



九江銀行股份有限公司
Bank of Jiujiang Co., Ltd.

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

Stock Code : 6190

2020
ANNUAL REPORT



Better Striver with Greater Performance
Community Sub-branch Manager
Ouyang Mengzhi



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Company Profile

1. Basics

Legal name in Chinese:

九江銀行股份有限公司*

Legal name in English:

Bank of Jiujiang Co., Ltd.*

Legal representative:

LIU Xianting (劉羨庭)

Authorized representatives:

PAN Ming (潘明), WONG Wai Chiu(黃偉超)

Board secretary:

WANG Li (王琍)

Company secretary:

WONG Wai Chiu (黃偉超)

H-share exchange:

The Stock Exchange of Hong Kong Limited

Stock short name:

BANKOFJIUJIANG

Stock code:

6190

Unified social credit code:

9136040070552834XQ

License number for financial business operations:

B0348H236040001

Registered capital:

RMB2,407,367,200

Registered address and office address:

No. 619 Changhong Avenue, Lianxi District,
Jiujiang, Jiangxi Province, China

(Postal code: 332000)

Principal place of business in Hong Kong:

40/F, Dah Sing Financial Centre, 248 Queen's
Road East, Wan Chai, Hong Kong

Contact details:

Tel: +86(792) 7783000-1101

Fax: +86(792) 8325019

Email: lushan2@jjccb.com

Website: <http://www.jjccb.com>

Customer service and complaint hotline:
+86 95316

PRC auditor:

KPMG Huazhen LLP

International auditor:

KPMG

PRC legal advisor:

JunHe LLP (北京市君合律師事務所)

Hong Kong (PRC) legal advisor:

Clifford Chance

H-share registrar and transfer office:

Computershare Hong Kong Investor Services
Limited

Domestic share depository:

China Securities Depository and Clearing
Corporation Limited (CSDC)

HKEXnews website of the Hong Kong Stock
Exchange for publication of this report:

<http://www.hkexnews.hk>

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

2. About Us

Approved by Wuhan Branch of the People's Bank of China for establishment, Bank of Jiujiang Co., Ltd. ("**Bank of Jiujiang**" or the "**Bank**" or "**our Bank**" or "**we**") was a regional commercial bank incorporated in November 2000 from eight urban credit cooperatives in Jiujiang City. In October 2008, the Bank officially changed its name to the Bank of Jiujiang Co., Ltd. On July 10, 2018, the Bank of Jiujiang was listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6190).

Over the past 20 years, staffs of Bank of Jiujiang, with unwavering faith, persistent pursuit, selfless dedication, and the mindset that success only comes through hard work, have endured through great hardships in order to realize the achievements that Bank of Jiujiang has today. From a handful of branches to 276 outlets, we are now a renowned bank with total assets of over RMB400,000 million. Meanwhile, Bank of Jiujiang consistently optimized its shareholder structure and introduced strategic investors such as Industrial Bank and Beijing Automotive Group to enhance its brand image. Bank of Jiujiang ranks 322nd among banks worldwide according to the rankings published in 2020 by The Banker, a globally authoritative journal in the United Kingdom, up by 5 places compared the previous year. Besides, the Bank has successively received numerous recognition including "National Advanced Grassroots Party Organization", "National May Day Labour Award", "Best National Small and Medium Commercial Bank" and "Exemplary Workplace for Talents in Jiangxi Province".

As of December 31, 2020, Bank of Jiujiang (including controlled county banks) has 4,227 full-time employees, with an average age of 29.78. Among which, 3,743 had undergraduate degrees or graduated from junior college, accounting for 88.55%, while 458 had master's degrees (and above), accounting for 10.83%. We now have operation department of the head office, 13 branches and 262 sub-branches, successively led to establish 20 county banks such as Xiushui Jiuyin and Zhongshan Xiaolan. As a city commercial bank, Bank of Jiujiang was the first to realize the full coverage of cities with districts in Jiangxi Province.

Company Profile

3. Major awards in 2020

In January 2020, the Bank was awarded with the “core dealer” of the inter-bank local currency market in 2019 and the X-REPO trading mechanism innovation award.

In January 2020, the Bank was awarded “Top 100 Clearing Companies of 2019 – Excellent Proprietary Dealer” and was first awarded “Best Improvement Institute for Local Debt Underwriting Banks”.

In January 2020, the Bank was awarded the “UnionPay Card – Excellent Contribution in Product Promotion” by China UnionPay Co., Ltd.

In March 2020, Shanghai Clearing House announced outstanding institutions in settlement and central counterparty clearing businesses in the year of 2019, and the Bank was awarded the “Excellent Award for Net Bond Sole Settlement” for the second consecutive year.

In March 2020, in the “Top 100 China Banks Rankings of 2019” published by the China Banking Association, the Bank ranked 52nd, raised by 10 places compared to the previous year.

In April 2020, the Bank was awarded two awards, namely “Improvement Award” on Promotion Award on QuickPass users, and “Excellence Award” on establishing scene of public buses issued by China UnionPay’s Jiangxi branch.

