限合夥))	400,000
				Zhengzhou State-owned Holding Xicheng Construction Co., Ltd. (鄭州國控西城建設有限公司)	330,000
				Zhengzhou Tianjianhu Big Data Industrial Park Development Co., Ltd. (鄭州天健湖大數據產業園發展有限公司)	1,000,000
8	Henan Asset Management Company Limited (河南資產管理有限公司) and its related parties	1,900,000	1,170,000	Henan Asset Management Company Limited (河南資產管理有限公司)	1,170,000
9	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	2,000,000	1,000,000	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	1,000,000

## CHAPTER X SIGNIFICANT EVENTS

Number	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Credit granted
10	Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司)	2,000,000	2,000,000	Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司)	2,000,000
11	Bridge Trust Company Limited (百瑞信託有限責任公司)	1,500,000	1,500,000	Bridge Trust Company Limited (百瑞信託有限責任公司)	1,500,000

### 3.3.2 Credit-grant-type Related Transactions of Subsidiaries

Unit: RMB100 million

Number	Related client	Estimated quota on recurring related party transactions	Actual total credit granted
1	Jiuding Financial Leasing Company	4,000,000	4,000,000
2	Fugou Zhengyin County Bank	500,000	420,000
3	Xinmi Zhengyin County Bank	300,000	200,000
4	Xunxian Zhengyin County Bank	300,000	250,000
5	Queshan Zhengyin County Bank	350,000	200,000
6	Zhongmu Zhengyin County Bank	300,000	300,000
7	Yanling Zhengyin County Bank	300,000	200,000
8	Xinzheng Zhengyin County Bank	300,000	300,000

### 3.3.3 Credit-grant-type Related Transactions of Natural Persons

As at the end of the Reporting Period, the credit balance of natural person related parties in the Bank was RMB91,437,500, which did not exceed the limit of RMB200 million for the aggregate quota of natural person related parties under Estimated Quota on Recurring Related Party Transactions for 2020.



## CHAPTER X SIGNIFICANT EVENTS

### 3.3.4 Other Related Party Transactions

A total of RMB448,828,200 of credit assets was transferred to Henan Asset Management Company Limited (河南資產管理有限公司); a total of trust custody and supervision fees of RMB8,174,600 was provided to Bridge Trust Co., Ltd.; a total of trust custody and supervision fees of RMB230,099,100 was provided to Zhongyuan Trust Co., Ltd. The largest single transaction of interbank bonds and capital transaction business with each of the Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司), the Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司) and Central China Securities Co., Ltd. (中原證券股份有限公司) amounted to RMB803,641,800, RMB997,650,900 and RMB337,984,200, respectively; the subsidiary county banks purchased a total of RMB4.15 billion of wealth management products from the Bank, of which Fugou Zhengyin County Bank purchased an amount of RMB210 million and Zhongmu Zhengyin County Bank purchased an amount of RMB3.94 billion. None of the above transactions exceeded the estimated quota on recurring related party transactions for 2020.

On 30 March 2020, the Bank entered into supplemental agreement of the conditional share subscription agreement with Zhengzhou Investment Holdings Co., Ltd., Bridge Trust Co., Ltd. and Henan Guoyuan Trade Co., Ltd., respectively, in relation to the revised non-public issuance of A Shares. Such transactions constituted related party transactions of the Bank and had been considered and approved at the 2019 AGM of the Bank. In November 2020, the Bank completed the non-public issuance of A Shares. Zhengzhou Investment Holdings Co., Ltd. subscribed for 171.5 million A Shares with a subscription amount of RMB796 million, Bridge Trust Co., Ltd. subscribed for 185 million A Shares with a subscription amount of RMB860 million, and Henan Guoyuan Trade Co., Ltd. subscribed for 100 million A Shares with a subscription amount of RMB464 million. For details, please refer to the announcements published on CNINFO by the Bank dated 31 March 2020, 28 April 2020, 21 May 2020 and 26 November 2020, and on the website of the Hong Kong Stock Exchange dated 30 March 2020, 6 April 2020, 20 May 2020, and 26 November 2020 and the circular dated 28 April 2020.

## 4 SIGNIFICANT CONTRACTS AND INFORMATION ON THEIR PERFORMANCE

### 4.1 Entrustment, Contracting and Leasing Matters

During the Reporting Period, the Bank had no significant contracts on significant entrustment, contracting and leasing matters.

### 4.2 Significant Guarantees

During the Reporting Period, the Bank did not have any material guarantee that needed to be disclosed save for the financial guarantees within the business scope as approved by the PBoC and the CBIRC.

## CHAPTER X SIGNIFICANT EVENTS

### 4.3 Entrust Others to Manage Cash Assets

#### 4.3.1 Entrusted wealth management

During the Reporting Period, there was no event in respect of entrusted wealth management beyond the Bank's normal business.

#### 4.3.2 Entrusted Loans

During the Reporting Period, the Bank had no entrusted loans beyond its normal business scope.

### 4.4 Material Contracts in Day-to-day Operations

During the Reporting Period, save as disclosed in this Report and other announcements and circulars of the Bank, the Bank did not have other material contracts in day-to-day operations that are required to be disclosed.

### 4.5 Other Significant Contracts

During the Reporting Period, the Bank had no other significant contractual matters requiring disclosure, other than those disclosed in this Report, other announcements and circulars of the Bank.

## 5 SIGNIFICANT ACQUISITION, DISPOSAL OR ABSORPTION OF ASSETS AND EQUITY

During the Reporting Period, the Bank had no significant acquisition, disposal or absorption of assets and equity.

## CHAPTER X SIGNIFICANT EVENTS

### 6 SIGNIFICANT LITIGATION AND ARBITRATION

The Bank's Jinshui East Road Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court of Henan Province in August 2020 over a financial loan contract dispute with Zhengzhou Sino-Crystal Diamond Co., Ltd. and other parties. The court formally accepted the case and commenced a court session for hearing it. The judgment of the first instance was received in September 2020. As the defendant did not appeal within the statutory time limit, the judgment of the first instance came into force. Zhengzhou Intermediate People's Court of Henan Province lawfully prescribed the termination of the enforcement procedures and ruled that the defendant shall be obliged to continue to perform the debts. The Bank will take proactive measures to protect its interests. For details, please refer to the announcements dated 11 August 2020 and 21 September 2020 published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange.

The Bank's Jinshui East Road Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court of Henan Province in August 2020 over a financial loan contract dispute with Henan Tianying Group Co., Ltd. and other parties. The court formally accepted the case and commenced a court session for hearing it. The judgment of the first instance was received in September 2020. After the judgment was made, as none of the defendants appealed within the statutory time limit, the judgment of the first instance came into force. The Bank has applied to Zhengzhou Intermediate People's Court of Henan Province for enforcement in March 2021. For details, please refer to the announcements of the Bank dated 14 August 2020 and 28 September 2020 published on CNINFO and the website of the Hong Kong Stock Exchange.

The Bank was involved in certain litigation and arbitration matters arising from its ordinary course of business due to the recovery of borrowings and other reasons. As at the end of the Reporting Period, the amount of other pending litigations and arbitrations in which the Bank acted as the plaintiff or the applicant was RMB1,185 million; while the total amount of the pending litigation and arbitration of the Bank acting as the defendant or the respondent was RMB10 million. These litigation and arbitration matters are not expected to have material adverse impacts on the financial position and operating results.

### 7 PUNISHMENT AND REMEDIAL ACTIONS OF THE BANK AND THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OF THE BANK AND SHAREHOLDERS HOLDING MORE THAN 5% OF THE BANK'S SHARES

During the Reporting Period, to the best knowledge of the Bank, none of the Bank, the current and former Directors, Supervisors, senior management personnel of the Bank or Shareholders with shareholding of more than 5% was subject to investigation by competent authorities, enforcement actions by judiciary authorities or disciplinary departments, or brought before relevant judiciary authorities or being investigated for criminal responsibilities, investigations or administrative punishments by the CSRC, prohibited against entry into or being identified as an inappropriate person for the securities markets, or is the subject of any material administrative punishments imposed by other administrative authorities or public reprimands by any stock exchange.

## CHAPTER X SIGNIFICANT EVENTS

### 8 INTEGRITY OF THE BANK AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As at the end of the Reporting Period, the Bank had no controlling Shareholders or de facto controllers. During the Reporting Period, the Bank and its biggest Shareholder had no failure to execute an effective court judgment, or any large amount of due outstanding debts.

In 2017, Henan Zhipeng Real Estate Co., Ltd. (河南志鵬置業有限公司), as the plaintiff, filed a civil lawsuit in the court against the former legal representative of Henan Guoyuan Auction Co., Ltd. (河南省國源拍賣有限公司) (already deregistered), other relevant parties and the Bank as defendants, requesting the court to confirm that the auction of the creditor's rights over a certain loan owned by the Bank conducted by Henan Guoyuan Auction Co., Ltd. as entrusted by the Bank from March to April 2011 should be invalid, and filed claims, among others things, for the return by the Bank of the transaction price of RMB26 million paid by the plaintiff for its participation in and successful bid at the auction. After the hearing by Zhengzhou Municipal Intermediate People's Court of First Instance and by Henan Provincial Higher People's Court of Second Instance, the two courts determined that the aforesaid auction was invalid on the ground, among other things, that the auction company's auction procedures were in violation of the relevant regulations, and ruled that the Bank should return the auction money of RMB26 million and bear a portion of the case's fees, and that Henan Zhipeng Real Estate Co., Ltd. should return the creditor's rights certificate involved in the auction to the Bank. In this regard, the Bank has filed a petition for a retrial with the Supreme People's Court, enforced the judgment by returning the auction money and borne a portion of the case's fees. The Supreme People's Court accepted the case in July 2020 and ruled for a retrial in September 2020. Henan Provincial Higher People's Court heard the case in March 2021. No judgement was available yet as at the latest practicable date. The Court of First Instance and the Court of Second Instance in this case have confirmed in their written judgments that the Bank was not at fault during the auction procedures. The dispute over the auction contract is not expected to have a significant impact on the Bank's profits for the current or subsequent periods.

### 9 OCCUPATION OF CAPITAL BY THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES OF THE BANK FOR NON-OPERATING PURPOSES

There was no occupation of capital of the Bank by the controlling Shareholder and its related parties for non-operating purposes.

## CHAPTER X SIGNIFICANT EVENTS

### 10 SPECIAL STATEMENT AND INDEPENDENT OPINION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON EXTERNAL GUARANTEES OF THE BANK AND CAPITAL OCCUPATION BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES OF THE BANK

Guarantee business is one of the regular banking businesses of the Bank, which is approved by the PBoC and CBIRC. The Bank attached great importance to the risk management of this business, strictly implemented relevant operation processes and approval procedures and effectively controlled the risk of external guarantee business. During the Reporting Period, the Bank meticulously implemented the relevant requirements of notice Zhengjianfa [2003] No.56 issued by the CSRC and had no unlawful guarantees.

As at the end of the Reporting Period, there was no capital occupation by the controlling Shareholder or other related parties of the Bank.

### 11 IMPLEMENTATIONS OF SHARE OPTION SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES

During the Reporting Period, the Bank did not implement any form of share option scheme, employee share ownership scheme or other employee incentive measures.

### 12 SUSPENSION IN TRADING OR DELISTING UPON DISCLOSURE OF THIS REPORT

The Bank is not exposed to any risk of suspension in trading or delisting upon disclosure of this Report.

### 13 MATTERS RELATED TO BANKRUPTCY AND RESTRUCTURING

There was no matter related to bankruptcy or restructuring of the Bank during the Reporting Period.

### 14 AUDIT REVIEW

The financial statements for the year ended 31 December 2020 were prepared by the Bank according to the Accounting Standards for Business Enterprises of the PRC and were audited by KPMG Huazhen LLP/ KPMG, respectively, which issued a standard unqualified audit report/independent auditor's report. The Report was reviewed by the audit committee of the Board and the Board of Directors of the Bank.

### 15 EXPLANATION ON OTHER SIGNIFICANT EVENTS

During the Reporting Period, the Bank had no other significant events, other than those disclosed in this Report, other announcements and circulars of the Bank.

### 16 SIGNIFICANT EVENTS OF THE BANK'S SUBSIDIARIES

During the Reporting Period, the Bank's subsidiaries had no significant events.

# CHAPTER XI INDEPENDENT AUDITOR'S REPORT

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

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

### **OPINION**

We have audited the consolidated financial statements of Bank of Zhengzhou Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 229 to 373, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### **BASIS OF OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## CHAPTER XI INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS

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

<b>Impairment of loans and receivables, finance lease receivables and financial investments measured at amortised cost</b>	
<i>Refer to note 18, 19(c) and 20 to the consolidated financial statements and the accounting policies in note 2(7).</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group uses the expected credit loss (“ECL”) model to calculate the loss allowance in accordance with International Financial Reporting Standard 9 Financial Instruments (“IFRS 9”).</p> <p>The determination of loss allowances using the ECL model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.</p> <p>In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group’s internal credit risk management strategy. The expected credit losses for corporate loans, finance lease receivables and financial investments measured at amortised cost are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.</p>	<p>Our audit procedures to assess loss allowances of loans and receivables, finance lease receivables and financial investments measured at amortised cost included the following:</p> <ul style="list-style-type: none"> <li>• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and receivables, finance lease receivables and financial investments measured at amortised cost, the credit grading process and the measurement of provisions for impairment;</li> <li>• involving KPMG’s financial risk specialists, assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments, and assessing the reasonableness of key management judgement;</li> </ul>

# CHAPTER XI INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (CONTINUED)

<b>Impairment of loans and receivables, finance lease receivables and financial investments measured at amortised cost (continued)</b>	
<i>Refer to note 18, 19(c) and 20 to the consolidated financial statements and the accounting policies in note 2(7).</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the reporting period. The economic impact of the Covid-19 pandemic has added the degree of estimation uncertainty relating to the accounting estimates.</p> <p>We identified the impairment of loans and advances to customers, financial lease receivables and financial investments measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> <li>assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial investment list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and investment list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;</li> <li>for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions to estimates and input parameters and considered the consistency of judgement. We compared the forward-looking economic factors used in the models to market information to assess whether they were aligned with market and economic development, with a particular focus on the economic impact of COVID-19 pandemic;</li> <li>for key parameters which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved our IT specialists to assess the logics and compilation of the overdue information of loans and advances to customers;</li> </ul>



## CHAPTER XI INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (CONTINUED)

<b>Impairment of loans and receivables, finance lease receivables and financial investments measured at amortised cost (continued)</b>	
<i>Refer to note 18, 19(c) and 20 to the consolidated financial statements and the accounting policies in note 2(7).</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
	<ul style="list-style-type: none"> <li>evaluating the validity of management's assessment on whether the credit risk of the loans and receivables, finance lease receivables and financial investments measured at amortised cost has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk and checking the overdue information of loans and receivables, finance lease receivables and financial investments measured at amortised cost, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses;</li> <li>for selected samples of loans and receivables, finance lease receivables and financial investments measured at amortised cost that are credit-impaired, assessing the reasonableness of loss given default. We also evaluated management's assessment of the value of collaterals and the forecast cash flows, evaluated the viability of the Group's recovery plans, compared market price of collaterals with management's assessment of the value. We also evaluated the timing and means of realisation of collateral and evaluated other credit enhancements that are integral to the contract terms;</li> <li>recalculating the amount of credit loss allowance using the expected credit loss model for samples of loans and receivables, finance lease receivables and financial investments measured at amortised cost, to verify the calculation accuracy of the credit loss allowance; and</li> <li>assessing the reasonableness of the disclosures on impairment of loans and receivables, finance lease receivables and financial investments measured at amortised cost against prevailing accounting standards.</li> </ul>

# CHAPTER XI INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (CONTINUED)

<b>Fair value of financial instruments</b>	
<i>Refer to note 19(a), 19(b) and 41 to the consolidated financial statements and the accounting policies in note 2(7).</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>Financial instruments carried at fair value account for a significant part of the Group's assets. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.</p> <p>The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data. For level 1 and level 2 financial instruments in the fair value hierarchy, the inputs used in valuation techniques are quoted market prices and observable inputs, respectively. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement.</p> <p>The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement.</p> <p>Global economic uncertainty influenced movements in market rates including interest rates and foreign exchange rates. Increased market volatility resulted in greater ranges of values in management's assessment of the valuation of financial instruments held.</p> <p>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> <li>• assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments;</li> <li>• assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data;</li> <li>• involving KPMG's valuation specialists to assess whether the valuation method selected is appropriate, and assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Group's valuations. Our procedures included comparing management valuation with our valuation method, developing parallel models, obtaining inputs independently and verifying the inputs; and</li> <li>• assessing the reasonableness of the disclosures in relation to fair value of financial instruments against prevailing accounting standards.</li> </ul>

## CHAPTER XI INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (CONTINUED)

<b>Consolidation of structured entities</b>	
<i>Refer to note 43 to the consolidated financial statements and the accounting policies in note 2(4) and 2(19).</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to a structured entity through issuing a wealth management product, or act as an investor to a structured entity through investing in an asset management plan, a trust plan or an asset-backed security.</p> <p>In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. These factors are not purely quantitative and need to be considered collectively.</p> <p>As at 31 December 2020, the carrying amount of the Group's non-equity interests in structured entities sponsored by third party institutions which were not consolidated by the Group was RMB121,041 million whilst (31 December 2019: RMB138,949 million), the amounts of assets held by structured entities sponsored by the Group which the Group did not consolidate but in which it held an non-equity interest was RMB49,054 million (31 December 2019: RMB42,397 million).</p> <p>We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated financial statements and relevant regulatory capital requirements could be significant.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> <li>• Understanding and assessing the effectiveness of design and implementation of key internal controls over the consolidation of structured entities;</li> <li>• selecting significant structured entities of each key product type and performing the following procedures for each entity selected: <ul style="list-style-type: none"> <li>- inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;</li> <li>- reviewing the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;</li> <li>- reviewing management's analyses of the structured entity including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity; and</li> <li>- assessing management's judgement over whether the structured entity should be consolidated or not; and</li> </ul> </li> <li>• assessing the reasonableness of the disclosures in the consolidated financial statements in relation to structured entities against prevailing accounting standards.</li> </ul>

## CHAPTER XI INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors 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 directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## CHAPTER XI INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

## CHAPTER XI INDEPENDENT AUDITOR'S REPORT

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence 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 Pang Shing Chor Eric.

#### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

30 March 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
Interest income		23,893,143	21,591,827
Interest expense		(12,653,981)	(12,573,369)
<b>Net interest income</b>	3	<b>11,239,162</b>	9,018,458
Fee and commission income		1,936,601	1,722,569
Fee and commission expense		(206,615)	(147,140)
<b>Net fee and commission income</b>	4	<b>1,729,986</b>	1,575,429
Net trading gains	5	368,339	708,485
Net gains arising from investments	6	1,187,922	2,097,656
Other operating income	7	54,260	40,186
<b>Operating income</b>		<b>14,579,669</b>	13,440,214
Operating expenses	8	(3,417,780)	(3,693,321)
Impairment losses on assets	11	(7,184,457)	(5,796,660)
<b>Operating profit</b>		<b>3,977,432</b>	3,950,233
Share of profits of associates	21	35,035	55,793
<b>Profit before taxation</b>		<b>4,012,467</b>	4,006,026
Income tax expense	12	(691,596)	(632,806)
<b>Profit for the year</b>		<b>3,320,871</b>	3,373,220
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		3,167,567	3,285,122
Non-controlling interests		153,304	88,098
		<b>3,320,871</b>	3,373,220

The notes on pages 237 to 373 form part of these financial reports.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020 (continued)  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
<b>Profit for the year</b>		<b>3,320,871</b>	3,373,220
<b>Other comprehensive income:</b>			
Other comprehensive income net of tax attributable to equity shareholders of the Bank			
Items that may be reclassified subsequently to profit or loss			
– Change in fair value/credit losses from debt investments measured at fair value through other comprehensive income		<b>(795,269)</b>	58,473
Item that will not be reclassified subsequently to profit or loss			
– Remeasurement of net defined benefit liability		<b>(14,529)</b>	(1,932)
Non-controlling interests		<b>12</b>	(558)
<b>Other comprehensive income net of tax</b>		<b>(809,786)</b>	55,983
<b>Total comprehensive income</b>		<b>2,511,085</b>	3,429,203
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		<b>2,357,769</b>	3,341,663
Non-controlling interests		<b>153,316</b>	87,540
		<b>2,511,085</b>	3,429,203
Basic and diluted earnings per share (restated for comparative period) (in RMB)	13	<b>0.41</b>	0.43

The notes on pages 237 to 373 form part of these financial reports.