In April 2020, the Export-Import Bank of China announced the list of institutions with outstanding performances in financial bonds underwriting and market making transactions in the last quarter of 2019 and the first quarter of 2020. The Bank ranked first in list of institutions with outstanding performance in market making transactions and 11th in list of institutions with outstanding performance in underwriting.

In May 2020, the Bank ranked 1,825th in the top 2,000 global enterprises in 2020 released by Forbes.

In May 2020, the Export-Import Bank of China announced the list of 2019 domestic RMB financial bond underwriting group awards, in which the Bank was awarded three awards, namely “Excellent Underwriter”, “Excellent Market Making Trader” and “Contribution Award on Recovery from the Epidemic”.

In July 2020, in the list of “Top 1,000 World Banks for the year 2020” published by The Banker, a journal in the United Kingdom, the Bank ranked 322nd among the world banks and ranked 54th among the China’s banking industry.

In July 2020, the Bank's net-value wealth management product "Jiu Ying Zeng Li No. 1 (久赢增利1號)" was rated as a five-star (highest) cash management wealth management product by PY Standard, which is the only wealth management product in Jiangxi Province that won the award.

In July 2020, the Bank was rated as "a tax credit A-level taxpayer" in 2019 by Jiangxi Provincial Tax Service of the State Taxation Administration.

In July 2020, in the series of activities jointly carried out by the Jiangxi Working Committee of the Chinese Financial Worker's Union, Jiangxi Banking Association and the Jiangxi Insurance Industry Association on the theme of "Inclusive Finance and Make Contribution", our Bank's retail loan product of "Mobile Easy loan – Business Quicken Loan (手機快活貸-經營快貸)" won the 2019 Golden Key Award for Jiangxi "Inclusive Finance and Make Contribution" in the new era.

In August 2020, the Bank was awarded the "Outstanding Unit in the Assessment and Evaluation of Green Credit Work of Banking Institutions in the Province in 2019" again, which was awarded the honor for three consecutive years.

In September 2020, the Bank was ranked No. 271 in the "Top 500 China Service Enterprises of 2020" by the China Enterprise Confederation and the China Enterprise Directors Association.

In September 2020, Zhongshan Xiaolan County Bank was successfully selected as one of the "Top 100 County Banks in China" in 2019 and won the "National County Bank Financial Product and Service Innovation Award" for the first time.

In October 2020, the Bank was awarded the title of "Innovative Wealth Management Bank of the Year" in 2020 China Golden Cup Award at the "2020 China Financial Daily Economic Summit" hosted by the National Business Daily.

In October 2020, Bank of Jiujiang was awarded "Advanced Group" at the conference of the establishment of Jiangxi Finance Society and the 40th anniversary of the founding of Finance and Economy.

In November 2020, at the "First Excellent Case Selection of Digital Finance and Payment Innovation of Urban Commercial Banks" sponsored by Chengyin Clearing Co., Ltd., the Bank's three plans won the Top Ten Network Impact Bank Case Award, the Excellent Case Award for Operation and Management Innovation, and the Excellent Case Award for Channel Construction Innovation, respectively.

Company Profile

In November 2020, the Bank was awarded the “2020 Excellent Communication Unit” by the Jiangxi Banking Association.

In December 2020, the Bank was awarded as “the winning unit of financial statistics works among financial institutions in Jiangxi Province in 2020” by Nanchang Central Sub-branch of the People’s Bank of China.

In December 2020, the Bank was awarded the “Recognition for ESG Disclosure (ESG披露認證)” in the ESG Reporting Awards 2020 in Hong Kong, which was organized by Alaya Consulting.

In December 2020, Zhongshan Xiaolan County Bank Co., Ltd. was selected as one of the “Top 100 County Banks with Comprehensive Service Capability” by the China Banking Association.

In December 2020, China Foreign Exchange Center Trade System announced the list of the top 300 inter-bank local currency market transaction of 2020 and the Bank was awarded “Top 300 Inter-bank Local Currency Market Transaction of 2020”.

In January 2021, China Central Depository & Clearing Co., Ltd. announced the list of awards of 2020 and the Bank was awarded two honorary titles of “Top 100 Clearing Companies – Excellent Proprietary Dealers” and “Local Bond Institution and Bank Underwriters with the Best Progress”. As of 2020, the Bank has won the honorary title of “Top 100 Clearing Companies – Excellent Proprietary Dealers” for three consecutive years and won “Local Bond Institution and Bank Underwriters with the Best Progress” for two consecutive years.

In January 2021, The National Interbank Funding Center announced the results of selected outstanding in interbank local currency markets for 2020. The Bank won three awards including the “Core Dealer”, “Outstanding Money Market Dealer” and “X-lending Trading Mechanism Innovation” in the inter-bank local currency market in 2020; of which, “X-lending Trading Mechanism Innovation” was won by the Bank for the first time.

In January 2021, China Banking Wealth Management Registration & Depository published the 2020 excellent units in national banking industry for wealth management information registration and the Bank was awarded the “2020 Excellent Bank in National Banking Industry for Wealth Management Information Registration”.

In January 2021, the Bank was granted the tile of “the Product Innovation Award of Credit Card Business of UnionPay in 2020” by Jiangxi Branch, China UnionPay.

In February 2021, Agricultural Development Bank of China announced the winner list of 2020 financial bond underwriting market makers and the Bank was awarded the “Best City Commercial Bank” of financial bond underwriting market makers in 2020.

In March 2020, Shanghai Clearing House announced outstanding institutions in settlement and central counterparty clearing businesses in the year of 2020, and the Bank was awarded the Excellent Award for Net Bond Sole Settlement of 2020.

In February 2021, the Leading Group for Green Finance Reform and Innovation of Jiangxi Province issued the Notice on Commendation of Advanced Cities and Counties, Advanced Units and Advanced Individuals of Green Finance in Jiangxi Province from 2018 to 2020 and the Bank won the title of “Advanced Unit”.

In March 2021, Jiangxi Branch, China UnionPay issued “A Letter on Commending Advanced Units of Mobile Payment Convenience Project Construction 2020 in Jiangxi Province”, and the Bank was awarded “Excellence Award of Mobile Payment Scenario Construction” and “Excellence Award of Small and Micro Merchants Development” in Jiangxi Province.

In March 2021, The Export-Import Bank of China announced the list of 2020 excellent organizations of domestic RMB financial bond underwriting market maker group, and the Bank was awarded the honorary titles of “Excellent Underwriter” and “Excellent Market Maker” in 2020 domestic RMB financial bond underwriting market maker group and awarded the “Special Contribution Award” for the first time.

In March 2021, the Bank was awarded the “Special Contribution Award to Worship of Soldiers” by Jiangxi Provincial Veterans Affairs Office.

Accounting Data and Financial Indicator Highlights

The financial information of the Bank and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set forth in this annual report is prepared on a consolidated basis in accordance with International Financial Reporting Standards (“**IFRS**”) and expressed in Renminbi (“**RMB**”) unless otherwise stated.

	Year ended December 31, Comparison between 2020 and					
	2020	2019	2019	2018	2017	2016
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)						
Results of operations			Percentage of change (%)			
Net interest income	7,861.2	7,350.8	6.9	5,568.3	5,639.3	4,910.7
Net fee and commission income	624.0	342.3	82.3	279.1	349.7	163.4
Operating income ⁽¹⁾	10,191.6	9,676.0	5.3	7,866.1	5,804.2	5,005.7
Operating expenses	(2,885.7)	(2,783.1)	3.7	(2,267.8)	(1,951.4)	(1,878.8)
Impairment losses on assets ⁽¹⁾	(5,178.5)	(4,619.3)	12.1	(3,408.6)	(1,588.3)	(1,102.8)
Profit before taxation	2,137.6	2,282.5	(6.3)	2,201.3	2,275.0	2,032.0
Net profit for the year	1,709.5	1,881.2	(9.1)	1,787.0	1,761.6	1,559.1
Net profit attributable to shareholders of the Bank	1,672.9	1,837.2	(8.9)	1,757.7	1,766.4	1,578.3
Calculated on a per share basis (RMB)			Percentage of change (%)			
Net assets per share attributable to the Bank's shareholders	10.79	10.27	5.10	9.58	8.57	8.55
Basic earnings per share	0.69	0.76	(9.20)	0.80	0.93	1.04
Diluted earnings per share	0.69	0.76	(9.20)	0.80	0.93	1.04

	Year ended December 31, Comparison between 2020 and					
	2020	2019	2019	2018	2017	2016
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)					
Profitability indicators (%)			Changes			
			(percentage			
			point)			
Return on average total assets ⁽²⁾	0.44	0.56	(0.12)	0.61	0.71	0.78
Return on average equity ⁽³⁾	6.58	7.69	(1.11)	8.66	11.31	12.01
Net interest spread ⁽⁴⁾	2.22	2.24	(0.02)	2.49	2.16	2.57
Net interest margin ⁽⁵⁾	2.18	2.25	(0.07)	2.65	2.32	2.70
Net fee and commission income to operating income	6.12	3.54	2.58	3.55	5.97	3.26
Cost-to-income ratio ⁽⁶⁾	27.28	27.75	(0.47)	27.86	32.50	34.32
Capital adequacy indicators (%)			Changes			
			(percentage			
			point)			
Core tier-one capital adequacy ratio ⁽⁷⁾	9.02	8.97	0.05	8.90	8.75	8.59
Tier-one capital adequacy ratio ⁽⁷⁾	9.02	8.97	0.05	8.90	8.75	8.59
Capital adequacy ratio ⁽⁷⁾	10.71	11.64	(0.93)	11.55	10.51	11.15
Total equity to total assets	6.40	6.98	(0.58)	7.57	6.51	5.99
Asset quality indicators (%)			Changes			
			(percentage			
			point)			
Non-performing loan ratio ⁽⁸⁾	1.55	1.71	(0.16)	1.99	1.62	1.99
General allowance ratio ⁽⁹⁾	165.97	182.34	(16.37)	169.69	192.00	164.11
Allowance-to-loan ratio ⁽¹⁰⁾	2.58	3.12	(0.54)	3.38	3.11	3.27