# Consolidated Statement of Financial Position

at 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	<b>31 December 2020</b>	31 December 2019
<b>Assets</b>			
Cash and deposits with central bank	14	<b>36,492,083</b>	38,465,676
Deposits with banks and other financial institutions	15	<b>2,357,591</b>	1,930,394
Placements with banks and other financial institutions	16	<b>3,083,574</b>	2,784,681
Derivative financial assets	28	<b>362,970</b>	94,602
Financial assets held under resale agreements	17	<b>8,585,647</b>	2,998,744
Loans and advances to customers	18	<b>231,250,013</b>	189,266,541
Financial investments:			
Financial investments at fair value through profit or loss	19	<b>46,463,308</b>	55,062,294
Financial investments at fair value through other comprehensive income	19	<b>21,983,430</b>	15,751,610
Financial investments measured at amortised cost	19	<b>164,230,569</b>	173,168,422
Finance lease receivables	20	<b>22,565,825</b>	12,501,697
Interest in associates	21	<b>400,250</b>	376,874
Property and equipment	22	<b>2,686,802</b>	2,372,354
Deferred tax assets	23	<b>3,718,962</b>	2,834,990
Other assets	24	<b>3,632,420</b>	2,869,248
<b>Total assets</b>		<b>547,813,444</b>	500,478,127
<b>Liabilities</b>			
Due to central bank	25	<b>25,966,645</b>	9,954,864
Deposits from banks and other financial institutions	26	<b>20,210,404</b>	18,906,118
Placements from banks and other financial institutions	27	<b>20,467,593</b>	14,113,018
Derivative financial liabilities	28	<b>–</b>	4,944
Financial assets sold under repurchase agreements	29	<b>21,303,430</b>	16,385,737
Deposits from customers	30	<b>316,512,735</b>	292,125,786
Tax payable		<b>653,304</b>	745,840
Debt securities issued	31	<b>93,164,057</b>	105,245,667
Other liabilities	32	<b>3,563,355</b>	3,104,531
<b>Total liabilities</b>		<b>501,841,523</b>	460,586,505

The notes on pages 237 to 373 form part of these financial reports.

# Consolidated Statement of Financial Position

at 31 December 2020 (continued)  
(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	<b>31 December 2020</b>	31 December 2019
<b>Equity</b>			
Share capital	33	<b>7,514,125</b>	5,921,932
Other equity instruments			
Include: preference shares	36	<b>7,825,508</b>	7,825,508
Capital reserve	34	<b>8,203,903</b>	5,163,655
Surplus reserve	34	<b>2,976,573</b>	2,675,548
General reserve	34	<b>7,078,451</b>	6,619,553
Fair value reserve	34	<b>(698,206)</b>	97,063
Remeasurement of net defined benefit liability	34	<b>(60,953)</b>	(46,424)
Retained earnings	35	<b>11,655,496</b>	10,333,487
<b>Total equity attributable to equity shareholders of the Bank</b>		<b>44,494,897</b>	38,590,322
Non-controlling interests		<b>1,477,024</b>	1,301,300
<b>Total equity</b>		<b>45,971,921</b>	39,891,622
<b>Total liabilities and equity</b>		<b>547,813,444</b>	500,478,127

Approved and authorised for issue by the board of directors on 30 March 2021.

Wang Tianyu  
Chairman of the Board of Directors  
*Executive Director*

Shen Xueqing  
President  
*Executive Director*

Fu Chunqiao  
*Chief accountant*

Gao Chenxin  
*General Manager of the Planning and  
Finance Department*

(Company chop)

The notes on pages 237 to 373 form part of these financial reports.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank										Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total			
Balance at 1 January 2020	5,921,932	7,825,508	5,163,655	2,675,548	6,619,553	97,063	(46,424)	10,333,487	38,590,322	1,301,300	39,891,622	
Profit for the year	-	-	-	-	-	-	-	3,167,567	3,167,567	153,304	3,320,871	
Other comprehensive income	-	-	-	-	-	(795,269)	(14,529)	-	(809,798)	12	(809,786)	
Total comprehensive income	-	-	-	-	-	(795,269)	(14,529)	3,167,567	2,357,769	153,316	2,511,085	
Capital invested by share holders:												
- Share capital invested	1,000,000	-	3,632,441	-	-	-	-	-	4,632,441	-	4,632,441	
- Capital invested by Private A-Share holders	-	-	-	-	-	-	-	-	-	24,500	24,500	
- Capital invested by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	
Appropriation of profit:												
- Appropriation to surplus reserve	-	-	-	301,025	-	-	-	(301,025)	-	-	-	
- Appropriation to general reserve	-	-	-	-	458,898	-	-	(458,898)	-	-	-	
- Cash dividends on ordinary shares	-	-	-	-	-	-	-	(592,193)	(592,193)	(2,092)	(594,285)	
- Cash dividends on preference shares	-	-	-	-	-	-	-	(493,442)	(493,442)	-	(493,442)	
Capital reserve converted into share capital	592,193	-	(592,193)	-	-	-	-	-	-	-	-	
Sub-total	1,592,193	-	3,040,248	301,025	458,898	-	-	(1,845,558)	3,546,806	22,408	3,569,214	
Balance at 31 December 2020	7,514,125	7,825,508	8,203,903	2,976,573	7,078,451	(698,206)	(60,953)	11,655,496	44,494,897	1,477,024	45,971,921	

The notes on pages 237 to 373 form part of these financial reports.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2020 (continued)  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank							Total equity		
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability			
	Note						Retained earnings	Sub-total	Non-controlling interests	
Balance at 1 January 2019	5,921,932	7,825,508	5,163,655	2,356,214	5,870,320	38,590	9,518,012	36,649,739	1,213,760	37,863,499
Profit for the year	-	-	-	-	-	-	3,285,122	3,285,122	88,098	3,373,220
Other comprehensive income	34(d)(e)	-	-	-	-	58,473	(1,932)	56,541	(558)	55,983
Total comprehensive income	-	-	-	-	-	58,473	(1,932)	3,341,663	87,540	3,429,203
Appropriation of profit:										
- Appropriation to surplus reserve	34(b)	-	-	-	319,334	-	(319,334)	-	-	-
- Appropriation to general reserve	34(c)	-	-	-	-	749,233	(749,233)	-	-	-
- Cash dividends on ordinary shares	35	-	-	-	-	-	(888,290)	(888,290)	-	(888,290)
- Cash dividends on preference shares	35	-	-	-	-	-	(512,790)	(512,790)	-	(512,790)
Sub-total	-	-	-	319,334	749,233	-	(2,469,647)	(1,401,080)	-	(1,401,080)
Balance at 31 December 2019	5,921,932	7,825,508	5,163,655	2,675,548	6,619,553	97,063	10,333,487	38,590,322	1,301,300	39,891,622

The notes on pages 237 to 373 form part of these financial reports.

# Consolidated Cash Flow Statement

for the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	2020	2019
<b>Cash flows from operating activities</b>		
Profit before tax	4,012,467	4,006,026
<i>Adjustments for:</i>		
Impairment losses on assets	7,184,457	5,796,660
Depreciation and amortisation	439,534	474,790
Unrealised foreign exchange losses/(gains)	434,173	(290,466)
Net losses from disposal of long-term assets	638	2,758
Net trading gains of financial investments at fair value through profit or loss	(201,983)	(133,694)
Net gains arising from investments	(1,187,922)	(2,097,656)
Share of profits of associates	(35,035)	(55,793)
Interest expense on debt securities issued	2,841,648	3,465,530
Interest income on financial investments	(9,634,456)	(9,640,255)
	<b>3,853,521</b>	1,527,900
<i>Changes in operating assets</i>		
Net decrease in deposits with central bank	2,872,095	3,877,825
Net decrease in deposits and placements with banks and other financial institutions	203,448	345,187
Net (increase)/decrease in financial investments at fair value through profit or loss	(5,322,103)	6,200,598
Net increase in loans and advances to customers	(47,053,934)	(39,721,461)
Net (increase)/decrease in financial assets held under resale agreements	(5,586,004)	451,046
Net (increase)/decrease in finance lease receivables	(10,166,372)	1,029,973
Net increase in other operating assets	(733,601)	(899,875)
	<b>(65,786,471)</b>	(28,716,707)
<i>Changes in operating liabilities</i>		
Net increase in amounts due to central bank	15,879,850	5,718,800
Net increase/(decrease) in deposits and placements from banks and other financial institutions	7,576,103	(7,818,114)
Net increase/(decrease) in financial assets sold under repurchase agreements	4,915,671	(2,565,857)
Net increase in deposits from customers	25,013,560	25,085,926
Net (decrease)/increase in other operating liabilities	(1,183,030)	128,722
	<b>52,202,154</b>	20,549,477
Cash used in operations	(9,730,796)	(6,639,330)
Income tax paid	(1,448,513)	(1,211,473)
<b>Net cash flows used in operating activities</b>	<b>(11,179,309)</b>	(7,850,803)

The notes on pages 237 to 373 form part of these financial reports.

# Consolidated Cash Flow Statement

for the year ended 31 December 2020 (continued)  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
<b>Cash flows from investing activities</b>			
Proceeds from disposal and redemption of investments		280,857,069	116,606,924
Proceeds from disposal of property and equipment and other assets		497	4,762
Payments on acquisition of investments		(271,236,204)	(130,508,275)
Payments on increased share of associates		(20,580)	–
Dividends and interest received		15,464,507	11,286,763
Payments on acquisition of property and equipment and other assets		(451,442)	(908,738)
<b>Net cash flows generated from/(used in) investing activities</b>		<b>24,613,847</b>	(3,518,564)
<b>Cash flows from financing activities</b>			
Proceeds received from issuance of Private A-share		4,632,441	–
Capital contribution by non-controlling interests		24,500	–
Proceeds received from debt securities issued		115,922,786	124,738,282
Repayment of debt securities issued		(127,590,149)	(113,140,978)
Interest paid on debt securities issued		(3,255,895)	(3,466,185)
Dividends paid		(1,087,926)	(1,396,879)
Cash flows from other financing activities		(123,095)	(147,366)
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(11,477,338)</b>	6,586,874
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,957,200</b>	(4,782,493)
<b>Cash and cash equivalents as at 1 January</b>		<b>17,766,563</b>	22,521,114
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>(123,711)</b>	27,942
<b>Cash and cash equivalents as at 31 December</b>	37(a)	<b>19,600,052</b>	17,766,563
<b>Net cash flows generated from operating activities include:</b>			
Interest received		14,376,949	13,769,703
Interest paid		(10,185,543)	(10,096,248)

The notes on pages 237 to 373 form part of these financial reports.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 1 BACKGROUND INFORMATION

Bank of Zhengzhou Co., Ltd., formerly known as City Commercial Bank of Zhengzhou Co., Ltd., is a joint-stock commercial bank established with the approval of the People's Bank of China (the "PBoC") in accordance with the notice of JiYinFu [2000] No. 64. The Bank changed its name to Bank of Zhengzhou Co., Ltd. in October 2009. The registered address is No.22 Business Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province. The Bank operates in Henan Province of the PRC.

The Bank obtained its financial institution license No. B1036H241010001 from the former China Banking Regulatory Commission ("the former CBRC"), and obtained its business license No. 410000100052554 from the State Administration for Industry and Commerce of the People's Republic of China (the "PRC"). The Bank is regulated by the China Banking Insurance Regulatory Commission (the "CBIRC") authorized by the State Council.

In December 2015, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 06196). In September 2018, the Bank's A-share was listed on the SME Board of the Shenzhen Stock Exchange (Stock code: 002936).

The principal activities of the Bank and its subsidiaries (collectively the "Group") includes taking deposits from the public; extending short-term, medium-term and long-term loans; effecting domestic settlements; accepting and discounting bills; issuing financial bonds; acting as the issuing agent, cashing agent and the underwriting of government bonds; trading government bonds; engaging in interbank borrowings; financial leasing; offering guarantees; providing safe-deposit box service; collecting and making payments as agent and acting as insurance agent; accepting entrusted loans and other businesses approved by the banking regulatory authorities under the State Council.

For subsidiaries of the Bank, refer to Note 21 for more information.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (1) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### (2) Basis of preparation

The consolidated financial statements for the year ended 31 December 2020 comprise the Bank and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (2) Basis of preparation (Continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(25).

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

The financial statements are presented in RMB, rounded to the nearest thousand, which is the functional currency of the Group.

### (3) Change in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting year:

- Amendments to IFRS 3, Definition of a Business
- Amendment to IFRS 16, Covid-19-Related Rent Concessions

None of these developments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented in this financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year.



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (4) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item. When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

### (5) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates ruling at the transaction dates.

A spot exchange rate is quoted by the PBoC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (5) Translation of foreign currencies (Continued)

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of financial assets measured at fair value through other comprehensive income, which are recognised in other comprehensive income.

### (6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

### (7) Financial instruments

#### (i) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

#### (ii) Classification and subsequent measurement of financial assets

##### *Classification of financial assets*

The Group classifies financial assets into different categories upon initial recognition based on the business model for managing the financial assets and the contractual cash flow characteristics of financial assets:

- Financial assets measured at amortised cost, including loans and advances to customers and financial investments measured at amortised cost;
- Financial assets at fair value through other comprehensive income (“FVOCI”), including loans and advances to customers at FVOCI and financial investments at FVOCI; and
- Financial investments at fair value through profit or loss (“FVTPL”).

# Notes to the Financial Statements

For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (7) Financial instruments (Continued)

#### (ii) *Classification and subsequent measurement of financial assets (Continued)*

##### *Classification of financial assets (Continued)*

Financial assets may not be reclassified after initial recognition unless the Group changes the business model for managing the financial assets, in which case, all affected financial assets are reclassified on the first day of the first reporting period after the business model changes.

Financial assets not designated as FVTPL that meet the following conditions are classified as financial assets measured at amortised cost:

- The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

The Group classifies financial assets not designated as FVTPL that meet the following conditions as financial assets at FVOCI:

- The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows and to sell the financial assets;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

For equity investment not held for trading, the Group may irrevocably designate it as financial asset at FVOCI upon initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (7) Financial instruments (Continued)

#### (ii) *Classification and subsequent measurement of financial assets (Continued)*

##### *Classification of financial assets (Continued)*

Except for the above-mentioned financial assets that are measured at amortised cost and at FVOCI, the Group classifies all other financial assets into financial assets at FVTPL. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should be measured at amortised cost or FVOCI as financial assets at FVTPL.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the sources of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meets the requirements of the above contractual cash flow characteristics.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (7) Financial instruments (Continued)

#### (ii) *Classification and subsequent measurement of financial assets (Continued)*

##### *Subsequent measurement of financial assets*

– Financial investments at FVTPL

Subsequent to initial recognition, the financial assets are measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in profit or loss, unless the financial asset is part of a hedging relationship.

– Financial assets measured at amortised cost

Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition and reclassification and amortisation using the effective interest method or recognition of impairment.

– Debt securities at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.

– Equity investments at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Dividend income is recognised in profit or loss; other gains or losses are recognised in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred to retained earnings.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (7) Financial instruments (Continued)

#### (iii) *Classification and subsequent measurement of financial liabilities*

The Group classifies financial liabilities into financial liabilities at FVTPL, financial guarantee contract liabilities, and financial liabilities carried at amortised cost.

– Financial liabilities at FVTPL

The financial liabilities includes trading financial liabilities and financial liabilities designated at FVTPL.

Subsequent to initial recognition, the financial liabilities are measured at fair value. Any resulting gains or losses (including interest expenses), unless related to hedge accounting, are recognised in profit or loss.

– Financial guarantee contract liabilities

Financial guarantee contracts refer to contracts that require the Group to make specified payments to reimburse the contract holder for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the original or revised terms of a debt instrument.

The financial guarantee contract liabilities is subsequently measured at the higher of the amount of a provision determined in accordance with the principles for impairment of financial instruments and the amount initially recognised less accumulated amortisation (see Note 2(7)(v)).

– Financial liabilities measured at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (7) Financial instruments (Continued)

#### (iv) *Derivative financial instruments*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised directly in profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

#### (v) *Impairment*

The Group recognises provision for expected credit loss (“ECL”) on:

- Financial assets measured at amortised cost;
- Debt securities at FVOCI;
- Finance lease receivables;
- Credit commitments.

Other financial assets measured at fair value, including financial assets at FVTPL, equity investments designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (7) Financial instruments (Continued)

#### (v) Impairment (Continued)

##### *Measurement of ECLs*

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

The Group's measurement of expected credit losses is described in Note 40(a).

##### *Presentation of provision for ECLs*

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, provision is offset against their carrying amounts in the balance sheet. The Group recognises provision for debt instruments at FVOCI in other comprehensive income and does not deduct the carrying amount of the financial assets.



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (7) Financial instruments (Continued)

#### (v) *Impairment (Continued)*

##### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### (vi) *Derecognition of financial assets and financial liabilities*

Financial assets are derecognised when one of the following conditions is met:

- The Group's contractual rights to the cash flows from the financial asset expire;
- The financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- The financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- The carrying amount of the financial asset transferred measured at the date of derecognition;
- The sum of the consideration received from the transfer and, when the transferred financial asset is a debt securities at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (7) Financial instruments (Continued)

#### (vii) *Offsetting*

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

### (8) Financial assets purchased under resale agreements and sold under repurchase agreements

The assets purchased under resale agreements are not recognised, and the payment is reported as a receivable in the balance sheet and is carried at amortised cost.

Financial assets sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with applicable accounting policies. The funds received are reported as liabilities in the balance sheet and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

### (9) Preference shares

Preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

When the issued preference shares contain equity and liability components, the Group follows the same accounting policy as for convertible bonds with equity components. For the issued preference shares which do not contain equity component, the Group follows the accounting policy as accounting for the convertible bonds only with liability component.

For the issued preference shares that should be classified as equity instruments, will be recognised as equity in actual amount received. Interest and dividends payables are recognised as distribution of profits. Redemption before maturity will write down equity as redemption price.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (10) Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

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.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

### (11) Long-term equity investments

#### (i) *Investment in subsidiaries*

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(4).

In the Bank's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Bank recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period. The investments in subsidiaries are stated in the balance sheet at cost less impairment losses (see Note 2(15)).

#### (ii) *Investments in associates*

An associate is an enterprise over which the Group has significant influence.

A long-term equity investment in an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (11) Long-term equity investments (Continued)

#### (ii) *Investments in associates (Continued)*

Under the equity method:

Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution ("other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses resulting from transactions between the Group and its associates are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For the impairment of the investments in associates, refer to Note 2(15).