Accounting Data and Financial Indicator Highlights

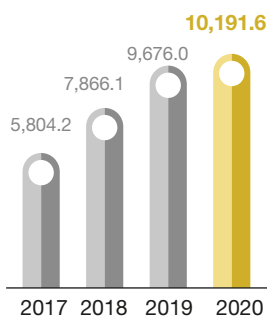
	Year ended December 31, Comparison between 2020 and					
	2020	2019	2019	2018	2017	2016
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)						
Volume indicators	Percentage of change (%)					
Total assets	415,794.1	363,351.6	14.4	311,622.5	271,254.1	225,296.6
Including: Loans and advances to customers, net	205,658.2	173,368.6	18.6	137,148.2	99,528.2	76,907.6
Total liabilities	389,164.6	337,993.8	15.1	288,023.3	253,602.8	211,800.5
Including: Customer deposits	313,804.7	255,263.1	22.9	217,934.3	179,636.6	145,616.1
Share capital	2,407.4	2,407.4	0.0	2,407.4	2,000.0	1,516.0
Equity attributable to shareholders of the Bank	25,976.2	24,725.6	5.1	23,062.6	17,143.5	12,963.1
Non-controlling interests	653.3	632.2	3.3	536.6	507.7	533.0
Total equity	26,629.5	25,357.8	5.0	23,599.2	17,651.2	13,496.1
Net capital base ⁽⁷⁾	31,323.3	32,756.9	(4.4)	30,502.9	21,155.0	17,485.4
Other financial indicators (%)	Changes (percentage point)					
Leverage ratio ⁽¹¹⁾	5.70	6.34	(0.64)	6.94	5.90	5.29
Liquidity ratio ⁽¹²⁾	72.65	75.57	(2.92)	54.99	49.02	55.18
Liquidity coverage ⁽¹³⁾	327.77	292.92	34.85	296.63	353.84	403.92
Loan to deposit ratio	67.06	70.11	(3.05)	65.08	57.19	54.60
Ratio of loans and advances to single top customer ⁽¹⁴⁾	1.04	1.01	0.03	0.78	0.97	0.78
Ratio of loans and advances to top 10 customers ⁽¹⁴⁾	5.84	6.26	(0.42)	6.08	6.73	6.50

Notes:

- (1) The Group reclassified impairment losses on repossessed assets from “Other income, gains or losses” to “Impairment losses on assets” in 2020. The comparative figures in the same period have been adjusted accordingly.
- (2) Represents net profit for the year as a percentage of average balance of total assets at the beginning and the end of the period.
- (3) Calculated by dividing net profit for the year by the average balance of total equity at the beginning and the end of the period.
- (4) Calculated as the difference between the average yield on total interest-earning assets and the average cost ratio of total interest-bearing liabilities, and based on daily average interest-earning assets and interest-bearing liabilities.
- (5) Calculated by dividing net interest income by average interest-earning assets, and based on daily average interest-earning assets.
- (6) Calculated by dividing operating expenses, excluding business tax and surcharges, by operating income.
- (7) On June 7, 2012, the CBIRC promulgated the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法》(試行)) to superseded the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks (《商業銀行資本充足率管理辦法》), effective from January 1, 2013.
- (8) Calculated by dividing total non-performing loans by gross loans and advances to customers.
- (9) Calculated by dividing allowance for impairment losses on loans by total non-performing loans.
- (10) Calculated by dividing allowance for impairment losses on loans by gross loans and advances to customers.
- (11) Calculated by dividing net in-sheet balance and off-sheet balance of capital (after adjustment) into tier one net capital according to the regulatory standards of CBIRC and based on the audited data.
- (12) Calculated by dividing fluid liabilities into fluid assets according to the regulatory standards of CBIRC.
- (13) Calculated by dividing net cash outflows in the next 30 days into qualified high-quality liquid assets according to the regulatory standards of CBIRC.
- (14) Ratio of loans and advances to single top customer and ratio of loans and advances to top 10 customers were recalculated according to the regulatory standards of CBIRC and based on the audit data.

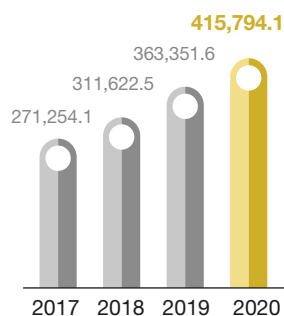
Operating income

(in millions of RMB)



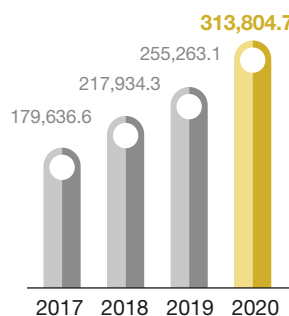
Total assets

(in millions of RMB)



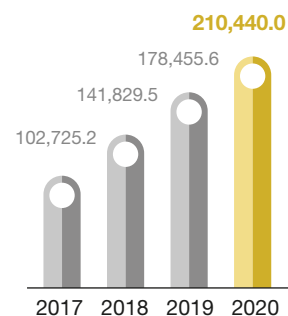
Customer deposits

(in millions of RMB)



Loans and advances to customers

(in millions of RMB)



Message from the Chairman



The year of 2020 is an unprecedented year full of challenges. Under the strong leadership of the CPC Central Committee and the State Council, China carried out COVID-19 prevention and control and pursued economic and social development in a more coordinated way, made decisive progress in the three critical battles against poverty, pollution and potential risk, and has become the only major economy in the world to achieve positive economic growth. For these two decades, we never forget our mission to be always by your side. In the 20th year of its founding, the Bank created new opportunities out of crises and opened new prospects in changing circumstances, delivering remarkable results to all sectors of society.

Solid development with steady improvement. In 2020, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we took solid steps in advancing the Party building and improved the governance mechanism, eventually achieving a steady growth in

total assets, total deposits, total loans and other main business indicators, and each regulatory indicator was robust and up to standard. Our ranking on the list of Top 1,000 World Banks for the year 2020 published by The Banker rose to the 322th place, hitting a new high.

Fight COVID-19 with financial measures and jointly respond to challenges. Over the past year, we firmly implemented the requirements of “Six Stables” and “Six Guarantees”, introduced a series of financial service solutions to support the epidemic prevention and control, assist enterprises in the resumption of work and production, and boost the recovery of real economy, thus relieved enterprises from difficulties in a targeted manner. For enterprises enduring a hit from COVID-19, rather than cutting off, withdrawing, or withholding loans, we were bold in renewing loans and issuing new loans, shouldering the mission of combating the epidemic with financial measures.

Focus on issues relating to agriculture, rural area, rural people and support poverty alleviation. Over the past year, we continued to adhere to our market positioning of being “a financial bank for new agriculture, rural area and rural people”, focused on the financial demands of agriculture, rural area and rural people, and devoted all our efforts to the economic development in rural areas by means of policy support, product innovation and so on. We launched featured products such as “navel orange loan (脐橙贷)”, “agricultural materials loan (农资贷)”, “greenhouse loan (大棚贷)” according to the agricultural characteristics of different regions and in combination with the industrial features of all places in Jiangxi Province, thus supporting poverty alleviation by financial measures and manifesting our social responsibility.

Rooted in Jiujiang and Centered in Jiangxi Province. Over the past year, based on supporting the local basic industries and the businesses that leverage local strengths, we took measures such as government-bank-enterprise cooperation, leadership system of industry chain, leaning forward loan resources to meet the multi-leveled and diversified financial needs of regional economy. As of the end of 2020, our balance of loans in Jiujiang region reached nearly RMB70 billion, which effectively boosts the growth of local economy.

In 2021, standing at the historic intersection of the centenary of the Communist Party of China and the start of the 14th Five-Year Plan period, we will apply the new development philosophy, integrate the new pattern of development, enhance the quality and efficiency of real economy, devote greater efforts to improve people’s livelihood, and requite the stern support from all our customers and shareholders with better service and greater achievements!

LIU Xianting
Chairman

Message from the President



The year of 2020 is an extremely unusual year that we've got through painstakingly. Facing the dual impact of COVID-19 and a slowdown in economic growth, the Bank adhered to the strategic guidance of the Board, and focused on the twelve-word operating principle of "adjusting business structures, reducing capital consumption, controlling non-performing loans, promoting steady growth", sized up the situation, accumulated strength and seized opportunities out of crises, achieving a stable improvement in corporate governance level, a robust growth in various business and the continuous optimization of risk prevention and control.

In this year, we shouldered our mission to give full play to the social responsibility. During the period of joint responding to challenges, we held fast to the position of financial services, maintained "Six Stables" and promoted "Six Guarantees", and launched a series of special anti-epidemic products, such as "Aiding Finance Loan", "Aiding Business Loan" and "Stabilizing Employment Loan".

We also issued anti-epidemic preferential loans and special re-loans for small businesses and implemented national policies of "deferred principal and interest repayment" and "credit loan" to support enterprises in the resumption of work and production, which demonstrated the Bank's fulfillment of commitment of sharing the hardships. Meanwhile, we firmly implemented the macro-control policy, adhered to the direction of the regulatory policies, took serving the entities, local business and resident and small and micro enterprises as our duty and fully achieved the target of "two increases and two controls".

In this year, we stuck to our strategic positioning and continuously strengthened the operation performance. We conducted various works with the focus on the twelve-word operating principle. Business indicators maintained steadily and regulatory indicators met the standards. The structure of assets and liabilities has been optimized. The proportion of loans increased while the proportion of investments decreased. The Bank also strengthened capital constraints and the guidance on the development of assets-light business, thus the proportion of net income of intermediary business further increased. The assets quality was improved, which was attributable to the fact that the Bank focused on asset quality scheduling meeting and major customer consultation, effectively reduced the non-performance loans.