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (12) Fixed assets and construction in progress

Fixed assets are tangible assets held by the Group for operation and administration purposes with useful lives over one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 2(15)). Construction in progress is stated in the balance sheet at cost less impairment loss (see Note 2(15)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use.

All direct and indirect costs that are related to the construction of the fixed assets and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of fixed assets are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values and accumulated impairment losses (that is the cost of fixed assets (net of the estimated residual values) divided by the estimated useful lives). The estimated useful lives, estimated residual value rates and annual depreciation rates of each class of fixed assets are as follows:

	<b>Estimated useful lives</b>	<b>Estimated net residual value rate</b>	<b>Depreciation rate</b>
Premises	20 – 50 years	5%	1.90% – 4.75%
Electronic equipment	5 years	5%	19.00%
Vehicles	5 years	5%	19.00%
Office equipment and others	5 – 10 years	5%	9.50% – 19.00%

Estimated useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (13) Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains lease and non-lease components, as a lessor, the Group has elected to separate non-lease components from lease components, as a lessee, the Group has elected not to separate non-lease components from lease components and account for the lease and non-lease components as a single lease component.

#### (i) *As a lessee*

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (13) Leases (Continued)

#### (i) As a lessee (Continued)

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated 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. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note 2(15).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Each institution of the Group uses interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment as incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (13) Leases (Continued)

#### (ii) *As a lessor*

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note 2(7). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

### (14) Intangible assets

Intangible assets are stated in the balance sheet at cost or share-based restructuring basis valuation less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(15)). The cost of intangible assets less estimated residual value and accumulated impairment losses is amortised on a straight-line basis over the estimated useful lives.

The respective amortisation periods for such intangible assets are as follows:

Land use rights	30 – 50 years
Softwares	5 – 10 years



# Notes to the Financial Statements

For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (15) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- Fixed assets and construction in progress;
- Right-of-use assets;
- Intangible assets;
- Long-term equity investments.

If any indication exists, the recoverable amount of the asset is estimated.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate, taking into account the expected future cash, useful life and discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Any such reversal is recognised in profit or loss. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (16) Employee benefits

#### (i) *Short-term employee benefits*

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

#### (ii) *Post-employment benefits – defined contribution plans*

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participates in a defined contribution basic pension insurance, unemployment insurance and annuity plans in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance and unemployment insurance plans based on the applicable benchmarks and rates stipulated by the government. The Group provides an annuity plan for eligible employees and makes contribution based on a certain percentage of the total salaries of the employees. The corresponding expenses incurred are recognised in profit or loss.

#### (iii) *Post-employment benefits – defined benefit plans*

The Group's defined benefit plans are supplementary retirement benefits, including early retirement plan and supplementary retirement plan

In accordance with the projected unit credit method, the Group measures the obligations under defined benefit plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discount obligations under the defined benefit plans to determine the present value. The resulting amount, net of the deficit or surplus arising from the fair value of the defined benefit assets (if any), is recognised as a net defined benefit liability/asset.

The Group attributes benefit obligations under a defined benefit plan to periods of service provided by respective employees. Service cost and net interest expense on the net defined benefit liability/asset are charged to profit or loss or recognised as part of the cost of assets, and remeasurements of net defined benefit liability/asset are recognised in other comprehensive income.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (16) Employee benefits (Continued)

#### (iv) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### (17) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items that are recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable calculated at the applicable tax rate on the taxable income for the period, and any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). The temporary difference arising from the initial recognition of goodwill does not give rise to deferred tax.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (17) Income tax (Continued)

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- The taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- They relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities, simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### (18) Financial guarantees, provisions and contingent liabilities

#### (i) *Financial guarantees*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

The Group used the expected credit loss model to measure losses incurred because a specified debtor fails to make payment when due, and included them in provisions. Refer to Note 2(7)(v) for details of the expected credit loss model.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (18) Financial guarantees, provisions and contingent liabilities (Continued)

#### (ii) Other provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome;
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

### (19) Fiduciary activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (20) Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

The specific accounting policies related to the revenue of Group's principal activities are described below:

#### (i) *Interest income*

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the year. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest income from finance leases is recognised in profit or loss in the period of the lease using the effective interest method. Contingent rentals are recognised as income as incurred.

#### (ii) *Fee and commission income*

Fee and commission income is recognised when the corresponding service is provided.

For performance obligations being satisfied, revenue is recognised by the Group when the customer obtains control of the relevant goods or services.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (20) Revenue recognition (Continued)

#### (ii) *Fee and commission income (Continued)*

When one of the following conditions are met, the Group perform its performance obligations over time, and otherwise, at a point in time:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations performed over time, the Group recognises revenue over time according to the performance progress. When the performance progress cannot be determined, The Group is expected to be reimbursed for the costs already incurred and recognise the revenue based on the costs already incurred until the performance progress can be reasonably determined.

For performance obligations performed at a point in time, the Group recognises revenue at the point when the customer obtains control of the promised good or service. When judging whether the customer obtains control of the promised good or service, the Group should consider the following indications:

- The Group has a present right to payment for the good or service;
- The Group has transferred physical possession of the good to the customer;
- The Group has transferred legal title or the significant risks and rewards of ownership of the good to the customer;
- The customer has accepted the good or service.

Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred. If the commitment expires without making a loan, the fee is recognised as fee and commission income upon its expiry.

#### (iii) *Other income*

Other income is recognised on an accrual basis.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (20) Revenue recognition (Continued)

#### (iv) *Government grants*

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant. Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised, or included in other income or non-operating income directly.

### (21) Expense recognition

#### (i) *Interest expenses*

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

#### (ii) *Other expenses*

Other expenses are recognised on an accrual basis.

### (22) Dividends

Dividends proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date are not recognised as a liability at the balance sheet date but disclosed separately in the notes to the financial statements.

### (23) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Bank is under common control only from the State and that have no other related party relationships are not regarded as related parties.



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (24) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

### (25) Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

#### (i) *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts issued, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Refer to Note 40(a) for the explanation of the assumptions and estimation used in measuring ECL.

#### (ii) *Income taxes*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (25) Significant accounting estimates and judgements (Continued)

#### (iii) *Impairment of non-financial assets*

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

#### (iv) *Depreciation and amortisation*

Property and equipment and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in this year. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

#### (v) *Determination of control over investees*

Management applies its judgement to determine whether the Group is acting as agent or principal in relation to the structured entities in which the Group acts as an asset manager. In assessing whether the Group is acting as agent, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 3 NET INTEREST INCOME

	2020	2019 (Restated)
<b>Interest income arising from</b>		
Deposits with central bank	<b>393,146</b>	465,408
Deposits and placements with banks and other financial institutions	<b>108,271</b>	153,241
Loans and advances to customers		
– Corporate loans and advances	<b>8,339,607</b>	6,960,284
– Personal loans and advances	<b>3,643,366</b>	3,027,437
– Discounted bills	<b>352,235</b>	415,160
Financial assets held under resale agreements	<b>116,591</b>	110,907
Financial investments	<b>9,634,456</b>	9,640,255
Finance lease receivables	<b>1,305,471</b>	819,135
Sub-total	<b>23,893,143</b>	21,591,827
<b>Interest expense arising from</b>		
Amounts due to central bank	<b>(498,015)</b>	(186,542)
Deposits and placements from banks and other financial institutions	<b>(1,250,330)</b>	(1,355,932)
Deposits from customers	<b>(7,659,143)</b>	(7,140,622)
Financial assets sold under repurchase agreements	<b>(404,845)</b>	(424,743)
Debt securities issued	<b>(2,841,648)</b>	(3,465,530)
Sub-total	<b>(12,653,981)</b>	(12,573,369)
<b>Net interest income</b>	<b>11,239,162</b>	9,018,458

During the year, the Bank has reclassified the credit card holder instalment income from fee and commission income to interest income, and has adjusted the corresponding comparison figures.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 4 NET FEE AND COMMISSION INCOME

	2020	2019 (Restated)
<b>Fee and commission income</b>		
Agency and custody services fees	1,308,885	1,160,799
Underwriting and advisory fees	281,875	259,983
Acceptance and guarantee services fees	186,762	163,492
Bank card services fees	125,393	112,681
Others	33,686	25,614
Sub-total	1,936,601	1,722,569
<b>Fee and commission expense</b>	<b>(206,615)</b>	(147,140)
<b>Net fee and commission income</b>	<b>1,729,986</b>	1,575,429

During the year, the Bank has reclassified the credit card holder instalment income from fee and commission income to interest income, and has adjusted the corresponding comparison figures.

## 5 NET TRADING GAINS

	<i>Note</i>	2020	2019
Net gains from debt securities and investment funds	(a)	559,508	677,114
Net foreign exchange (losses)/gains	(b)	(191,169)	31,395
Net losses from interest rate swap		-	(24)
Total		368,339	708,485

(a) Net gains from debt securities and funds include gains arising from the buying and selling of, net gains arising from and changes in the fair value of financial assets held for trading.

(b) Net foreign exchange (losses)/gains mainly included gains from purchase and sale of foreign currency spot, changes in the fair value of foreign currency derivatives, and translation of foreign currency monetary assets and liabilities into Renminbi.

## 6 NET GAINS ARISING FROM INVESTMENTS

	2020	2019
Net gains from debt securities at fair value through other comprehensive income	138,034	72,737
Net gains from other debt instruments	1,049,888	2,024,919
Total	1,187,922	2,097,656

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 7 OTHER OPERATING INCOME

	2020	2019
Rental income	5,576	12,300
Government grants	38,688	18,623
Net losses on disposal of property and equipment	(638)	(2,758)
Others	10,634	12,021
<b>Total</b>	<b>54,260</b>	<b>40,186</b>

## 8 OPERATING EXPENSES

	<i>Note</i>	2020	2019
Staff costs			
– Salaries, bonuses and allowance		1,551,670	1,607,809
– Social insurance and annuity		151,339	251,867
– Supplementary retirement benefits		4,837	15,397
– Staff welfare		156,829	172,375
– Housing allowance		104,654	89,090
– Others		55,445	62,180
<b>Sub-total</b>		<b>2,024,774</b>	<b>2,198,718</b>
Depreciation and amortisation			
– Depreciation of right-of-use assets		126,247	154,622
– Others		313,287	320,168
Rental and property management expenses		99,112	98,819
Office expenses		55,269	51,950
Tax and surcharges		133,092	115,617
Interest expense of lease liabilities		13,789	17,611
Other general and administrative expenses	(1)	652,210	735,816
<b>Total</b>		<b>3,417,780</b>	<b>3,693,321</b>

(1) Auditor's remunerations were RMB5.60 million for the year ended 31 December 2020 (2019: RMB5.90 million).

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name	Note	Year ended 31 December 2020				
		Fees	Salaries	Discretionary bonus	Social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax
<b>Executive directors</b>						
Wang Tianyu		-	886	-	98	984
Shen Xueqing		-	838	797	97	1,732
Feng Tao	(1)	-	266	274	30	570
Xia Hua	(1)	-	388	343	55	786
<b>Non-executive directors</b>						
Fan Yutao		-	-	-	-	-
Zhang Jingguo		36	-	-	-	36
Liang Songwei		-	-	-	-	-
Ji Hongjun		36	-	-	-	36
Wang Shihao		-	36	132	-	168
<b>Independent non-executive directors</b>						
Xie Taifeng		180	-	-	-	180
Wu Ge		180	-	-	-	180
Chan Mei Bo, Mabel		180	-	-	-	180
Li Yanyan		-	-	-	-	-
<b>Supervisors</b>						
Zhao Lijuan		-	793	754	93	1,640
Song Ke		150	-	-	-	150
Ma Baojun		150	-	-	-	150
Zhu Zhihui		36	-	-	-	36
Cheng Jie		-	88	1,815	79	1,982
Li Huaibin		-	108	1,758	76	1,942
<b>Total</b>		<b>948</b>	<b>3,403</b>	<b>5,873</b>	<b>528</b>	<b>10,752</b>

# Notes to the Financial Statements

For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

## 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Name	Note	Year ended 31 December 2019					Total emoluments before tax
		Fees	Salaries	Discretionary bonus	Social insurance and welfare plans, housing allowance, etc.		
<b>Executive directors</b>							
Wang Tianyu		–	876	228	108	1,212	
Shen Xueqing		–	830	868	105	1,803	
Feng Tao		–	797	822	89	1,708	
<b>Non-executive directors</b>							
Fan Yutao		–	–	–	–	–	
Zhang Jingguo		36	–	–	–	36	
Liang Songwei		–	–	–	–	–	
Ji Hongjun		36	–	–	–	36	
Wang Shihao		–	157	12	–	169	
<b>Independent non-executive directors</b>							
Xie Taifeng		180	–	–	–	180	
Wu Ge		180	–	–	–	180	
Chan Mei Bo, Mabel		180	–	–	–	180	
Li Yanyan		–	–	–	–	–	
<b>Supervisors</b>							
Zhao Lijuan		–	784	206	101	1,091	
Song Ke		150	–	–	–	150	
Zhu Zhihui		36	–	–	–	36	
Ma Baojun		150	–	–	–	150	
Cheng Jie		–	80	907	69	1,056	
Li Huaibin		–	80	1,511	68	1,659	
<b>Total</b>		948	3,604	4,554	540	9,646	

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

- (1) On 4 April 2020, Mr. Feng Tao was resigned as executive director and vice-chairman of the Bank. On 20 May 2020, Mr. Xia Hua was appointed as the executive director and vice chairman of the Bank at the Bank's 2019 Annual General Meeting. Mr. Xia Hua's qualifications as the executive director and vice chairman were approved by Henan office of China Banking and Insurance Regulatory Commission on 2 July 2020.
- (2) There was no arrangement under which a director or a supervisor were appointed or removed in 2019.

During the year, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration (2019: Nil).

During the year, no emolument was paid by the Group to any of the directors or supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office (2019: Nil).

The total compensation packages (including discretionary bonus) for executive directors and supervisors for the year ended 31 December 2020 have not yet been finalised. The amount of the compensation not provided is not expected to have any significant impact on the Group's consolidated financial statements for the year ended 31 December 2020.

## 10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with highest emoluments include 2 directors and 3 supervisors (2019: 2 directors and 1 supervisor) of the Group, whose emoluments are disclosed in Note 9. The emoluments for the other highest paid individual is as follows (Mr. Xia Hua was elected as executive director of the Bank on 2 July 2020, the emoluments from January to June is disclosed as follows):

	2020	2019
Salaries and other emoluments	388	933
Discretionary bonuses	411	2,454
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	55	173
Total	854	3,560

The individual's emoluments before individual income tax is within the following bands:

	2020	2019
RMB1,500,001 – 2,000,000	-	2



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 11 IMPAIRMENT LOSSES ON ASSETS

	2020	2019
Loans and advances to customers measured at amortised cost	5,407,911	4,676,458
Loans and advances to customers measured at fair value through other comprehensive income	79,151	62,596
Financial investments measured at amortised cost	1,317,666	837,322
Financial investments at fair value through other comprehensive income	169,198	541
Finance lease receivables	286,652	170,001
Financial assets held under resale agreements	55	(1,910)
Placements with banks and other financial institutions	253	420
Deposits with banks and other financial institutions	24	431
Off-balance sheet credit commitments	(76,453)	50,801
<b>Total</b>	<b>7,184,457</b>	<b>5,796,660</b>

## 12 INCOME TAX EXPENSE

### (a) Income tax for the year:

	<i>Note</i>	2020	2019
Current tax		1,276,375	1,442,569
Deferred tax		(634,354)	(905,865)
Adjustment for prior years		49,575	96,102
<b>Total</b>		<b>691,596</b>	<b>632,806</b>

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 12 INCOME TAX EXPENSE (CONTINUED)

(b) Reconciliations between income tax and accounting profit are as follows:

	Note	2020	2019
Profit before tax		4,012,467	4,006,026
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		1,003,117	1,001,507
Non-deductible expenses		36,923	2,446
Non-taxable income	(1)	(399,064)	(472,853)
Tax effect of unrecognised tax losses		1,256	5,604
Adjustment for prior years		49,575	96,102
Recognition of previously unrecognised deductible temporary difference		(211)	–
Income tax		691,596	632,806

(1) Non-taxable income consists of interest income from the PRC government bonds, municipal debts and share of profits of associates, which are exempted from income tax under the PRC tax regulations.

## 13 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share of the Group is based on the following:

	Note	2020	2019
Earnings:			
Net profit attributable to equity shareholders of the Bank		3,167,567	3,285,122
Less: Profit for the year attributable to other equity instruments holders of the Bank		(493,442)	(512,790)
Profit for the year attributable to ordinary shareholders of the Bank		2,674,125	2,772,332
Shares:			
Weighted average number of ordinary shares (in thousand shares)	(a)	6,597,458	6,514,125
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)		0.41	0.43

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

In June 2020, the Bank implemented the 2019 equity distribution plan to convert capital reserve to share capital. Therefore, the earnings per share for comparative reporting period are recalculated according to the adjusted number of shares.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 13 BASIC AND DILUTED EARNINGS PER SHARE (CONTINUED)

### (a) Weighted average number of ordinary shares (in thousand shares)

	2020	2019
Number of ordinary shares as at 1 January	5,921,932	5,921,932
Increase in weighted average number of ordinary shares (restated for comparative period)	675,526	592,193
Weighted average number of ordinary shares	6,597,458	6,514,125

## 14 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	31 December 2020	31 December 2019
Cash on hand		1,054,965	818,502
Deposits with central bank			
– Statutory deposit reserves	(a)	21,576,190	24,597,792
– Surplus deposit reserves	(b)	13,403,352	12,739,930
– Fiscal deposits		445,685	296,178
– Interest accrued		11,891	13,274
Sub-total		35,437,118	37,647,174
Total		36,492,083	38,465,676

- (a) The Bank and its subsidiaries place statutory deposit reserves with the PBoC in accordance with relevant regulations. As at the end of the relevant period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2020	31 December 2019
Reserve ratio for RMB deposits	7.0%	8.5%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are not available for the Group's daily business.

The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBoC.