In this year, we improved corporate governance and comprehensively enhanced the standard of management.

We adhered to the Party building-leading development, integrated the Party's leadership with corporate governance and promoted the Party organization to effectively play the role of the core of their leadership; the Bank improved the corporate governance structure, optimized the special committees under the Board and enhanced the supervisory function of the board of Supervisors; the Bank improved the quality and efficiency of risk management to establish a normal, systematic and intelligent risk management mechanism, optimized the establishment of compliance systems and completed the iteration of "three-in-one" system construction for internal control, compliance and operation risks. The Bank strengthened the effectiveness of audit supervision, focused on the special audit on risky business to effectively play the role of the third line of defense.

In this year, the Bank deepened the development of the green finance and enhanced the empowerment from the technologic transformation.

In 2020, the Bank became the first urban commercial bank in China to sign the UN Principles for Responsible Banking (PRB) and one of the first batch of urban commercial banks to join the Climate Investment and Financing Professional Committee of the Chinese Society of Environmental Sciences. The Bank also completed the application of achievements of the first national green bill research project and completed the first green bill rediscounting in the province. The Bank followed the trend of intelligentization and digitization, continuously accelerated the construction of "Digital Jiuyin", pushed forward the digitization for the entire process of credit extension, achieving full coverage of all networks with intelligent machines. The Bank also self-developed Obsidian anti-fraud cloud platform to comprehensively improve the capacities of digital operation and risk control. In addition, the Bank focused on the security of data, completed the switch of remote disaster recovery with "large-scale remote, small-scale city (大异地、小同城)" and the transformation of the Internet Protocol Version 6 of the People's Bank of China to further optimize the new core system functions.

The year of 2021 is the centenary of the Communist Party of China, also the start of the 14th Five-Year Plan. Standing at the historic intersection of the "Two Centenary Goals", we will continue to enhance the awareness of opportunities, heighten the awareness of risks, maintain strategic focus, carry forward the spirit of struggle, set the bottom-line thinking, and fully adapt the new development pattern featuring dual circulation. We will set sail and forge ahead through all wind and waves.

PAN Ming
President

Management Discussion and Analysis

1. Past economics and politics

In 2020, the COVID-19 outbreak plunged the world economy, trade, and investment into recession, seriously affected international trade and investment activities, intensified the rise of trade protectionism and unilateralism, posed huge challenges to the development of economic globalization and affected the sound development of the world economy.

In 2020, in the face of multiple impacts brought by the COVID-19 outbreak and the deep recession of the world economy, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at the core, major strategic results were achieved in the COVID-19 response and the main development goals and tasks for the whole year were successfully completed in China. On the basis of ensuring “stability on six fronts”, China has clearly put forward the task of maintaining “security in six areas”. By maintaining security, we were able to deliver stability while also pursuing progress. Through the implementation of staged large-scale tax cuts and fee reductions, the establishment of a direct-arrival mechanism for central fiscal funds, supporting banks to increase loans and lower interest rates into specific targets and other macro policy deployments, China took the lead in resuming work and production and the economic recovery was better than expected. The GDP exceeded RMB100 trillion, representing a year-on-year increase of 2.3%, making it the only major economy in the world to achieve positive growth.

In 2020, under the strong leadership of the Party Central Committee, the State Council and the Jiangxi Provincial Committee, Jiangxi Province coordinated COVID-19 response, flood relief, and economic and social development throughout the province, achieved major strategic results in COVID-19 response, scored success in flood fighting and disaster relief in all aspects and made decisive achievements in building a moderately prosperous society in an all-round way. In 2020, the GDP of Jiangxi Province reached RMB2.57 trillion and the national ranking was steadily improved; industrial development continued to tilt towards high-quality manufacturing and high-tech industries, and the industrial structure was further optimized; regional overall poverty and absolute poverty of the masses were historically solved; the annual GDP growth was 3.8%, and the growth rate of main economic indicators remained at the forefront of the country.

In 2020, facing the challenging and complex domestic and international situation, especially the serious impact of the COVID-19 outbreak, CBIRC, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at the core, followed the guidance of the innovative theory of the Party in the new era, earnestly implemented the decision and deployment of Party Central Committee, the State Council and the State Council Finance Committee and achieved significant results. First, it was determined to ensure excellent financial services for COVID-19 response. During the reporting period, the CBIRC instructed banks and insurance institutions to provide financial services to ensure that the financial order and services were not disrupted during the epidemic. The Bank fully supported the defense battle of the COVID-19 and effectively helping enterprises to resume work and production through various methods such as providing special credit, implementation of deferred principal and interest payments for medium-, small- and micro-size enterprises and foreign trade enterprises, and issued emergency loans. Second, it strongly supported the steady recovery of the national economy. By the end of 2020, the nationwide RMB loans increased by RMB19.6 trillion, up 12.8%; new domestic manufacturing loans increased by RMB2.2 trillion; the growth rate of inclusive small and micro loans was 18.1 percentage points higher than the growth rate of various loans. Third, it promoted risk disposal of high-risk small and medium-sized banks steadily and the overall quality of credit assets remained stable. It disposed of non-performing assets of RMB3.02 trillion in the banking industry throughout the year and effectively prevented and mitigated financial risks.