- (b) The surplus deposit reserves are maintained with the PBoC for the purpose of clearing.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2020	31 December 2019
Deposits in mainland China		
– Banks	2,041,119	1,677,433
– Other financial institutions	–	565
Sub-total	2,041,119	1,677,998
Deposits outside mainland China		
– Banks	316,902	252,536
Sub-total	316,902	252,536
Total	2,358,021	1,930,534
Interest accrued	186	452
Less: provision for impairment losses	(616)	(592)
Total	2,357,591	1,930,394

## 16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2020	31 December 2019
Placements in mainland China		
– Banks	2,283,715	997,597
– Other financial institutions	800,000	1,700,000
Placements outside mainland China		
– Banks	–	83,449
Total	3,083,715	2,781,046
Interest accrued	848	4,371
Less: provision for impairment losses	(989)	(736)
Total carrying amount	3,083,574	2,784,681

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

### (a) Analysed by type and location of counterparty

	31 December 2020	31 December 2019
In mainland China		
– Banks	4,875,647	1,781,820
– Other financial institutions	3,708,662	1,216,485
Total	8,584,309	2,998,305
Interest accrued	1,448	494
Less: provision for impairment losses	(110)	(55)
Total	8,585,647	2,998,744

### (b) Analysed by type of collateral

	31 December 2020	31 December 2019
Debt securities	8,584,309	2,998,305
Interest accrued	1,448	494
Less: provision for impairment losses	(110)	(55)
Total	8,585,647	2,998,744

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 LOANS AND ADVANCES TO CUSTOMERS

### (a) Analysed by nature

	31 December 2020	31 December 2019
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	151,647,964	121,496,875
Personal loans and advances		
– Personal business loans	25,639,981	20,912,865
– Residential mortgage	35,964,974	30,052,807
– Personal consumption loans	2,769,512	5,807,222
– Credit card	2,954,470	2,820,929
Sub-total	67,328,937	59,593,823
Total amount of loans and advances to customers measured at amortised cost	218,976,901	181,090,698
Loans and advances to customers measured at fair value through other comprehensive income		
– Corporate loans and advances-Forfeiting	5,306,068	3,068,741
– Discounted bills	13,676,221	11,752,226
Sub-total	18,982,289	14,820,967
Gross loans and advances to customers	237,959,190	195,911,665
Interest accrued	1,046,446	682,722
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(7,755,623)	(7,327,846)
Net loans and advances to customers	231,250,013	189,266,541

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (b) Analysed by economic sector

	31 December 2020		
	Amount	Percentage	Loans and advances secured by collaterals
Real estate	30,557,324	12.84%	16,058,561
Wholesale and retail	30,468,072	12.80%	11,996,544
Water, environment and public facility management	25,683,307	10.79%	2,901,260
Leasing and commercial services	17,666,268	7.42%	4,445,055
Manufacturing	14,981,932	6.30%	4,064,878
Construction	14,887,663	6.26%	4,455,438
Transportation, storage and postal services	4,982,485	2.09%	2,486,530
Production and supply of electric and heating power, gas and water	2,581,881	1.09%	546,485
Agriculture, forestry, animal husbandry and fishery	1,926,802	0.81%	433,574
Culture, sports and entertainment	1,660,210	0.70%	1,235,700
Accommodation and catering	1,311,417	0.55%	1,196,331
Mining	807,252	0.34%	216,870
Others	9,439,419	3.97%	2,107,657
Sub-total of corporate loans and advances	156,954,032	65.96%	52,144,883
Personal loans and advances	67,328,937	28.29%	58,379,715
Discounted bills	13,676,221	5.75%	13,676,221
Gross loans and advances to customers	237,959,190	100.00%	124,200,819

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (b) Analysed by economic sector (Continued)

	31 December 2019		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail	27,095,140	13.83%	12,035,736
Real estate	26,677,880	13.62%	16,171,219
Water, environment and public facility management	16,128,317	8.23%	2,864,540
Manufacturing	14,577,464	7.44%	3,790,602
Construction	12,156,369	6.21%	5,359,425
Leasing and commercial services	10,892,165	5.56%	3,346,461
Transportation, storage and postal services	2,604,391	1.33%	1,331,173
Production and supply of electric and heating power, gas and water	2,369,014	1.21%	640,660
Culture, sports and entertainment	1,808,720	0.92%	1,635,690
Agriculture, forestry, animal husbandry and fishery	1,685,307	0.86%	678,712
Accommodation and catering	1,317,211	0.67%	1,195,588
Mining	322,300	0.16%	89,500
Others	6,931,338	3.54%	1,369,165
Sub-total of corporate loans and advances	124,565,616	63.58%	50,508,471
Personal loans and advances	59,593,823	30.42%	47,716,326
Discounted bills	11,752,226	6.00%	11,752,226
Gross loans and advances to customers	195,911,665	100.00%	109,977,023



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (c) Analysed by type of collateral

	31 December 2020	31 December 2019
Unsecured loans	31,664,029	26,395,641
Guaranteed loans	82,094,342	59,539,001
Collateral loans		
– Loans secured by tangible assets other than monetary assets	89,660,694	77,715,145
– Loans secured by intangible assets or monetary assets	34,540,125	32,261,878
Gross loans and advances to customers	237,959,190	195,911,665
Interest accrued	1,046,446	682,722
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(7,755,623)	(7,327,846)
Net loans and advances to customers	231,250,013	189,266,541

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (d) Overdue loans analysed by overdue period

	31 December 2020				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	70,998	115,286	10,304	8,084	204,672
Guaranteed loans	1,097,994	983,686	1,117,857	342,703	3,542,240
Loans secured by tangible assets other than monetary assets	1,289,983	654,893	432,147	480,850	2,857,873
Loans secured by intangible assets or monetary assets	30,303	49,497	556,306	–	636,106
<b>Total</b>	<b>2,489,278</b>	<b>1,803,362</b>	<b>2,116,614</b>	<b>831,637</b>	<b>7,240,891</b>
As a percentage of gross loans and advances to customers	1.04%	0.76%	0.89%	0.35%	3.04%

	31 December 2019				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	104,356	34,950	13,056	–	152,362
Guaranteed loans	1,656,742	1,198,988	1,268,471	346,300	4,470,501
Loans secured by tangible assets other than monetary assets	678,530	445,447	446,428	35,310	1,605,715
Loans secured by intangible assets or monetary assets	585,596	220,400	108,953	–	914,949
<b>Total</b>	<b>3,025,224</b>	<b>1,899,785</b>	<b>1,836,908</b>	<b>381,610</b>	<b>7,143,527</b>
As a percentage of gross loans and advances to customers	1.54%	0.97%	0.94%	0.19%	3.64%

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (e) Loans and advances and provision for impairment losses

	31 December 2020			
	Loans and advances that are assessed for 12-month ECL	Not credit-impaired loans and advances that are assessed for lifetime ECL	Credit-impaired loans and advances that are assessed for lifetime ECL	Total
Total loans and advances to customers measured at amortised cost	206,720,645	6,001,378	6,254,878	218,976,901
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(3,223,667)	(1,351,623)	(3,180,333)	(7,755,623)
Carrying amount of loans and advances to customers measured at amortised cost (excluding accrued interest)	203,496,978	4,649,755	3,074,545	211,221,278
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income (excluding accrued interest)	18,494,789	-	487,500	18,982,289
Total carrying amount of loans and advances to customers (excluding accrued interest)	221,991,767	4,649,755	3,562,045	230,203,567

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (e) Loans and advances and provision for impairment losses (Continued)

	31 December 2019			Total
	Loans and advances that are assessed for 12-month ECL	Not credit-impaired loans and advances that are assessed for lifetime ECL	Credit-impaired loans and advances that are assessed for lifetime ECL	
Total loans and advances to customers measured at amortised cost	171,031,061	4,427,237	5,632,400	181,090,698
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(2,790,879)	(1,069,890)	(3,467,077)	(7,327,846)
Carrying amount of loans and advances to customers measured at amortised cost (excluding accrued interest)	168,240,182	3,357,347	2,165,323	173,762,852
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income (excluding accrued interest)	14,235,371	585,596	–	14,820,967
Total carrying amount of loans and advances to customers (excluding accrued interest)	182,475,553	3,942,943	2,165,323	188,583,819

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (f) Movements of provision for impairment losses

- (i) Movements of provision for impairment losses on loans and advances to customers measured at amortised cost:

	31 December 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	2,790,879	1,069,890	3,467,077	7,327,846
Transferred:				
– to 12-months ECL	53,592	(53,592)	–	–
– to lifetime ECL not credit-impaired	(68,427)	68,775	(348)	–
– to lifetime ECL credit-impaired	(37,720)	(454,594)	492,314	–
Charge for the year	485,343	721,144	4,201,424	5,407,911
Write-offs and disposals	–	–	(5,355,940)	(5,355,940)
Recoveries of loans previously written off	–	–	375,806	375,806
As at 31 December 2020	3,223,667	1,351,623	3,180,333	7,755,623

	31 December 2019			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2019	1,971,808	1,244,144	2,847,019	6,062,971
Transferred:				
– to 12-months ECL	152	(152)	–	–
– to lifetime ECL not credit-impaired	(31,447)	35,197	(3,750)	–
– to lifetime ECL credit-impaired	(109,270)	(285,473)	394,743	–
Charge for the year	959,636	76,174	3,640,648	4,676,458
Write-offs and disposals	–	–	(3,869,583)	(3,869,583)
Recoveries of loans previously written off	–	–	458,000	458,000
As at 31 December 2019	2,790,879	1,069,890	3,467,077	7,327,846

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (f) Movements of provision for impairment losses (Continued)

- (ii) Movements of provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:

	31 December 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	21,529	75,472	-	97,001
Transferred:				
- to 12-months ECL	-	-	-	-
- to lifetime ECL not credit-impaired	-	-	-	-
- to lifetime ECL credit-impaired	-	(75,472)	75,472	-
(Reversal)/Charge for the year	(7,877)	-	87,028	79,151
As at 31 December 2020	13,652	-	162,500	176,152

	31 December 2019			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2019	34,405	-	-	34,405
Transferred:				
- to 12-months ECL	-	-	-	-
- to lifetime ECL not credit-impaired	(17,305)	17,305	-	-
- to lifetime ECL credit-impaired	-	-	-	-
Charge for the year	4,429	58,167	-	62,596
As at 31 December 2019	21,529	75,472	-	97,001

Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income are recognized in other comprehensive income, while the impairment losses are recognized in profit or loss. Besides, the carrying amount of the financial assets presented in the balance sheet are not reduced.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 FINANCIAL INVESTMENTS

	<i>Note</i>	<b>31 December 2020</b>	31 December 2019
Financial investments at fair value through profit or loss	(a)	<b>46,463,308</b>	55,062,294
Financial investments at fair value through other comprehensive income	(b)	<b>21,691,216</b>	15,424,513
Financial investments measured at amortised cost	(c)	<b>162,416,779</b>	171,736,562
Interest accrued		<b>2,106,004</b>	1,758,957
<b>Total</b>		<b>232,677,307</b>	243,982,326

### (a) Financial investments at fair value through profit or loss:

	<i>Note</i>	<b>31 December 2020</b>	31 December 2019
Debt securities			
– Debt securities held for trading purpose	(1)	<b>13,890,565</b>	12,354,905
Investment funds and other investments			
– Investment funds held for trading purpose		<b>9,402,658</b>	6,242,542
– Other financial investments at fair value through profit or loss	(2)	<b>23,170,085</b>	36,464,847
<b>Total</b>		<b>46,463,308</b>	55,062,294

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 FINANCIAL INVESTMENTS (CONTINUED)

### (a) Financial investments at fair value through profit or loss: (Continued)

#### (1) Debt securities held for trading purpose

	31 December 2020	31 December 2019
Mainland China		
– Government	6,755,164	7,206,297
– Policy banks	6,255,154	2,875,175
– Banks and other financial institutions	583,978	1,442,218
– Corporate	296,269	831,215
<b>Total</b>	<b>13,890,565</b>	<b>12,354,905</b>
Debt securities analysed into		
– Listed outside Hong Kong	7,326,043	8,276,336
– Unlisted	6,564,522	4,078,569
<b>Total</b>	<b>13,890,565</b>	<b>12,354,905</b>

#### (2) Other financial investments at fair value through profit or loss

	31 December 2020	31 December 2019
Other financial investments at fair value through profit or loss		
– Investment management products managed by securities companies	11,336,697	20,112,305
– Investment management products under trust scheme	5,290,646	9,538,950
– Wealth management products	210,000	30,000
– Others	6,332,742	6,783,592
<b>Total</b>	<b>23,170,085</b>	<b>36,464,847</b>



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 FINANCIAL INVESTMENTS (CONTINUED)

### (b) Financial investments at fair value through other comprehensive income

	31 December 2020	31 December 2019 The Group
Debt securities		
– Government	<b>14,579,719</b>	7,072,319
– Policy banks	<b>5,648,839</b>	8,017,880
– Corporate	<b>1,454,258</b>	325,914
– Interest accrued	<b>292,214</b>	327,097
Sub-total	<b>21,975,030</b>	15,743,210
Equity instruments	<b>8,400</b>	8,400
Total	<b>21,983,430</b>	15,751,610
Debt securities by category		
– Listed outside Hong Kong	<b>15,585,908</b>	7,504,187
– Unlisted	<b>6,096,908</b>	7,911,926
– Interest accrued	<b>292,214</b>	327,097
	<b>21,975,030</b>	15,743,210
Equity instrument investment by category		
– Unlisted	<b>8,400</b>	8,400
	<b>8,400</b>	8,400

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 FINANCIAL INVESTMENTS (CONTINUED)

### (b) Financial investments at fair value through other comprehensive income (Continued)

Movements of provision for impairment of debt securities measured at fair value through other comprehensive income during the period:

	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year	1,166	–	–	1,166
Charge for the year	169,198	–	–	169,198
Balance at the end of the year	170,364	–	–	170,364

Provision for impairment of debt securities measured at fair value through other comprehensive income are recognised in other comprehensive income, while losses/gains from impairment are included in profit or loss. Besides, the book value of the debt securities presented in the balance sheet are not reduced.

### (c) Financial investments measured at amortised cost:

	Note	31 December 2020	31 December 2019
Debt securities	(1)	52,730,731	49,281,931
Investment management products under the trust scheme		61,984,958	67,950,697
Investment management products managed by securities companies		35,002,092	36,581,276
Other beneficial right transaction plans		3,768,000	8,526,500
Others		12,812,606	11,960,100
Sub-total		113,567,656	125,018,573
Interest accrued		1,813,790	1,431,860
Less: Provision for impairment losses		(3,881,608)	(2,563,942)
Total		164,230,569	173,168,422

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 FINANCIAL INVESTMENTS (CONTINUED)

### (c) Financial investments measured at amortised cost: (Continued)

(1) Debt securities:

	31 December 2020	31 December 2019
Debt securities		
– Government	19,203,836	17,335,867
– Policy banks	27,640,005	23,102,693
– Banks and other financial institutions	1,281,393	1,532,226
– Corporate	4,605,497	7,311,145
– Interest accrued	1,094,003	1,009,383
<b>Total</b>	<b>53,824,734</b>	50,291,314
Debt securities analysed into:		
– Listed outside Hong Kong	21,333,904	20,185,899
– Unlisted	31,396,827	29,096,032
– Interest accrued	1,094,003	1,009,383
<b>Total</b>	<b>53,824,734</b>	50,291,314

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 19 FINANCIAL INVESTMENTS (CONTINUED)

### (c) Financial investments measured at amortised cost: (Continued)

- (2) Movements of provision for impairment of financial investments measured at amortised cost is as follows:

	31 December 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	970,460	754,280	839,202	2,563,942
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	(24,089)	24,089	–	–
– to lifetime ECL credit-impaired	(903)	(754,279)	755,182	–
(Reversal)/charge for the year	(164,108)	331,886	1,149,888	1,317,666
As at 31 December 2020	781,360	355,976	2,744,272	3,881,608

	31 December 2019			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2019	876,837	420,000	429,783	1,726,620
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	(38,990)	38,990	–	–
– to lifetime ECL credit-impaired	(13,947)	–	13,947	–
Charge for the year	146,560	295,290	395,472	837,322
As at 31 December 2019	970,460	754,280	839,202	2,563,942

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 20 FINANCE LEASE RECEIVABLES

	31 December 2020	31 December 2019
Minimum finance lease receivables	26,610,393	14,387,519
Less: Unearned finance lease income	(3,632,742)	(1,463,317)
Present value of finance lease receivables	22,977,651	12,924,202
Interest accrued	280,757	96,350
Less: Provision for impairment losses	(692,583)	(518,855)
Total	22,565,825	12,501,697

(a) Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

	31 December 2020			31 December 2019		
	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables
Less than 1 year	9,780,874	(1,627,410)	8,153,464	6,768,809	(763,683)	6,005,126
1 year to 2 years	6,171,528	(957,518)	5,214,010	4,106,813	(381,121)	3,725,692
2 years to 3 years	4,682,903	(597,523)	4,085,380	1,693,450	(171,264)	1,522,186
3 years to 5 years	5,390,157	(407,106)	4,983,051	1,107,050	(121,299)	985,751
More than 5 years	584,931	(43,185)	541,746	711,397	(25,950)	685,447
	26,610,393	(3,632,742)	22,977,651	14,387,519	(1,463,317)	12,924,202

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 20 FINANCE LEASE RECEIVABLES (CONTINUED)

(b) Movements of provision for impairment losses of finance lease receivables is as follows:

	31 December 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	229,911	167,424	121,520	518,855
Transferred:				
– to 12-months ECL	137,947	(74,325)	(63,622)	–
– to lifetime ECL not credit-impaired	(6,225)	6,225	–	–
– to lifetime ECL credit-impaired	(3,750)	–	3,750	–
Charge for the year	68,930	20,287	197,435	286,652
Write off	–	–	(112,924)	(112,924)
As at 31 December 2020	426,813	119,611	146,159	692,583

	31 December 2019			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2019	218,694	130,160	–	348,854
Transferred:				
– to lifetime ECL not credit-impaired	(3,408)	3,408	–	–
– to lifetime ECL credit-impaired	(5,265)	–	5,265	–
Charge for the year	19,890	186,787	116,255	322,932
Written back on disposal	–	(152,931)	–	(152,931)
As at 31 December 2019	229,911	167,424	121,520	518,855

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 21 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES

### (a) Investment in subsidiaries

The Group's subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest		Voting rights 2020 %	Paid-in capital 2020	Amount invested by the Bank	Place of incorporation registration	Principal activity
	2020 %	2019 %					
Fugou Zhengyin County Bank Co., Ltd.	50.20	50.20	50.20	60,000	30,120	China	Banking
Henan Jiuding Financial Leasing Co., Ltd.	51.00	51.00	51.00	2,000,000	1,020,000	China	Leasing
Xunxian Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	100,000	51,000	China	Banking
Queshan Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	50,000	25,500	China	Banking
Xinmi Zhengyin County Bank Co., Ltd.	51.20	51.20	51.20	125,000	74,033	China	Banking

Fugou Zhengyin County Bank Co., Ltd. was incorporated on 3 December 2015. Henan Jiuding Financial Leasing Co., Ltd. was incorporated on 23 March 2016. Xunxian Zhengyin County Bank Co., Ltd. was incorporated on 6 November 2017. Queshan Zhengyin County Bank Co., Ltd. was incorporated on 14 November 2017. Xinmi Zhengyin County Bank Co., Ltd. became a subsidiary of the Bank since 1 January 2017. The five subsidiaries have no material non-controlling interest to the Group.

### (b) Interest in associates

	31 December 2020	31 December 2019
Interest in associates	400,250	376,874
Total	400,250	376,874

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 21 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES (CONTINUED)

### (b) Interest in associates (Continued)

The following list contains the Group's associates, all of which are individually immaterial to the Group and are unlisted corporate entities whose quoted market price are not available:

Name	Note	Percentages of equity/voting rights%		Place of incorporation/ registration	Business sector
		2020	2019		
Zhongmu Zhengyin County Bank Co., Ltd.	(1)	18.53	18.53	China	Banking
Yanling Zhengyin County Bank Co., Ltd.		49.58	30.00	China	Banking
Xinzheng Zhengyin County Bank Co., Ltd.		25.00	25.00	China	Banking

(1) The Group has representation on the board of directors of Zhongmu Zhengyin County Bank Co., Ltd., and has significant influence over it.

Group's associates that are not individually material, the following table illustrates the aggregate information of the Group's associates:

	31 December 2020	31 December 2019
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	400,250	376,874
Aggregate amounts of the Group's share of results of the associates		
– Profit from continuing operations	35,035	55,793
– Other comprehensive income	–	–
– Total comprehensive income	35,035	55,793



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 22 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Office equipment and others	Construction in progress	Total
<b>Cost</b>						
As at 1 January 2019	1,892,881	629,914	14,106	262,811	177,067	2,976,779
Additions	237,891	82,677	1,157	28,096	139,616	489,437
Disposals	–	(4,994)	(3,555)	(20,707)	–	(29,256)
As at 31 December 2019	2,130,772	707,597	11,708	270,200	316,683	3,436,960
Additions	249,666	71,024	870	17,250	158,141	496,951
Disposals	–	(5,979)	(160)	(7,703)	–	(13,842)
As at 31 December 2020	2,380,438	772,642	12,418	279,747	474,824	3,920,069
<b>Accumulated depreciation</b>						
As at 1 January 2019	(259,410)	(424,443)	(10,517)	(197,055)	–	(891,425)
Additions	(62,527)	(92,502)	(887)	(40,814)	–	(196,730)
Disposals	–	4,628	3,377	19,548	–	27,553
As at 31 December 2019	(321,937)	(512,317)	(8,027)	(218,321)	–	(1,060,602)
Additions	(69,093)	(78,903)	(946)	(32,743)	–	(181,685)
Disposals	–	5,680	152	7,192	–	13,024
As at 31 December 2020	(391,030)	(585,540)	(8,821)	(243,872)	–	(1,229,263)
<b>Impairment</b>						
As at 1 January 2019/31 December						
2019/31 December 2020	(1,355)	(1,893)	–	(756)	–	(4,004)
<b>Net book value</b>						
As at 31 December 2019	1,807,480	193,387	3,681	51,123	316,683	2,372,354
As at 31 December 2020	1,988,053	185,209	3,597	35,119	474,824	2,686,802

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 22 PROPERTY AND EQUIPMENT (CONTINUED)

The carrying amount of premises without title deeds as at 31 December 2020 was RMB187 million (31 December 2019: RMB260 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The Group expected that there would be no significant cost in obtaining the title deeds.

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the land leases as follows:

	31 December 2020	31 December 2019
Held in mainland China		
– Medium-term leases (10 – 50 years)	1,985,096	1,803,920
– Short-term leases (less than 10 years)	2,957	3,560
<b>Total</b>	<b>1,988,053</b>	<b>1,807,480</b>

## 23 DEFERRED TAX ASSETS

### (a) Analysed by nature

	31 December 2020		31 December 2019	
	Deductible temporary differences	Deferred income tax assets	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	13,659,520	3,414,880	11,658,096	2,914,524
Accrued staff costs	80,752	20,188	199,944	49,986
Fair value changes in financial instruments	898,592	224,648	(873,236)	(218,309)
Provisions	211,172	52,793	287,623	71,906
Others	25,812	6,453	67,532	16,883
<b>Net deferred income tax assets</b>	<b>14,875,848</b>	<b>3,718,962</b>	<b>11,339,959</b>	<b>2,834,990</b>

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 23 DEFERRED TAX ASSETS (CONTINUED)

### (b) Analysed by movement

	At 31 December 2019	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2020
Allowance for impairment losses	2,914,524	500,356	-	3,414,880
Accrued staff costs	49,986	(14,323)	(15,475)	20,188
Fair value changes in financial instruments	(218,309)	115,776	327,181	224,648
Provisions	71,906	(19,113)	-	52,793
Others	16,883	(10,430)	-	6,453
Net deferred income tax assets	2,834,990	572,266	311,706	3,718,962

	At 31 December 2018	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2019
Allowance for impairment losses	2,004,099	910,425	-	2,914,524
Accrued staff costs	46,195	3,148	643	49,986
Fair value changes in financial instruments	(141,495)	(73,294)	(3,520)	(218,309)
Provisions	59,205	12,701	-	71,906
Others	(20,217)	37,100	-	16,883
Net deferred income tax assets	1,947,787	890,080	(2,877)	2,834,990

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 24 OTHER ASSETS

	<i>Note</i>	<b>31 December 2020</b>	31 December 2019
Interest receivables	(a)	<b>777,680</b>	494,896
Prepayments		<b>212,928</b>	495,975
Intangible assets	(b)	<b>1,014,151</b>	887,770
Leasehold improvements		<b>109,049</b>	134,477
Right-of-use assets	(c)	<b>385,246</b>	425,238
Other receivables		<b>566,835</b>	453,215
Continuously involved assets	(d)	<b>588,853</b>	–
Sub-total		<b>3,654,742</b>	2,891,571
Less: allowance for impairment losses		<b>(22,322)</b>	(22,323)
Total		<b>3,632,420</b>	2,869,248

### (a) Interest receivables

	<b>31 December 2020</b>	31 December 2019
Interest receivables arising from:		
– Investments	<b>626,926</b>	415,147
– Loans and advances to customers	<b>113,579</b>	58,656
– Others	<b>37,175</b>	21,093
Sub-total	<b>777,680</b>	494,896
Less: allowance for impairment losses	<b>(19,397)</b>	(19,397)
Total	<b>758,283</b>	475,499

Interest receivable only includes interest that has been due for the relevant financial instruments but not yet received at the balance sheet date. Interest on financial instruments based on the effective interest method has been reflected in the balance of corresponding financial instruments.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 24 OTHER ASSETS (CONTINUED)

### (b) Intangible assets

	2020	2019
<b>Cost</b>		
As at 1 January	1,104,679	897,108
Additions	206,759	215,035
Decrease	—	(7,464)
As at 31 December	1,311,438	1,104,679
<b>Accumulated amortisation</b>		
As at 1 January	(216,909)	(157,566)
Additions	(80,378)	(66,432)
Decrease	—	7,089
As at 31 December	(297,287)	(216,909)
<b>Impairment</b>		
As at 1 January and 31 December	(145)	(145)
<b>Net book value</b>		
As at 1 January	887,625	739,397
As at 31 December	1,014,006	887,625

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 24 OTHER ASSETS (CONTINUED)

### (c) Right-of-use assets

	Premises	Vehicles	Office equipment and others	Total
<b>Cost</b>				
As at 1 January 2019	521,232	7,397	2,152	530,781
Additions	47,441	850	788	49,079
Disposals	(38,318)	(382)	(183)	(38,883)
As at 31 December 2019	530,355	7,865	2,757	540,977
Additions	79,547	3,237	3,471	86,255
Disposals	(56,939)	(2,531)	(697)	(60,167)
As at 31 December 2020	552,963	8,571	5,531	567,065
<b>Accumulated depreciation</b>				
As at 1 January 2019	–	–	–	–
Additions	(149,480)	(4,043)	(1,099)	(154,622)
Disposals	38,318	382	183	38,883
As at 31 December 2019	(111,162)	(3,661)	(916)	(115,739)
Additions	(121,672)	(3,499)	(1,076)	(126,247)
Disposals	56,939	2,531	697	60,167
As at 31 December 2020	(175,895)	(4,629)	(1,295)	(181,819)
<b>Net book value</b>				
As at 31 December 2019	419,193	4,204	1,841	425,238
As at 31 December 2020	377,068	3,942	4,236	385,246

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 24 OTHER ASSETS (CONTINUED)

### (d) Continuously involved assets

In 2020, the Bank, as the initiator, entrusted part of the personal housing mortgage loans to Huaneng Guicheng Trust Co., Ltd., and established the first phase of Yuding's 2020 personal housing mortgage loan securitization trust and to issue asset-backed securities under the trust, among which, the total face value of "priority asset-backed security" is RMB2,910 million, and the total face value of "secondary asset-backed security" is RMB589 million.

The Bank neither transferred nor retained substantially all the risks (mainly include the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership and retained the control and has continuing involvement in these financial assets. As at 31 December 2020, the Bank continued to recognize the financial assets with carrying amount of RMB589 million (31 December 2018: None) based on its extent of continuing involvement in the assets, and recognized assets and liabilities with continuing involvement as other assets and other liabilities.

## 25 DUE TO CENTRAL BANK

	31 December 2020	31 December 2019
Due to central bank	25,732,350	9,852,500
Interest accrued	234,295	102,364
Total	25,966,645	9,954,864

Due to central bank mainly includes Medium-term Lending Facility and Reload for Supporting Small Businesses.

## 26 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2020	31 December 2019
In mainland China		
– Banks	16,713,991	18,346,082
– Other financial institutions	3,362,802	464,659
– Interest accrued	133,611	95,377
Total	20,210,404	18,906,118

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2020	31 December 2019
In mainland China		
– Banks	20,248,370	13,769,630
Outside mainland China		
– Banks	–	168,689
Interest accrued	219,223	174,699
Total	20,467,593	14,113,018

## 28 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative contracts which are non-deliverable forwards.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	31 December 2020		
	Notional amount	Fair value (assets)	Fair value (liabilities)
– Non-deliverable forwards	6,002,908	362,970	–
Total	6,002,908	362,970	–



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 28 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	31 December 2019		
	Notional amount	Fair value (assets)	Fair value (liabilities)
– Non-deliverable forwards	11,022,396	94,602	(4,944)
Total	11,022,396	94,602	(4,944)

## 29 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

### (a) Analysed by type and location of counterparty

	31 December 2020	31 December 2019
In mainland China		
– PBoC	9,810,000	2,192,323
– Banks	11,486,094	14,188,100
– Interest accrued	7,336	5,314
Total	21,303,430	16,385,737

### (b) Analysed by type of collateral

	31 December 2020	31 December 2019
Debt securities	20,296,499	16,348,100
Bills	999,595	32,323
Interest accrued	7,336	5,314
Total	21,303,430	16,385,737

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 30 DEPOSITS FROM CUSTOMERS

	31 December 2020	31 December 2019
Demand deposits		
– Corporate deposits	73,645,804	79,289,145
– Personal deposits	30,426,964	23,333,801
Sub-total	104,072,768	102,622,946
Time deposits		
– Corporate deposits	102,023,433	87,157,489
– Personal deposits	77,347,598	72,253,415
Sub-total	179,371,031	159,410,904
Pledged deposits		
– Acceptances	22,544,745	21,064,677
– Letters of guarantees	644,650	964,296
– Letters of credit	5,137,317	3,288,577
– Others	1,948,640	1,035,816
Sub-total	30,275,352	26,353,366
Others	511,269	829,644
Sub-total	511,269	829,644
Interest accrued	2,282,315	2,908,926
Total	316,512,735	292,125,786

Deposits from customers are measured at amortised cost.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 31 DEBT SECURITIES ISSUED

	Note	31 December 2020	31 December 2019
Financial bonds	(a)	<b>3,396,793</b>	4,997,009
Tier-two capital bonds	(b)	<b>4,998,301</b>	4,998,020
Interbank deposits		<b>84,639,629</b>	95,082,903
Interest accrued		<b>129,334</b>	167,735
<b>Total</b>		<b>93,164,057</b>	105,245,667

### (a) Financial bonds

Fixed rate financial bonds of RMB1.4 billion with a term of three years was issued in November 2020 by Henan Jiuding Financial Leasing Co., Ltd.. The coupon rate is 4.20% per annum.

Fixed rate green financial bonds of RMB2.0 billion with a term of three years was issued in June 2019 by the Bank. The coupon rate is 3.70% per annum.

### (b) Tier-two capital bonds

Fixed rate tier-two capital bonds of RMB2.0 billion with a term of ten years were issued in March 2017 by the Bank. The coupon rate is 4.80% per annum.

Fixed rate tier-two capital bonds of RMB3.0 billion with a term of ten years were issued in December 2016 by the Bank. The coupon rate is 4.10% per annum.

## 32 OTHER LIABILITIES

	Note	31 December 2020	31 December 2019
Accrued staff costs	(a)	<b>794,032</b>	734,585
Finance lease payable		<b>716,358</b>	740,535
Dormant accounts		<b>35,572</b>	35,861
Payment and collection clearance accounts		<b>194,292</b>	332,766
Dividend payable		<b>28,329</b>	28,528
Expected credit losses of credit commitment	(b)	<b>211,170</b>	287,623
Lease liabilities	(c)	<b>347,056</b>	383,405
Continuously involved liabilities	24(d)	<b>588,853</b>	–
Others		<b>647,693</b>	561,228
<b>Total</b>		<b>3,563,355</b>	3,104,531

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 32 OTHER LIABILITIES (CONTINUED)

### (a) Accrued staff costs

	Note	31 December 2020	31 December 2019
Salary, bonuses and allowances payable		619,831	549,034
Staff welfare		–	86
Social insurance and annuity payable		106	592
Housing allowances payable		78	51
Labor union fee, staff and workers' education fee		2,309	1,591
Supplementary retirement benefits payable	(1)	171,708	183,231
Total		794,032	734,585

#### (1) Supplementary retirement benefits ("SRB")

The supplementary retirement benefits of the Group include early retirement plan and supplementary retirement plan. The early retirement benefits payments is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Group's eligible employees.

The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the SRB were accessed using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Mercer Consulting (China) Ltd..

(i) The balances of supplementary retirement benefits of the Group are as follows:

	31 December 2020	31 December 2019
Present value of early retirement plan	17,326	24,208
Present value of supplementary retirement plan	154,382	159,023
Total	171,708	183,231

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 32 OTHER LIABILITIES (CONTINUED)

### (a) Accrued staff costs (Continued)

#### (1) Supplementary retirement benefits ("SRB") (Continued)

(ii) The movements of supplementary retirement benefits of the Group are as follows:

	2020	2019
As at 1 January	183,231	184,780
Benefits paid during the year	(15,415)	(19,521)
Defined benefit cost recognised in profit or loss	4,837	15,397
Defined benefit cost recognised in other comprehensive income	(945)	2,575
As at 31 December	171,708	183,231

(iii) Key actuarial assumptions of the Group are as follows:

Early retirement plan	31 December 2020	31 December 2019
Discount rate	2.80%	2.80%
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	6.00%	8.00%

Supplementary retirement plan	31 December 2020	31 December 2019
Discount rate	3.50%	3.40%
Retired age		
– Male	60	60
– Female	55	55

Death rate for age 20 – 105	31 December 2020	31 December 2019
– Male	0.0248% – 100%	0.0248% – 100%
– Female	0.012% – 100%	0.012% – 100%

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 32 OTHER LIABILITIES (CONTINUED)

### (b) Expected credit losses of credit commitment

As at 31 December, movements of expected credit losses of credit commitment during the year are as follows:

	31 December 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	284,626	583	2,414	287,623
Transferred:				
– to 12-months ECL	487	(28)	(459)	–
– to lifetime ECL not credit-impaired	(11)	34	(23)	–
– to lifetime ECL credit-impaired	(15)	(40)	55	–
(Reversal)/Charge for the year	(89,591)	40	13,098	(76,453)
As at 31 December 2020	195,496	589	15,085	211,170

	31 December 2019			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2019	225,926	253	10,643	236,822
Transferred:				
– to 12-months ECL	186	(59)	(127)	–
– to lifetime ECL not credit-impaired	(2)	2	–	–
– to lifetime ECL credit-impaired	(11)	(87)	98	–
Charge/(Reversal) for the year	58,527	474	(8,200)	50,801
As at 31 December 2019	284,626	583	2,414	287,623

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 32 OTHER LIABILITIES (CONTINUED)

### (c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	31 December 2020	31 December 2019
Within one year (inclusive)	109,106	110,161
Between one year and two years (inclusive)	87,003	84,058
Between two years and three years (inclusive)	69,133	67,205
Between three years and five years (inclusive)	99,755	114,959
More than five years	41,945	78,134
Total undiscounted lease liabilities	406,942	454,517
Total carrying amount	347,056	383,405

## 33 SHARE CAPITAL

Authorised and issued share capital

	31 December 2020	31 December 2019
Ordinary shares listed in Mainland China (A-share)	5,844,325	4,403,932
Ordinary shares listed in Hong Kong (H-share)	1,669,800	1,518,000
Total	7,514,125	5,921,932

In December 2015, the Bank issued 1,200 million H-shares with a par value of RMB1 at an offering price of HKD3.85 per share (the “H-share offering”). The premium arising from the H-share offering amounting to RMB2,562 million was recorded in capital reserve. Immediately following the H-share offering, 120 million ordinary shares in Mainland China shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

In January 2016, the Bank issued 180 million H-shares (H-shares’ over-allotment option) with a par value of RMB1 at an offering price of HKD3.85 per share. The premium arising from the offering amounting to RMB392 million was recorded in capital reserve.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 33 SHARE CAPITAL (CONTINUED)

In September 2018, the Bank issued 600 million A-shares with a par value of RMB1 at an offering price of RMB4.59 per share (the “A-share offering”). The premium arising from the A-share offering amounting to RMB2,109 million was recorded in capital reserve.

In June 2020, the Bank converted capital reserve to share capital on the basis of 1 share for every 10 shares offered to all shareholders, and the total number of shares increased was 592 million.

In November 2020, the Bank issued 1 billion A-shares with a par value of RMB1 at an offering price of RMB4.64 per share (the “non-public A-share offering”). The premium arising from the non-public A-share offering amounting to RMB3,632 million was recorded in capital reserve.

All the above H-shares have been listed on the Stock Exchange of Hong Kong Limited since 20 January 2016. The H-shares rank pari passu in all respects with the existing A-share listed in Mainland China including the right to receive all dividends and distributions declared or made.

## 34 RESERVES

### (a) Capital reserve

	31 December 2020	31 December 2019
Share premium	8,139,288	5,099,040
Others	64,615	64,615
Total	8,203,903	5,163,655

### (b) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC GAAP after making good prior year’s accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. The Bank appropriated an amount of RMB301 million to the statutory surplus reserve fund for the year of 2020 (2019: RMB319 million).

The Bank may also appropriate discretionary surplus reserve fund in accordance with the resolution of the shareholders.



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 34 RESERVES (CONTINUED)

### (c) General reserve

With effect from 1 July 2012, pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)” issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The Bank appropriated an amount of RMB458 million to the general reserve fund for the year of 2020 (2019: RMB700 million).

### (d) Fair value reserve

	2020	2019
As at 1 January	97,063	38,590
Change in fair value/credit losses recognised in other comprehensive income	689,271	365,216
Transfer to profit or loss upon disposal	(1,749,630)	(287,253)
Less: deferred income tax	265,090	(19,490)
Sub-total	(795,269)	58,473
As at 31 December	(698,206)	97,063

### (e) Remeasurement of net defined benefit liability

Remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	2020	2019
As at 1 January	(46,424)	(44,492)
Remeasurement of net defined benefit liability	(945)	2,575
Less: deferred income tax	15,474	(643)
Sub-total	(14,529)	(1,932)
As at 31 December	(60,953)	(46,424)

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 34 RESERVES (CONTINUED)

### (f) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the year are set out below:

#### *The Bank*

Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2020	5,921,932	7,825,508	5,163,713	2,675,548	6,513,200	97,076	(46,424)	10,261,329	38,411,882
Profit for the year	-	-	-	-	-	-	-	3,010,254	3,010,254
Other comprehensive income	-	-	-	-	-	(795,282)	(14,529)	-	(809,811)
Total comprehensive income	-	-	-	-	-	(795,282)	(14,529)	3,010,254	2,200,443
Share capital invested by Private A-Share holders	1,000,000	-	3,632,441	-	-	-	-	-	4,632,441
Appropriation of profit:									
- Appropriation to surplus reserve 34(b)	-	-	-	301,025	-	-	-	(301,025)	-
- Appropriation to general reserve 34(c)	-	-	-	-	458,000	-	-	(458,000)	-
- Cash dividend on ordinary shares 35	-	-	-	-	-	-	-	(592,193)	(592,193)
- Cash dividend on preference shares 35	-	-	-	-	-	-	-	(493,442)	(493,442)
Capital reserve converted into share capital	592,193	-	(592,193)	-	-	-	-	-	-
Sub-total	1,592,193	-	3,040,248	301,025	458,000	-	-	(1,844,660)	3,546,806
Balance at 31 December 2020	7,514,125	7,825,508	8,203,961	2,976,573	6,971,200	(698,206)	(60,953)	11,426,923	44,159,131

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 34 RESERVES (CONTINUED)

### (f) Movements in components of equity (Continued)

#### *The Bank (Continued)*

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2019		5,921,932	7,825,508	5,163,713	2,356,214	5,813,200	38,020	(44,492)	9,488,400	36,562,495
Profit for the year		-	-	-	-	-	-	-	3,193,343	3,193,343
Other comprehensive income		-	-	-	-	-	59,056	(1,932)	-	57,124
Total comprehensive income		-	-	-	-	-	59,056	(1,932)	3,193,343	3,250,467
Appropriation of profit:										
- Appropriation to surplus reserve	34(b)	-	-	-	319,334	-	-	-	(319,334)	-
- Appropriation to general reserve	34(c)	-	-	-	-	700,000	-	-	(700,000)	-
- Cash dividend on ordinary shares	35	-	-	-	-	-	-	-	(888,290)	(888,290)
- Cash dividend on preference shares	35	-	-	-	-	-	-	-	(512,790)	(512,790)
Sub-total		-	-	-	319,334	700,000	-	-	(2,420,414)	(1,401,080)
Balance at 31 December 2019		5,921,932	7,825,508	5,163,713	2,675,548	6,513,200	97,076	(46,424)	10,261,329	38,411,882

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 35 PROFIT DISTRIBUTION

### (a) Dividends for Ordinary Shares

In accordance with the resolution of the Bank's board of directors meeting held on 30 March 2021, conversion of capital reserve to share capital on the basis of 1 share for every 10 shares to all shareholders the year ended 31 December 2020 resulting in the increase in total number of shares by 751.41 million shares has been proposed.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

### (b) Dividends for Preference Shares

As per the resolution and authorization of the General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for Preference Shares at the meeting of its Board of Directors on 28 August 2020, permitting the Bank to distribute the dividends on the Bank's offshore preference shares on 19 October 2020.