Management Discussion and Analysis

In 2020, in the face of major tests and challenges, the People's Bank of China system, following the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, resolutely implemented the decision and deployment of the Party Central Committee and the State Council. Under the overall command of the Finance Committee, it implement a prudent monetary policy, strove to keep businesses and employment stable, continued to prevent and mitigate major financial risks, and further deepened financial reform and opening up. First, it adopted a more flexible and appropriate monetary policy. Adhering to the three major policy orientations of moderate aggregate, lowering financing costs and supporting the real economy, it promoted the concessions from the financial system to the real economy. Second, financial support for keeping businesses and employment stable achieved the desired effect. Following the laws of the economy, it developed and implemented financial support policies in a stratified and gradient way. It established special refinancing loans to fight the pandemic and ensure supply as well as refinancing and rediscounts for work and production resumption, increased inclusive refinancing loans and rediscounts, introduced two monetary policy tools that directly benefited real economy, namely, inclusive loans for deferred principal and interest repayment for small and micro enterprises and inclusive credit loans for small and micro enterprises and increase credit support for targeted poverty alleviation, manufacturing, green industry and others.

2. Operation overview

In 2020, focusing on the major tasks of “preventing financial risks, deepening reform and transformation, and serving the real economy”, the Group adhered to the twelve-word principle of “adjusting business structures, reducing capital consumption, controlling non-performing loans, promoting steady growth”, returned to the core area, focused on the main business, and achieved steady growth of main business indicators with good quality. The asset liability structure is constantly optimized and each regulatory indicator is stable and up to standard.

Operating efficiency remained strong. In 2020, affected by the COVID-19 epidemic and external economic downward pressure, the Group's realized operating income was RMB10,192 million, representing a year-on-year increase of 5.3%; return on capital amounted to 6.58% and return on assets amounted to 0.44%; net profit amounted to RMB1,709 million, representing a year-on-year decrease of 9.1%.

The scale of operation has grown reasonably. As of the end of 2020, the total assets of the Group amounted to RMB415,794 million, representing an increase of 14.4% as compared to the end of last year; gross loans and advances to customers amounted to RMB210,440 million, representing an increase of 17.9% as compared to the end of last year; the total customer deposits amounted to RMB313,805 million, representing an increase of 22.9% as compared to the end of last year; daily average deposits amounted to RMB279,341 million, representing an increase of 18.4% as compared to last year.

The structure of assets and liabilities is optimized continuously. As of the end of 2020, total loans and advances to customers of the Group surpassed 50% of the total assets, up to 50.7%, up by 1.6 percentage points as compared to the end of last year; net financial investments accounted for 35.1% of the total assets, down by 1.9 percentage points as compared to the end of last year; total customer deposits accounted for 80.6% of the total liabilities, up by 5.1 percentage points as compared to the end of last year, of which personal deposit balance amounted to RMB116,219 million, representing an increase of 25.5% and accounting for 37.0% of total customer deposits, which has become the main driving force of growth.

The quality of assets improves steadily. In 2020, the Group focused on asset quality scheduling meeting and major customer consultation and devoted greater efforts to the disposal of non-performing assets. As of the end of 2020, the non-performing loan ratio of the Group reached 1.55%, with a decrease of 0.16 percentage as compared to the end of last year.

Regulatory indicators are sound and are up to standard. As of the end of 2020, the Groups' capital adequacy ratio amounted to 10.71%; non-performing loan ratio amounted to 1.55%; general allowance ratio amounted to 165.97% and allowance-to-loan ratio amounted to 2.58%; liquidity ratio amounted to 72.65%, and cost-to-income also amounted to 27.28%, with all the main regulatory indicators meeting regulatory requirements.

Management Discussion and Analysis

3. Income statement analysis

In face of repeated COVID-19 epidemic and economic downturn during the reporting period, the Group actively responded to retain stable development trend by the twelve-word principle: “adjusting business structures, reducing capital consumption, controlling non-performance loans, promoting steady growth”. For the year ended December 31, 2020, the Group achieved a profit before taxation of RMB2,138 million, representing a year-on-year decrease of 6.3%; the Group achieved a net profit of RMB1,709 million, representing a year-on-year decrease of 9.1%.