Dividends on the Bank's offshore preference shares are paid annually in cash, and calculated based on the aggregate value of the offshore preference shares. Dividends on the preference shares are non-cumulative. Holders of preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the preference share issuance proposal, the Bank distributed a dividend of USD72.78 million, aggregating to RMB493.44 million at the rate on dividend declared date. In practice, the dividend was distributed in the currency of the preference share. According to relevant laws, when the Bank distributes dividends for preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank shall pay the relevant taxes, in addition to the dividends for offshore preference shares.

### (c) Retained earnings

As at 31 December 2020, retained earnings of the Group included the statutory surplus reserve of RMB44 million appropriated by the subsidiaries and attributable to the Bank (31 December 2019: RMB28 million).

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 36 OTHER EQUITY INSTRUMENTS

### (a) Preference shares outstanding at the end of the year:

Financial instrument outstanding	Time issued	Classifications	Dividend	Issue price	Quantities	In original	In RMB million	Maturity	Conversion conditions
			yield ratio/ Interest rate			currency million			
Offshore preference shares	2017/10/18	Equity	5.50%	USD20/ share	59,550,000	1,191	7,860	None	Mandatory conversion trigger events
Less: issuing cost							(34)		
Book value							7,826		

### (b) Main clause

#### (1) Dividend

Fixed rate for a certain period after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate.

The fixed spread will remain unchanged throughout the term of the preference shares. Dividends will be paid annually.

If the Bank has distributable after-tax profit after making up for previous years' losses and contributing to the statutory reserve and general reserve, the Bank may pay dividends to the offshore preference shareholders in accordance with the articles of association of the Bank, provided that the capital adequacy ratio of the Bank meets regulatory requirements. The offshore preference shareholders shall rank in priority to the ordinary shareholders in terms of dividend distribution.

Any declaration and payment of all of the dividends on the offshore preference shares by the Bank will be determined by the board in accordance with the authorisation given by the general meeting. Any cancellation of all or part of the dividends on the offshore preference shares shall be subject to the consideration and approval by the general meeting. If the Bank cancels all or part of the distribution of dividends on the offshore preference shares, the Bank shall not distribute any dividends to the ordinary shareholders from the next day following the resolution being approved at the general meeting until the resumption of payment of dividends in full.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 36 OTHER EQUITY INSTRUMENTS (CONTINUED)

### (b) Main clause (Continued)

#### (2) *Dividend accumulation*

The dividends on the offshore preference shares will be non-cumulative (namely, in the event of any cancellation by the Bank of all or part of the dividends on the offshore preference shares, any amount of dividends not paid to the offshore preference shareholders in full in the current period will not be accumulated to the following dividend periods).

#### (3) *Distribution of residual profits*

After receiving the dividends at the prescribed dividend rate, the offshore preference shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders.

#### (4) *Mandatory conversion trigger events*

Upon the occurrence of an additional tier 1 capital trigger event (namely, the core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the offshore preference shares shall be converted ratably and on the same conditions. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

Upon the occurrence of a tier 2 capital trigger event, the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier 2 capital trigger event means the earlier of the following events: (1) the CBIRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 36 OTHER EQUITY INSTRUMENTS (CONTINUED)

### (b) Main clause (Continued)

#### (5) Conditional redemption

From the fifth year following the date of issuance of the offshore preference shares, and subject to obtaining the approval of the CBIRC or its affiliates and the compliance with the relevant requirements, the Bank shall have the right to redeem all or part of the offshore preference shares.

The redemption price of the offshore preference shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

## 37 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

### (a) Cash and cash equivalents comprise:

	31 December 2020	31 December 2019
Cash on hand	1,054,965	818,502
Surplus deposit reserves with central bank	13,403,352	12,739,930
Deposits with banks and other financial institutions with original maturity of three months or less	2,058,021	1,510,534
Placements with banks and other financial institutions with original maturity of three months or less	3,083,714	2,697,597
Total	19,600,052	17,766,563

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 37 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

### (b) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Liabilities				Equity			Total
	Debt securities issued (interest not included)	Interest payable arising from debt securities issued	Lease liabilities	Dividend payable	Share capital and capital reserve	Retained earnings	Non-controlling interests	
Balance at 1 January 2020	105,077,932	167,735	383,405	28,528	11,085,587	10,333,487	1,301,300	128,377,974
Cash flows from financing activities								
Proceeds received from issuance of Private A-share	-	-	-	-	4,632,441	-	-	4,632,441
Capital contribution by non-controlling interests	-	-	-	-	-	-	24,500	24,500
Proceeds received from debt securities issued	115,922,786	-	-	-	-	-	-	115,922,786
Interest paid on debt securities issued	(375,846)	(38,401)	-	-	-	(2,838,578)	(3,070)	(3,255,895)
Repayment of debt securities issued	(127,590,149)	-	-	-	-	-	-	(127,590,149)
Dividends paid on ordinary shares	-	-	-	(199)	-	(592,193)	(2,092)	(594,484)
Dividends paid on preference shares	-	-	-	-	-	(493,442)	-	(493,442)
Cash flows arising from other financing activities	-	-	(109,306)	-	-	(13,689)	(100)	(123,095)
Net cash flows used in financing activities	(12,043,209)	(38,401)	(109,306)	(199)	4,632,441	(3,937,902)	19,238	(11,477,338)
Total equity-related other change	-	-	-	-	-	5,259,911	156,486	5,416,397
Other changes	-	-	72,957	-	-	-	-	72,957
Balance at 31 December 2020	93,034,723	129,334	347,056	28,329	15,718,028	11,655,496	1,477,024	122,389,990



# Notes to the Financial Statements

For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

### (b) Reconciliation of movements of liabilities to cash flows arising from financing activities: (Continued)

	Liabilities				Equity			Total
	Debt securities issued (interest not included)	Interest payable arising from debt securities issued	Lease liabilities	Dividend payable	Share capital and capital reserve	Retained earnings	Non-controlling interests	
Balance at 31 December 2018	93,523,060	125,958	-	24,328	11,085,587	9,518,012	1,213,760	115,490,705
Changes in accounting policies	-	-	474,214	-	-	-	-	474,214
Balance at 1 January 2019	93,523,060	125,958	474,214	24,328	11,085,587	9,518,012	1,213,760	115,964,919
Cash flows from financing activities								
Proceeds received from debt securities issued	124,738,282	-	-	-	-	-	-	124,738,282
Interest paid on debt securities issued	(42,432)	41,777	-	-	-	(3,465,530)	-	(3,466,185)
Repayment of debt securities issued	(113,140,978)	-	-	-	-	-	-	(113,140,978)
Dividends paid on ordinary shares	-	-	-	4,200	-	(888,289)	-	(884,089)
Dividends paid on preference shares	-	-	-	-	-	(512,790)	-	(512,790)
Cash flows arising from other financing activities	-	-	(129,755)	-	-	(17,611)	-	(147,366)
Net cash flows generated from financing activities	11,554,872	41,777	(129,755)	4,200	-	(4,884,220)	-	6,586,874
Total equity-related other change	-	-	-	-	-	5,699,695	87,540	5,787,235
Other changes	-	-	38,946	-	-	-	-	38,946
Balance at 31 December 2019	105,077,932	167,735	383,405	28,528	11,085,587	10,333,487	1,301,300	128,377,974

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (a) Relationship of related parties

#### (i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding.

Shareholding in the Bank:

	31 December 2020	31 December 2019
Zhengzhou Finance Bureau	7.23%	8.29%
Zhengzhou Investment Holdings Co., Ltd.	5.44%	3.64%

#### (ii) Subsidiaries and associates of the Bank

The detailed information of the Bank's subsidiaries and associates is set out in Note 21.

#### (iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 38 (a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Bank (Note 32(a)).

### (b) Related party transactions and balances

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

#### (i) Transactions with major shareholders

	31 December 2020	31 December 2019
Balances at the end of the year:		
Deposits from customers	1,635,155	1,397,414
Other liabilities	63,686	67,078

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (b) Related party transactions and balances (Continued)

#### (i) Transactions with major shareholders (Continued)

	2020	2019
Transactions during the year:		
Interest expense	30,382	2,927

#### (ii) Transactions with subsidiaries

	31 December 2020	31 December 2019
Balances at the end of the year:		
Deposits/placements with banks and other financial institutions	100,000	-
Deposits/placements from banks and other financial institutions	923,777	2,293,573

	2020	2019
Transactions during the year:		
Interest expense	83,418	12,238

The above balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements.

#### (iii) Transactions with associates

	31 December 2020	31 December 2019
Balances at the end of the year:		
Deposits/placements with banks and other financial institutions	931	254,996
Deposits/placements from banks and other financial institutions	610,508	506,496

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (b) Related party transactions and balances (Continued)

#### (iii) Transactions with associates (Continued)

	2020	2019
Transactions during the year:		
Interest income	32	1,849
Interest expense	165,023	2,505

#### (iv) Transactions with other major related parties

	31 December 2020	31 December 2019
Balances at the end of the year:		
Loans and advances to customers	7,955,720	6,104,301
Financial investments measured at amortised cost	5,363,587	4,922,613
Financial investments at fair value through profit or loss	428,467	1,473,457
Deposits from customers	3,163,392	7,317,350
Deposits/placements from banks and other financial institutions	212,776	314,032

	2020	2019
Transactions during the year:		
Interest income	701,925	491,434
Interest expense	386,440	70,458

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (c) Key management personnel

#### (i) Transactions with key management personnel

	31 December 2020	31 December 2019
Balances at the end of the year:		
Loans and advances to customers	7,788	21,877
Deposits from customers	29,262	33,671
	2020	2019
Transactions during the year:		
Interest income	4,138	3,769
Interest expense	2,608	154

#### (ii) Key management personnel remuneration

	2020	2019
Salaries and other emoluments	11,393	11,963
Discretionary bonuses	24,539	25,156
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	1,449	1,633
Total	37,381	38,752

No post-employment benefits, termination benefits or other long-term benefits were provided to key management personnel for the year ended 31 December 2020 and 31 December 2019.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (c) Key management personnel (Continued)

#### (iii) Loans to key officers

Loans and advances to directors, supervisors and officers of the Bank, which are disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), are as follows:

	31 December 2020	31 December 2019
Aggregate amount of relevant loans outstanding as at the year end	7,788	21,877
Maximum aggregate amount of relevant loans outstanding during the year	8,334	22,677

There were no amount due but unpaid, nor any impairment provision made against the principal or interest on these loans at 31 December 2020 (2019: Nil).

## 39 SEGMENT REPORTING

### (a) Business Segment

The Group manages its business by business lines. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

#### *Corporate banking*

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade finance and deposit taking activities, financial leasing, agency services, and remittance and settlement services.

#### *Retail banking*

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services, remittance and settlement services, and collection and payment agency services.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (Continued)

#### *Treasury business*

This segment covers the Group's treasury business including interbank money market transactions, repurchases transactions and investments. The treasury segment also covers management of the Group's overall liquidity position, including issuance of debts.

#### *Others*

These represent equity investment and related income and any other business which cannot form a single reportable segment.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, with the exception of deferred income tax assets. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long-term assets.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (Continued)

*Others (Continued)*

	Year ended 31 December 2020				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	5,574,731	931,896	4,732,535	-	11,239,162
Internal net interest income/(expense)	621,747	541,127	(1,162,874)	-	-
Net interest income	6,196,478	1,473,023	3,569,661	-	11,239,162
Net fee and commission income	464,713	73,547	1,191,726	-	1,729,986
Net trading gains	79,569	-	288,770	-	368,339
Net gains arising from investments	-	-	1,187,922	-	1,187,922
Other operating income	-	-	-	54,260	54,260
Operating income	6,740,760	1,546,570	6,238,079	54,260	14,579,669
Operating expenses	(1,556,044)	(556,488)	(1,276,438)	(28,810)	(3,417,780)
Impairment losses on assets	(4,766,357)	(930,904)	(1,487,196)	-	(7,184,457)
Operating profit	418,359	59,178	3,474,445	25,450	3,977,432
Share of profits of associates	-	-	-	35,035	35,035
Profit before taxation	418,359	59,178	3,474,445	60,485	4,012,467
Other segment information					
- Depreciation and amortisation	171,892	212,276	55,366	-	439,534
- Capital expenditure	318,330	113,392	271,200	3,369	706,291



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (Continued)

*Others (Continued)*

	Year ended 31 December 2020				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	211,200,268	81,741,903	250,158,472	993,839	544,094,482
Deferred tax assets					3,718,962
Total assets					547,813,444
Segment liabilities/total liabilities	207,538,269	110,336,551	182,410,317	1,556,386	501,841,523
Credit commitments	130,081,311	3,890,102	-	-	133,971,413

	Year ended 31 December 2019 (Restated)				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	4,553,052	939,707	3,525,699	-	9,018,458
Internal net interest income/(expense)	845,460	547,248	(1,392,708)	-	-
Net interest income	5,398,512	1,486,955	2,132,991	-	9,018,458
Net fee and commission income	348,683	253,336	973,410	-	1,575,429
Net trading gains	84,367	-	624,118	-	708,485
Net gains arising from investments	-	-	2,097,656	-	2,097,656
Other operating income	-	-	-	40,186	40,186
Operating income	5,831,562	1,740,291	5,828,175	40,186	13,440,214
Operating expenses	(1,622,379)	(611,799)	(1,430,935)	(28,208)	(3,693,321)
Impairment losses on assets	(3,915,259)	(1,044,597)	(836,804)	-	(5,796,660)
Operating profit	293,924	83,895	3,560,436	11,978	3,950,233
Share of profits of associates	-	-	-	55,793	55,793
Profit before taxation	293,924	83,895	3,560,436	67,771	4,006,026
Other segment information					
- Depreciation and amortisation	215,393	176,769	82,628	-	474,790
- Capital expenditure	325,976	122,916	296,560	4,150	749,602

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (Continued)

*Others (Continued)*

	31 December 2019				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	181,624,941	73,209,830	241,489,123	1,319,243	497,643,137
Deferred tax assets					2,834,990
Total assets					500,478,127
Segment liabilities/total liabilities	194,899,035	98,403,392	165,592,284	1,691,794	460,586,505
Credit commitments	114,594,454	2,785,006	–	–	117,379,460

### (b) Geographical information

Geographically, the Group mainly conducts its business in Henan Province of the PRC and majority of its customers and assets are located in Henan Province of the PRC.

## 40 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Group in terms of risk management and oversees the Group's risk management functions through the Risk Management Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Management Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and debt investments portfolios and guarantees granted.

#### *Credit business*

The Board is responsible for establishing the Group's risk management strategies and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that credit risk in various businesses are properly identified, assessed, calculated and monitored. The Credit Management Department is responsible for credit risk management. Departments such as the Credit Approval Department, the Corporate Business Department, the Retail Banking Department, the Financial Department of Small Business, Investment Bank Department, and the Financial Markets Department carry out credit businesses and investments portfolios business according to the Group's risk management policies and procedures. The Group adopts a loan risk classification approach to manage its loan portfolio risk.

#### *Treasury Business*

The Group's treasury business are exposed to the credit risk associated with the investment business and interbank business. The Group manages the credit risk exposures by setting up credit on its treasury business and interbank business. Credit risk exposure is closely monitored on a systematic, real-time basis. Credit risk limits are reviewed and updated regularly.

#### *Measurement of ECL*

Based on whether there is a significant increase in credit risk since initial recognition and whether the asset has incurred credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively.

The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of expected credit losses within the next 12 months, and measures loss provision for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Measurement of ECL (Continued)*

##### *(i) Significant increase in credit risk*

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial instruments has increased significantly.

If the borrower is listed in the watch list and one or more of the following criteria are met:

- The credit spread increases significantly
- Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status
- Application of a grace period or debt-restructuring
- Significant changes with an adverse effect in the borrower's business conditions
- Less value of the collaterals (for the collateral loans and pledged loans only)
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans
- The borrower is more than 30 days past due.

The Group uses watch lists to monitor credit risk of financial instruments related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by the management for the appropriateness.

As at 31 December 2020, the Group has not considered that any of its financial instruments has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

##### *(ii) Definition of "default" and "credit-impaired assets"*

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets.

##### (1) Quantitative criterion

The financial asset is more than 90 days past due.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Measurement of ECL (Continued)*

#### *(ii) Definition of “default” and “credit-impaired assets” (Continued)*

#### (2) Qualitative criterion

The borrower meets the criterion of “having difficulty in repayment”, which indicates that the borrower has significant financial difficulty, including:

- the borrower has been in the grace period for a long time
- the death of the borrower
- the borrower enters bankruptcy
- the borrower breaches (one or more) terms of the contract that the debtor shall be subject to
- the disappearance of an active market for the related financial asset because of financial difficulties faced by the borrower
- the creditor make concessions due to the financial difficulties faced by the borrower
- it becoming probable that the borrower will enter bankruptcy
- a higher discount was obtained during the acquisition of assets, and the assets has incurred credit loss when they are acquired

The above criteria apply to all financial instruments of the Group and they are consistent with the definition of “default” adopted by the internal management of credit risk.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Measurement of ECL (Continued)*

##### *(iii) Notes to the parameters, assumptions and valuation techniques*

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future months. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future months. The results of calculation for each month are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

- In respect of the loans with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the borrower.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Measurement of ECL (Continued)*

#### *(iii) Notes to the parameters, assumptions and valuation techniques (Continued)*

- In respect of the products of revolving credit agreement, the Group estimates the remaining withdrawal within the limits by using the balance of the loan after previous withdrawals and the “credit conversion factor”, so as to predict the exposure at default. Based on the Group’s analysis on recent default data, these assumptions vary based on differences in product type and utilisation rate of the limits.
- The Group determines the 12-month LGD and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to loans classified as guarantees, the Group determines the LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to fiduciary loans, the Group usually determines LGD in the product level due to the limited differences in recoverable amounts from different borrowers. The LGD is affected by the recovery strategies, which include the transfer plan and pricing of loans.
- Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD. Forward-looking information that need to be considered is different due to different product types.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Both the assessment of the significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including GDP, industrial added value, CPI, etc.

There has been no significant changes in the valuation techniques and key assumptions during the reporting period.

#### (1) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of each of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of each of the reporting period is disclosed in Note 42(a).

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

(2) Loans and advances to customers

(i) Loans and advances to customers were analysed as follows:

	31 December 2020	31 December 2019
Gross balance of loans and advances that are assessed for 12-month ECL		
– Overdue but not credit-impaired	149,166	561,687
– Neither overdue nor credit-impaired	225,066,268	184,704,745
Sub-total	225,215,434	185,266,432
Gross balance of loans and advances that are not credit-impaired and assessed for lifetime ECL		
– Overdue but not credit-impaired	1,556,280	1,814,480
– Neither overdue nor credit-impaired	4,445,098	3,198,353
Sub-total	6,001,378	5,012,833
Gross balance of credit-impaired loans and advances that are assessed for lifetime ECL		
– Overdue and credit-impaired	5,535,445	4,767,360
– Not overdue but credit-impaired	1,206,933	865,040
Sub-total	6,742,378	5,632,400
Interest accrued	1,046,446	682,722
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(7,755,623)	(7,327,846)
Net loans and advances to customers	231,250,013	189,266,541



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

(2) Loans and advances to customers (Continued)

(ii) Neither overdue nor credit-impaired

Credit risk of loans and advances to customers neither overdue nor credit-impaired was analysed as follows:

	31 December 2020	31 December 2019
Corporate loans and advances	164,201,583	129,771,878
Personal loans and advances	65,309,783	58,131,220
Total gross balance	229,511,366	187,903,098

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

(2) Loans and advances to customers (Continued)

(iii) Overdue but not credit-impaired

The following tables present the overdue analysis of each type of loans and advances to customers of the Group which were overdue but not credit-impaired.

	31 December 2020		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	688,978	597,641	1,286,619
Personal loans and advances	176,637	242,190	418,827
<b>Total gross balance</b>	<b>865,615</b>	<b>839,831</b>	<b>1,705,446</b>

	31 December 2019		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	1,497,890	512,794	2,010,684
Personal loans and advances	242,301	123,182	365,483
<b>Total gross balance</b>	<b>1,740,191</b>	<b>635,976</b>	<b>2,376,167</b>

Fair value of collateral held against loans and advances overdue but not credit-impaired was analysed as follows:

	31 December 2020	31 December 2019
Fair value of collateral held against loans and advances overdue but not credit-impaired	1,518,197	1,073,325

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

(2) Loans and advances to customers (Continued)

(iii) Overdue but not credit-impaired (Continued)

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iv) Credit-impaired loans

Credit-impaired loans were analysed as follows:

	31 December 2020	31 December 2019
Gross balance		
Corporate loans and advances	5,142,051	4,535,280
Personal loans and advances	1,600,327	1,097,120
Sub-total	6,742,378	5,632,400
Interest accrued		
Corporate loans and advances	75,910	43,519
Personal loans and advances	209	414
Sub-total	76,119	43,933
Provision for impairment losses		
Corporate loans and advances	(2,440,746)	(2,846,615)
Personal loans and advances	(739,587)	(620,462)
Sub-total	(3,180,333)	(3,467,077)
Net balance		
Corporate loans and advances	2,777,215	1,732,184
Personal loans and advances	860,949	477,072
Total	3,638,164	2,209,256
Fair value of collateral held against credit-impaired loans and advances	7,537,363	3,809,261

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans (Continued)

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(3) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	31 December 2020	31 December 2019
<b>Carrying amount</b>		
– grade A to AAA	9,999,053	5,837,647
– unrated	4,027,759	1,876,172
<b>Total</b>	<b>14,026,812</b>	7,713,819

As at 31 December 2020 and 31 December 2019, amounts due from banks and other financial institutions of the Group were neither overdue nor credit-impaired.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (4) Debt securities investments

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers as at 31 December 2020:

	31 December 2020	31 December 2019
<b>Carrying amount</b>		
<i>Neither overdue nor credit-impaired</i>		
– Government	40,932,705	31,951,650
– Policy banks	40,317,999	34,788,348
– Banks and other financial institutions	1,871,564	3,003,307
– Corporate	6,568,061	8,646,124
Sub-total	89,690,329	78,389,429
Less: Provision for impairment losses	(258,989)	(4,781)
<b>Total</b>	<b>89,431,340</b>	<b>78,384,648</b>

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

(5) Financial investments measured at amortised cost

The Group

	31 December 2020	31 December 2019
Balance of financial investments measured at amortised cost that are assessed for 12-months ECL		
– Overdue but not credit-impaired	–	1,120,000
– Neither overdue nor credit-impaired	151,903,464	161,699,780
Less: Provision for impairment losses	(781,360)	(970,460)
Sub-total	151,122,104	161,849,320
Balance of not credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue but not credit-impaired	–	1,518,009
– Neither overdue nor credit-impaired	2,488,948	2,619,174
Less: Provision for impairment losses	(355,976)	(754,280)
Sub-total	2,132,972	3,382,903
Balance of credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue and credit-impaired	11,905,975	7,343,541
Less: Provision for impairment losses	(2,744,272)	(839,202)
Sub-total	9,161,703	6,504,339
Interest accrued	1,813,790	1,431,860
Total	164,230,569	173,168,422
Fair value of collaterals held against credit-impaired financial investments that are measured at amortised cost	13,012,098	9,356,790

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Management Committee to supervise the market risk management conducted by the senior management. The Risk Management Department, the Financial Markets Department and the Asset and Liability Management Department are responsible for identifying, measuring, monitoring and reporting the market risk.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (1) Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

#### (i) Repricing risk

Repricing risk, which is also known as “maturity mismatch risk”, is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The Asset and Liability Management Department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (1) Interest rate risk (Continued)

##### (i) Repricing risk (Continued)

The following tables indicate the assets and liabilities analysis as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	31 December 2020					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
<b>Assets</b>						
Cash and deposits with central bank	36,492,083	1,512,541	34,979,542	-	-	-
Deposits/placements with banks and other financial institutions	5,441,165	1,034	5,140,131	300,000	-	-
Financial assets held under resale agreements	8,585,647	1,448	8,584,199	-	-	-
Loans and advances to customers (1)	231,250,013	1,046,447	41,441,609	110,329,250	71,147,326	7,285,381
Investments (2)	233,077,557	2,380,546	44,294,016	39,090,587	98,221,903	49,090,505
Finance lease receivables (1)	22,565,825	280,757	19,360,144	2,924,924	-	-
Others	10,401,154	10,401,154	-	-	-	-
<b>Total assets</b>	<b>547,813,444</b>	<b>15,623,927</b>	<b>153,799,641</b>	<b>152,644,761</b>	<b>169,369,229</b>	<b>56,375,886</b>
<b>Liabilities</b>						
Due to central bank	25,966,645	234,295	6,127,627	19,604,723	-	-
Deposits/placements from banks and other financial institutions	40,677,997	352,834	17,222,793	23,102,370	-	-
Financial assets sold under repurchase agreements	21,303,430	7,336	21,296,094	-	-	-
Deposits from customers	316,512,735	2,747,184	128,633,885	46,898,982	138,232,684	-
Debt securities issued	93,164,057	129,334	3,400,033	81,239,596	8,395,094	-
Others	4,216,659	4,216,659	-	-	-	-
<b>Total liabilities</b>	<b>501,841,523</b>	<b>7,687,642</b>	<b>176,680,432</b>	<b>170,845,671</b>	<b>146,627,778</b>	<b>-</b>
<b>Asset-liability gap</b>	<b>45,971,921</b>	<b>7,936,285</b>	<b>(22,880,791)</b>	<b>(18,200,910)</b>	<b>22,741,451</b>	<b>56,375,886</b>

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (1) Interest rate risk (Continued)

##### (i) Repricing risk (Continued)

	31 December 2019					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
<b>Assets</b>						
Cash and deposits with central bank	38,465,676	1,127,954	37,337,722	-	-	-
Deposits/placements with banks and other financial institutions	4,715,075	353,589	3,858,094	427,494	75,898	-
Financial assets held under resale agreements	2,998,744	494	2,998,250	-	-	-
Loans and advances to customers (1)	189,266,541	682,722	108,592,398	64,078,713	13,977,993	1,934,715
Investments (2)	244,359,200	45,028,665	29,026,705	30,062,811	105,917,153	34,323,866
Finance lease receivables (1)	12,501,697	96,350	10,535,968	1,722,312	147,067	-
Others	8,171,194	8,076,592	87,775	6,827	-	-
<b>Total assets</b>	<b>500,478,127</b>	<b>55,366,366</b>	<b>192,436,912</b>	<b>96,298,157</b>	<b>120,118,111</b>	<b>36,258,581</b>
<b>Liabilities</b>						
Due to central bank	9,954,864	102,364	-	9,852,500	-	-
Deposits/placements from banks and other financial institutions	33,019,136	270,076	11,049,644	21,699,416	-	-
Financial assets sold under repurchase agreements	16,385,737	5,314	16,353,958	26,465	-	-
Deposits from customers	292,125,786	3,706,560	142,364,966	46,724,099	99,327,567	2,594
Debt securities issued	105,245,667	167,735	4,253,044	93,829,860	6,995,028	-
Others	3,855,315	3,850,371	3,004	1,940	-	-
<b>Total liabilities</b>	<b>460,586,505</b>	<b>8,102,420</b>	<b>174,024,616</b>	<b>172,134,280</b>	<b>106,322,595</b>	<b>2,594</b>
<b>Asset-liability gap</b>	<b>39,891,622</b>	<b>47,263,946</b>	<b>18,412,296</b>	<b>(75,836,123)</b>	<b>13,795,516</b>	<b>36,255,987</b>

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (1) Interest rate risk (Continued)

##### (i) Repricing risk (Continued)

- (1) For the Group's loans and advances to customers, the category "Within three months (inclusive)" as at 31 December 2020 includes overdue amounts (net of allowance for impairment losses) of RMB4,371 million (31 December 2019: RMB3,842 million). For the Group's finance lease receivables, the category "Within three months (inclusive)" as at 31 December 2020 includes overdue amounts (net of allowance for impairment losses) of RMB375 million (31 December 2019: RMB248 million).
- (2) As at 31 December 2020, investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates, the category "Within three months (inclusive)" as at 31 December 2020 includes overdue amounts (net of allowance for impairment losses) of RMB6,980 million (31 December 2019: RMB9,124 million).

##### (ii) Interest rate sensitivity analysis

	<b>31 December 2020 (Decrease)/increase</b>	31 December 2019 (Decrease)/increase
Changes in net interest income		
Up 100 bps parallel shift in yield curves	<b>(273,964)</b>	(288,486)
Down 100 bps parallel shift in yield curves	<b>273,964</b>	288,486
Changes in equity		
Up 100 bps parallel shift in yield curves	<b>(1,316,977)</b>	(738,473)
Down 100 bps parallel shift in yield curves	<b>1,409,430</b>	776,869

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (1) Interest rate risk (Continued)

##### (ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest risk exposure profile of assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net interest income and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The effect of equity is the effect of the assumed changes in interest rates on the Group's net interest income and other comprehensive income, calculated by revaluing financial investments at fair value through other comprehensive income and loans and advances to customers measured at fair value through other comprehensive income held at year end. The sensitivity analysis is based on the following assumptions:

- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the beginning of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio, all the position will be held and keep unchanged after matured; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net interest income and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (2) Currency risk

The Group's currency risk mainly arises from foreign currency investments and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

	31 December 2020			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with central bank	36,359,440	129,070	3,573	36,492,083
Deposits/placements with banks and other financial institutions	2,841,115	2,431,742	168,308	5,441,165
Financial assets held under resale agreements	8,585,647	-	-	8,585,647
Loans and advances to customers	230,301,097	948,916	-	231,250,013
Investments (i)	223,832,722	9,244,835	-	233,077,557
Finance lease receivables	22,565,825	-	-	22,565,825
Others	9,957,151	444,003	-	10,401,154
<b>Total assets</b>	<b>534,442,997</b>	<b>13,198,566</b>	<b>171,881</b>	<b>547,813,444</b>
<b>Liabilities</b>				
Due to central bank	25,966,645	-	-	25,966,645
Deposits/placements from banks and other financial institutions	40,677,997	-	-	40,677,997
Financial assets sold under repurchase agreements	21,303,430	-	-	21,303,430
Deposits from customers	313,783,754	2,728,460	521	316,512,735
Debt securities issued	93,164,057	-	-	93,164,057
Others	3,545,635	185,999	485,025	4,216,659
<b>Total liabilities</b>	<b>498,441,518</b>	<b>2,914,459</b>	<b>485,546</b>	<b>501,841,523</b>
<b>Net position</b>	<b>36,001,479</b>	<b>10,284,107</b>	<b>(313,665)</b>	<b>45,971,921</b>
Off-balance sheet credit commitments	130,772,523	3,164,086	34,804	133,971,413

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (2) Currency risk (Continued)

	31 December 2019			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with central bank	38,349,178	112,485	4,013	38,465,676
Deposits/placements with banks and other financial institutions	3,374,752	1,326,483	13,840	4,715,075
Financial assets held under resale agreements	2,998,744	–	–	2,998,744
Loans and advances to customers	187,960,887	1,305,654	–	189,266,541
Investments (i)	234,023,395	10,353,085	–	244,376,480
Finance lease receivables	12,501,697	–	–	12,501,697
Others	7,966,099	187,815	–	8,153,914
<b>Total assets</b>	<b>487,174,752</b>	<b>13,285,522</b>	<b>17,853</b>	<b>500,478,127</b>
<b>Liabilities</b>				
Due to central bank	9,954,864	–	–	9,954,864
Deposits/placements from banks and other financial institutions	32,850,447	168,689	–	33,019,136
Financial assets sold under repurchase agreements	16,385,737	–	–	16,385,737
Deposits from customers	289,958,660	2,167,002	124	292,125,786
Debt securities issued	105,245,667	–	–	105,245,667
Others	3,645,165	209,446	704	3,855,315
<b>Total liabilities</b>	<b>458,040,540</b>	<b>2,545,137</b>	<b>828</b>	<b>460,586,505</b>
<b>Net position</b>	<b>29,134,212</b>	<b>10,740,385</b>	<b>17,025</b>	<b>39,891,622</b>
Off-balance sheet credit commitments	113,976,135	3,323,311	80,014	117,379,460

- (i) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (2) Currency risk (Continued)

	31 December 2020 Increase/(decrease)	31 December 2019 Increase/(decrease)
Change in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	11,460	11,565
Down 100 bps change of foreign exchange rate	(11,460)	(11,565)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB based on the closing rate of reporting date;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously;
- The foreign currency exposures calculated includes spot and forward foreign exchange exposures and swaps, and all the position will be held and keep unchanged after mature; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

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

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Group has implemented the centralised management of the Group-wide liquidity risk and established a liquidity risk management structure which mainly comprises decision-making organization, execution organization and supervision organization. The responsibilities of them are as follows:

- The Board and its Risk Management Committee are the decision-making bodies for liquidity risk management that assume the ultimate responsibility for liquidity risk management and are responsible for formulating the guidelines and policies for liquidity risk management;
- Senior management and its Asset and Liability Management Committee, Asset and Liability Management Department and other relevant business departments are the executive bodies for liquidity risk management. Senior management is responsible for organization and implementation of liquidity risk management; the Asset and Liability Management Department is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators, formulating, implementing and evaluating relevant systems, setting the Group-wide risk warning limits, guiding various business departments to manage liquidity risk on a daily basis, regularly carrying out risk analysis and reporting to the Asset and Liability Management Committee;
- The Board of Supervisors, the Internal Audit Office under the Board and the Legal Affairs and Compliance Department are the supervisory bodies for liquidity risk management and are responsible for supervising and evaluating the fulfilment of duties of the Board and senior management in liquidity risk management.

The Group manages liquidity risk by monitoring the maturities of the assets and liabilities, while actively monitoring multiple liquidity indicators, including liquidity ratio, reserve ratio, liquidity coverage ratio, net stable funding ratio and liquidity matching ratio, etc.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.



# Notes to the Financial Statements

For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (1) Maturity analysis

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

	31 December 2020						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
<b>Assets</b>							
Cash and deposits with central bank	22,017,154	14,463,038	11,891	-	-	-	36,492,083
Deposits/placements with banks and other financial institutions	-	2,025,591	3,115,574	300,000	-	-	5,441,165
Financial assets held under resale agreements	-	-	8,585,647	-	-	-	8,585,647
Loans and advances to customers	3,832,592	3,488,064	26,307,638	67,381,558	79,887,990	50,352,171	231,250,013
Investments (i)	7,703,144	-	22,722,008	50,156,403	102,503,340	49,992,662	233,077,557
Finance lease receivables	134,979	28,408	2,748,760	5,170,898	14,175,721	307,059	22,565,825
Others	8,082,516	96,535	910,050	201,270	300,353	810,430	10,401,154
<b>Total assets</b>	<b>41,770,385</b>	<b>20,101,636</b>	<b>64,401,568</b>	<b>123,210,129</b>	<b>196,867,404</b>	<b>101,462,322</b>	<b>547,813,444</b>
<b>Liabilities</b>							
Due to central bank	-	-	6,230,815	19,735,830	-	-	25,966,645
Deposits/placements from banks and other financial institutions	-	1,915,795	15,659,832	23,102,370	-	-	40,677,997
Financial assets sold under repurchase agreements	-	-	21,303,430	-	-	-	21,303,430
Deposits from customers	-	107,261,711	24,119,358	46,898,982	138,232,684	-	316,512,735
Debt securities issued	-	-	3,400,033	81,368,930	8,395,094	-	93,164,057
Others	-	1,246,035	795,264	422,443	719,705	1,033,212	4,216,659
<b>Total liabilities</b>	<b>-</b>	<b>110,423,541</b>	<b>71,508,732</b>	<b>171,528,555</b>	<b>147,347,483</b>	<b>1,033,212</b>	<b>501,841,523</b>
<b>Long/(short) position</b>	<b>41,770,385</b>	<b>(90,321,905)</b>	<b>(7,107,164)</b>	<b>(48,318,426)</b>	<b>49,519,921</b>	<b>100,429,110</b>	<b>45,971,921</b>

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (1) Maturity analysis (Continued)

	31 December 2019						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
<b>Assets</b>							
Cash and deposits with central bank	24,893,970	13,558,432	13,274	-	-	-	38,465,676
Deposits/placements with banks and other financial institutions	-	1,429,949	2,781,540	427,511	76,075	-	4,715,075
Financial assets held under resale agreements	-	-	2,998,744	-	-	-	2,998,744
Loans and advances to customers	2,305,222	4,284,258	23,207,561	58,752,108	57,277,463	43,439,929	189,266,541
Investments (i)	6,901,805	2,420,221	20,356,352	57,886,052	122,276,710	34,518,060	244,359,200
Finance lease receivables	248,205	-	2,067,803	3,813,474	6,098,528	273,687	12,501,697
Others	6,508,027	62,476	565,047	954,336	79,391	1,917	8,171,194
<b>Total assets</b>	<b>40,857,229</b>	<b>21,755,336</b>	<b>51,990,321</b>	<b>121,833,481</b>	<b>185,808,167</b>	<b>78,233,593</b>	<b>500,478,127</b>
<b>Liabilities</b>							
Due to central bank	-	-	842	9,954,022	-	-	9,954,864
Deposits/placements from banks and other financial institutions	-	2,186,743	9,046,003	21,786,390	-	-	33,019,136
Financial assets sold under repurchase agreements	-	-	16,359,157	26,580	-	-	16,385,737
Deposits from customers	-	109,850,500	36,221,025	46,724,100	99,327,567	2,594	292,125,786
Debt securities issued	-	-	4,253,044	93,997,595	6,995,028	-	105,245,667
Others	-	1,549,946	641,932	552,753	997,908	112,776	3,855,315
<b>Total liabilities</b>	<b>-</b>	<b>113,587,189</b>	<b>66,522,003</b>	<b>173,041,440</b>	<b>107,320,503</b>	<b>115,370</b>	<b>460,586,505</b>
<b>Long/(short) position</b>	<b>40,857,229</b>	<b>(91,831,853)</b>	<b>(14,531,682)</b>	<b>(51,207,959)</b>	<b>78,487,664</b>	<b>78,118,223</b>	<b>39,891,622</b>

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (1) Maturity analysis (Continued)

- (i) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates. The “indefinite” period amount represents the balance being credit-impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not credit-impaired is included in “repayable on demand”.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBoC. Equity investments are reported under indefinite period.
- (iii) For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.
- (iv) For finance lease receivables, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (2) Analysis on contractual counted cash flows of financial liabilities

- (i) The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	31 December 2020						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to central bank Deposits/placements from banks and other financial institutions	25,966,645	26,617,229	-	6,373,435	20,243,794	-	-
Financial assets sold under repurchase agreements	40,677,997	41,647,223	2,049,956	15,833,978	23,763,289	-	-
Deposits from customers	21,303,430	21,322,010	-	21,322,010	-	-	-
Debt securities issued	316,512,735	327,867,827	107,342,309	22,339,322	47,862,173	150,324,023	-
	93,164,057	94,794,493	-	3,496,033	82,615,767	8,682,693	-
<b>Total</b>	<b>497,624,864</b>	<b>512,248,782</b>	<b>109,392,265</b>	<b>69,364,778</b>	<b>174,485,023</b>	<b>159,006,716</b>	<b>-</b>

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (2) Analysis on contractual counted cash flows of financial liabilities (Continued)

- (i) The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period: (Continued)

	31 December 2019						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to central bank	9,954,864	10,265,894	-	7,832	10,258,062	-	-
Deposits/placements from banks and other financial institutions	33,019,136	33,611,901	2,187,917	12,158,646	19,265,338	-	-
Financial assets sold under repurchase agreements	16,385,737	16,395,265	-	16,368,231	27,034	-	-
Deposits from customers	292,125,786	309,912,350	109,983,197	34,686,235	49,245,692	115,994,149	3,077
Debt securities issued	105,245,667	107,342,029	-	4,349,044	95,534,957	7,458,028	-
<b>Total</b>	<b>456,731,190</b>	<b>477,527,439</b>	<b>112,171,114</b>	<b>67,569,988</b>	<b>174,331,083</b>	<b>123,452,177</b>	<b>3,077</b>

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (2) Analysis on contractual counted cash flows of financial liabilities (Continued)

- (ii) The following tables provide an analysis of the contractual undiscounted cash flow of the derivative financial instruments at the end of the reporting period:

	31 December 2020						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative cash flows: Derivative financial instruments settled on net basis	362,970	377,360	-	377,360	-	-	-

	31 December 2019						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative cash flows: Derivative financial instruments settled on net basis	89,658	90,809	-	85,794	5,015	-	-

This analysis of financial liabilities by contractual undiscounted cash flow might vary from actual results.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Group's measures to manage the operational risk mainly include:

- making use of risk alert system and paying attention to risk product and early risk alert on each aspect of business; making business risk assessment in time; carrying out centralised risk management on major business controlling unit so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralized operational risk management tools, supervising, analysing and reporting the sufficiency and effectiveness of operational risk management;
- the Compliance Department, the Risk Management Department and the Internal Audit Office constitute “three lines of defense” for operational risk management base on the separating responsibilities of the front, middle and the back offices. The Business and functional departments act as the first line of defense, the Compliance Department and the Risk Management Department act as the second line of defense and the Internal Audit Office acts as the third line of defense;
- establishing a compulsory leave and rotation policies to staff in key position or important process;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (e) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting capacity of the Group for prudent operation and risk prevention. The return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development needs.



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 31 December 2020 and 31 December 2019 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法) issued by the former CBRC in 2012 and relevant requirements promulgated by the CBIRC. The calculations based on statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises are as follows:

	Note	31 December 2020	31 December 2019
Total core tier-one capital			
– Share capital		7,514,125	5,921,932
– Valid portion of capital reserve		8,203,903	5,163,655
– Fair value reserve		(698,206)	97,063
– Remeasurement of net defined benefit liability		(60,953)	(46,424)
– Surplus reserve		2,976,573	2,675,548
– General reserve		7,078,451	6,619,553
– Retained earnings		11,655,496	10,333,487
– Valid portion of minority interests		947,757	601,657
Core tier-one capital		37,617,146	31,366,471
Core tier-one capital deductions		(1,074,912)	(918,036)
Net core tier-one capital		36,542,234	30,448,435
Additional tier-one capital			
– Additional tier-one capital instruments and related premium		7,825,508	7,825,508
– Valid portion of minority interests		125,176	79,185
Net tier-one capital		44,492,918	38,353,128
Tier two capital			
– Qualifying portions of tier-two capital instruments issued		5,000,000	5,000,000
– Surplus provision for loan impairment		2,932,817	2,701,779
– Valid portion of minority interests		253,634	160,589
Net tier-two capital		8,186,451	7,862,368
Net capital base		52,679,369	46,215,496
Total risk weighted assets	(1)	409,505,750	381,759,225
Core tier-one capital adequacy ratio		8.92%	7.98%
Tier-one capital adequacy ratio		10.87%	10.05%
Capital adequacy ratio		12.86%	12.11%

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40 RISK MANAGEMENT (CONTINUED)

### (e) Capital management (Continued)

- (1) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (2) Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行) 》, the CBIRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 31 December 2020 and 31 December 2019.

## 41 FAIR VALUE

### (a) Methods and assumptions for measurement of fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

The Group adopts the following methods and assumptions when evaluating fair values:

#### (1) Debt securities investments

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 41 FAIR VALUE (CONTINUED)

### (a) Methods and assumptions for measurement of fair value (Continued)

#### (2) *Receivables and other non-derivative financial assets*

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of each of the reporting period.

#### (3) *Debt securities issued and other non-derivative financial liabilities*

Fair values of debt securities issued are based on their quoted market prices at the end of each of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of each of the reporting period.

### (b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	7,326,043	6,564,522	–	13,890,565
– Investment funds	–	9,402,658	–	9,402,658
– Other financial investments at fair value through profit or loss	–	–	23,170,085	23,170,085
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	15,585,908	6,096,908	–	21,682,816
– Equity investments	–	–	8,400	8,400
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	–	18,982,289	18,982,289
Derivative financial assets	–	362,970	–	362,970
Total	22,911,951	22,427,058	42,160,774	87,499,783

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 41 FAIR VALUE (CONTINUED)

### (b) Financial instruments recorded at fair value (Continued)

	31 December 2019			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	8,276,336	4,078,569	–	12,354,905
– Investment funds	–	6,242,542	–	6,242,542
– Other financial investments at fair value through profit or loss	–	–	36,464,847	36,464,847
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	7,504,187	7,911,926	–	15,416,113
– Equity investments	–	–	8,400	8,400
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	–	14,820,967	14,820,967
Derivative financial assets	–	94,602	–	94,602
<b>Total</b>	<b>15,780,523</b>	<b>18,327,639</b>	<b>51,294,214</b>	<b>85,402,376</b>
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	(4,944)	–	(4,944)
<b>Total</b>	<b>–</b>	<b>(4,944)</b>	<b>–</b>	<b>(4,944)</b>

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 41 FAIR VALUE (CONTINUED)

### (c) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year:

	1 January 2020	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ settlement	Transferred from Level 2 to Level 3	31 December 2020	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
- Other financial investments at fair value through profit or loss	36,464,847	989,538	-	13,924,455	(28,208,755)	-	23,170,085	(667,506)
Financial investments at fair value through other comprehensive income								
- Equity investments	8,400	-	-	-	-	-	8,400	-
Loans and advances to customers measured at fair value through other comprehensive income	14,820,967	79,569	(105,844)	69,290,013	(65,102,416)	-	18,982,289	-
<b>Total</b>	<b>51,294,214</b>	<b>1,069,107</b>	<b>(105,844)</b>	<b>83,214,468</b>	<b>(93,311,171)</b>	<b>-</b>	<b>42,160,774</b>	<b>(667,506)</b>

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 41 FAIR VALUE (CONTINUED)

### (c) Movement in level 3 financial instruments measured at fair value (Continued)

	1 January 2019	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ settlement	Transferred from Level 2 to Level 3	31 December 2019	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
- Other financial investments at fair value through profit or loss	35,844,826	2,000,660	-	21,596,442	(22,977,081)	-	36,464,847	806,913
Financial investments at fair value through other comprehensive income								
- Equity investments	8,400	-	-	-	-	-	8,400	-
Loans and advances to customers measured at fair value through other comprehensive income	12,396,145	84,367	(69,387)	14,235,467	(11,825,625)	-	14,820,967	-
<b>Total</b>	<b>48,249,371</b>	<b>2,085,027</b>	<b>(69,387)</b>	<b>35,831,909</b>	<b>(34,802,706)</b>	<b>-</b>	<b>51,294,214</b>	<b>806,913</b>

During the reporting period, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

During the reporting period, total gains recorded in profit or loss is recognised in the line item “net gains arising from investments” on the face of the consolidated statement of profit or loss and other comprehensive income.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 41 FAIR VALUE (CONTINUED)

### (d) Fair value of financial assets and liabilities not carried at fair value

	31 December 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt instruments	53,711,741	53,275,718	21,197,823	32,077,895	–
<b>Total</b>	<b>53,711,741</b>	<b>53,275,718</b>	<b>21,197,823</b>	<b>32,077,895</b>	<b>–</b>
Financial liabilities					
Debt securities issued					
– Financial bonds	3,447,043	3,469,554	–	3,469,554	–
– Tier-two capital bonds	5,077,385	5,101,363	–	5,101,363	–
– Interbank deposits	84,639,629	84,703,108	–	84,703,108	–
<b>Total</b>	<b>93,164,057</b>	<b>93,274,025</b>	<b>–</b>	<b>93,274,025</b>	<b>–</b>
	31 December 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt instruments	50,286,533	50,526,990	20,655,017	29,871,973	–
<b>Total</b>	<b>50,286,533</b>	<b>50,526,990</b>	<b>20,655,017</b>	<b>29,871,973</b>	<b>–</b>
Financial liabilities					
Debt securities issued					
– Financial bonds	5,086,557	5,132,011	–	5,132,011	–
– Tier-two capital bonds	5,076,207	5,092,029	–	5,092,029	–
– Interbank deposits	95,082,903	95,153,623	–	95,153,623	–
<b>Total</b>	<b>105,245,667</b>	<b>105,377,663</b>	<b>–</b>	<b>105,377,663</b>	<b>–</b>

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 41 FAIR VALUE (CONTINUED)

### (d) Fair value of financial assets and liabilities not carried at fair value (Continued)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods are adopted to determine the fair values of these assets and liabilities.

The fair values of debt securities in financial investments measured at amortised cost and debt securities issued are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

Financial investments measured at amortized cost with the exception of debt securities are stated at amortised cost using the effective interest method. The fair value of financial investments measured at amortized cost are estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of financial investments measured at amortized cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

The above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently, are as follows:

<b>Assets</b>	<b>Liabilities</b>
Cash and deposits with central bank	Due to central bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers (measured at amortized cost)	Deposits from customers
Finance lease receivables	Other financial liabilities
Other financial assets	



# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 42 COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Credit commitments

The Group's credit commitments take the form of bank acceptances, unused credit card limits, letters of credit and letters of guarantees.

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from its customers. The contractual amounts of unused credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	31 December 2020	31 December 2019
Bank acceptances	118,049,727	103,738,951
Letters of credit	9,814,187	8,162,623
Guarantees	2,217,397	2,692,880
Unused credit card commitments	3,890,102	2,785,006
Total	133,971,413	117,379,460

The Group may be exposed to credit risk in all the above credit businesses. Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

### (b) Credit risk-weighted amount

	31 December 2020	31 December 2019
Credit risk-weighted amount of contingent liabilities and commitments	16,463,452	15,365,937

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the CBIRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 42 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

### (c) Capital commitments

As at 31 December 2020 and 31 December 2019, the authorised capital commitments of the Group are as follows:

	31 December 2020	31 December 2019
Contracted but not paid for	111,710	140,385
Approved but not contracted for	67,538	50,380
Total	179,248	190,765

### (d) Outstanding litigations and disputes

As at 31 December 2020, there are no outstanding legal proceedings that have a significant impact on the financial statements against the Group (31 December 2019: Nil).

### (e) Pledged assets

	31 December 2020	31 December 2019
Debt securities	21,225,795	16,582,386
Total	21,225,795	16,582,386

Some of the Group's assets are pledged as collateral under repurchase agreements.

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 STRUCTURED ENTITIES

### (a) Consolidated structured entities

The consolidated structured entities are wealth management products and asset-backed securities. The Group considers whether there is control over the structured entity as the sponsor of the wealth management products and asset-backed securities, and judges whether it needs to be included in the merger based on the decision-making scope, the power held, the remuneration for providing management services and the variable income risk exposure faced. In 2020, the Group did not provide financial support to the consolidated structured entities (2019: Nil).

### (b) Unconsolidated structured entities

#### (1) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under fund, trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	31 December 2020	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	26,240,001	26,240,001
– Financial investments measured at amortised cost	94,184,263	94,184,263
Interest receivables	616,407	616,407
Total	121,040,671	121,040,671

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 43 STRUCTURED ENTITIES (CONTINUED)

### (b) Unconsolidated structured entities (Continued)

(1) *Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)*

	31 December 2019	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	35,923,797	35,923,797
– Financial investments measured at amortised cost	102,610,427	102,610,427
Interest receivables	415,147	415,147
Total	138,949,371	138,949,371

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amount of the assets held by the Group and the related interest receivable at the end of each of the reporting period.

The interest income, changes in fair value and investment gains arising from the above unconsolidated structured entities for the year ended 31 December 2020 amounted to RMB6,811 million (2019: RMB8,234 million).

(2) *Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in*

The types of unstructured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

As at 31 December 2020, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB49,054 million (31 December 2019: RMB42,397 million).

During the year ended 31 December 2020, the amount of fee and commission income received from the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding year is RMB120 million (2019: RMB72 million).

During the year ended 31 December 2020, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding year is RMB25,205 million (2019: RMB29,776 million).

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 44 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 31 December 2020, the entrusted loans balance of the Group is RMB8,753 million (31 December 2019: RMB5,576 million).

## 45 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2020	31 December 2019
<b>Assets</b>		
Cash and deposits with central bank	36,215,597	38,091,386
Deposits with banks and other financial institutions	1,555,312	1,260,948
Placements with banks and other financial institutions	2,783,397	1,081,384
Derivative financial assets	362,970	94,602
Financial assets held under resale agreements	8,585,647	2,998,744
Loans and advances to customers	229,337,726	187,849,684
Financial investments:		
Financial investments at fair value through profit or loss	45,763,308	54,752,294
Financial investments at fair value through other comprehensive income	21,983,430	15,524,689
Financial investments measured at amortised cost	164,230,569	173,168,422
Interest in associates and subsidiaries	1,600,903	1,552,027
Property and equipment	2,603,954	2,345,006
Deferred tax assets	3,564,305	2,732,547
Other assets	3,559,808	2,761,585
<b>Total assets</b>	<b>522,146,926</b>	<b>484,213,318</b>
<b>Liabilities</b>		
Due to the central bank	25,797,598	9,802,364
Deposits from banks and other financial institutions	21,113,714	21,198,350
Placements from banks and other financial institutions	1,224,688	552,370
Derivative financial liabilities	–	4,944
Financial assets sold under repurchase agreements	21,303,430	16,385,737
Deposits from customers	313,514,200	289,702,203
Tax payable	579,484	682,274
Debt securities issued	91,759,860	105,245,667
Other liabilities	2,694,821	2,227,527
<b>Total liabilities</b>	<b>477,987,795</b>	<b>445,801,436</b>

# Notes to the Financial Statements

For the year ended 31 December 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 45 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	31 December 2020	31 December 2019
<b>Equity</b>		
Share capital	7,514,125	5,921,932
Other financial instruments		
Include: preference shares	7,825,508	7,825,508
Capital reserve	8,203,961	5,163,713
Surplus reserve	2,976,573	2,675,548
General reserve	6,971,200	6,513,200
Fair value reserve	(698,206)	97,076
Remeasurement of net defined benefit liability	(60,953)	(46,424)
Retained earnings	11,426,923	10,261,329
<b>Total equity</b>	<b>44,159,131</b>	38,411,882
<b>Total liabilities and equity</b>	<b>522,146,926</b>	484,213,318

Approved and authorised for issue by the board of directors on 30 March 2021.

**Wang Tianyu**  
*Chairman of the Board of Directors*  
*Executive Director*

**Shen Xueqing**  
*President*  
*Executive Director*

**Fu Chunqiao**  
*Chief accountant*

**Gao Chenxin**  
*General Manager of the Planning and*  
*Finance Department*

(Company chop)

# Notes to the Financial Statements

For the year ended 31 December 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

	Effective for accounting period beginning on or after
Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3, Reference to Conceptual Framework	1 January 2022
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023

# Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial report, and is included herein for information purpose only.

## 1 LIQUIDITY COVERAGE RATIOS AND LEVERAGE RATIO

	Average for the year ended	
	31 December 2020	31 December 2020
Liquidity coverage ratio (RMB and foreign currency)	237.29%	198.75%

	Average for the year ended	
	31 December 2019	31 December 2019
Liquidity coverage ratio (RMB and foreign currency)	229.46%	185.02%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2019. During the transitional period, such ratio shall reach 70%, 80% and 90% by the end of 2015, 2016 and 2017, respectively.

	31 December 2020	31 December 2019
Leverage ratio	6.48%	6.14%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.



# Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 CURRENCY CONCENTRATIONS

	31 December 2020			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	13,198,566	5,750	166,131	13,370,447
Spot liabilities	(2,914,459)	(485,082)	(464)	(3,400,005)
Net position	10,284,107	(479,332)	165,667	9,970,442

	31 December 2019			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	13,285,522	6,388	11,465	13,303,375
Spot liabilities	(2,545,137)	(760)	(68)	(2,545,965)
Net position	10,740,385	5,628	11,397	10,757,410

The Group has no structural position at the reporting periods.

## 3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, amounts due from banks and other financial institutions and debt investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

# Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

## 3 INTERNATIONAL CLAIMS (CONTINUED)

	31 December 2020			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	4,385,220	–	1,516,620	5,901,840
	31 December 2019			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	4,564,475	–	1,886,099	6,450,574

## 4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

	31 December 2020	31 December 2019
Gross loans and advances which have been overdue with respect to either principal or interest for year of		
– between 3 and 6 months (inclusive)	674,186	799,150
– between 6 months and 1 year (inclusive)	1,090,703	1,100,635
– over 1 year	2,986,724	2,218,518
Total	4,751,613	4,118,303
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.28%	0.41%
– between 6 months and 1 year (inclusive)	0.46%	0.56%
– over 1 year	1.26%	1.13%
Total	2.00%	2.10%