	For the year ended December 31,			
	2020	2019	Amount of change	Percentage of change (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Interest income ⁽¹⁾	17,376.5	15,794.2	1,582.3	10.0
Interest expense	(9,515.3)	(8,443.4)	(1,071.9)	12.7
Net interest income	7,861.2	7,350.8	510.4	6.9
Fee and commission income ⁽¹⁾	763.8	495.3	268.5	54.2
Fee and commission expense	(139.8)	(153.0)	13.2	(8.6)
Net fee and commission income	624.0	342.3	281.7	82.3
Net gains arising from financial investments	1,561.5	2,163.3	(601.8)	(27.8)
Other income, gains or losses ⁽²⁾	144.9	(180.4)	325.3	(180.3)
Operating income⁽²⁾	10,191.6	9,676.0	515.6	5.3
Operating expenses	(2,885.7)	(2,783.1)	(102.6)	3.7
Impairment losses on assets ⁽²⁾	(5,178.5)	(4,619.3)	(559.2)	12.1
Share of profits of associates	10.2	8.9	1.3	14.6
Profit before taxation	2,137.6	2,282.5	(144.9)	(6.3)
Income tax expense	(428.1)	(401.3)	(26.8)	6.7
Profit for the year	1,709.5	1,881.2	(171.7)	(9.1)
Attributable to:				
Equity shareholders of the Bank	1,672.9	1,837.2	(164.3)	(8.9)
Non-controlling interests	36.6	44.0	(7.4)	(16.8)

Notes:

- (1) The Ministry of Finance, Assets Supervision and Administration Commission of the State Council, CBIRC and CSRC jointly issued the Notice of Strict Implementation of Accounting Standards for Business Enterprises for Effective Improvement of the Work of 2020 Annual Report for Enterprises (Cai Kuai [2021] No.2) in 2021. The Group reclassified the income of credit card installment business for 2020 from fee and commission income to interest income according to the requirements of the notice. The comparative figures in the same period have been adjusted accordingly.
- (2) The Group reclassified impairment losses on repossessed assets from “Other income, gains or losses” to “Impairment losses on assets” in 2020. The comparative figures in the same period have been adjusted according.

3.1 Net interest income, net interest spread and net interest margin

For the year ended December 31, 2020, the Group achieved a net interest income of RMB7,861 million, representing a year-on-year increase of RMB510 million, or 6.9%, accounting for 77.1% of operating income.

For the year ended December 31, 2020, the average balance of interest-earning assets and interest-bearing liabilities, the interest income and expenses of these assets and liabilities, and the average yield of interest-earning assets and the average interest rate of interest-bearing liabilities of the Group are as follows:

	For the year ended December 31,					
	2020			2019		
	Average balance	Interest income/expense	Average yield/interest rate (%) ⁽¹⁾	Average balance	Interest income/expense	Average yield/interest rate (%) ⁽¹⁾
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)						
Interest-earning assets						
Loans and advances to customers	195,003.3	11,039.6	5.66	160,623.0	9,213.0	5.74
Financial investments ⁽²⁾	110,690.4	5,427.2	4.90	113,202.9	5,189.4	4.58
Financial assets held under resale agreements	18,821.3	345.7	1.84	17,439.0	760.0	4.36
Balances with the central bank ⁽³⁾	29,249.4	453.1	1.55	26,268.7	418.8	1.59
Deposits with banks and other financial institutions ⁽⁴⁾	6,472.3	110.9	1.71	8,571.4	213.0	2.49
Total interest-earning assets	360,236.7	17,376.5	4.82	326,105.0	15,794.2	4.84
Interest-bearing liabilities						
Customer deposits	279,341.0	7,050.6	2.52	235,898.4	5,462.1	2.32
Deposits from banks and other financial institutions ⁽⁵⁾	20,869.0	564.5	2.70	20,075.3	717.5	3.57
Financial assets sold under repurchase agreements	16,760.0	308.5	1.84	18,678.3	450.9	2.41
Debt securities issued ⁽⁶⁾	39,095.4	1,362.3	3.48	46,196.2	1,725.7	3.74
Borrowings from the central bank	10,571.6	229.4	2.17	3,289.9	87.2	2.65
Total interest-bearing liabilities	366,637.0	9,515.3	2.60	324,138.1	8,443.4	2.60
Net interest income⁽⁷⁾		7,861.2			7,350.8	
Net interest spread⁽⁸⁾(%)		2.22			2.24	
Net interest margin⁽⁹⁾(%)		2.18			2.25	

Management Discussion and Analysis

Notes:

- (1) Calculated by dividing interest income/expense by average balance.
- (2) Consists of the financial investments measured at amortized cost and at fair value through other comprehensive income.
- (3) Consists primarily of mandatory reserve deposits and surplus reserve deposits.
- (4) Consists of deposits with banks and other financial institutions and placements with banks and other financial institutions.
- (5) Consists of deposits from banks and other financial institutions and placements from banks and other financial institutions.
- (6) Consists of tier-two capital bonds issued and interbank negotiable certificates of deposit.
- (7) The Ministry of Finance, Assets Supervision and Administration Commission of the State Council, CBIRC and CSRC jointly issued the Notice of Strict Implementation of Accounting Standards for Business Enterprises for Effective Improvement of the Work of 2020 Annual Report for Enterprises (Cai Kuai [2021] No.2) in 2021. The Group reclassified the income of credit card installment business for 2020 from fee and commission income to interest income according to the requirement of the notice. The comparative figures in the same period have been adjusted accordingly.
- (8) Calculated as the difference between the average yield on total interest-earning assets and the average interest rate of total interest-bearing liabilities.
- (9) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.

The following table sets forth the changes in interest income and interest expenses of the Group due to changes in scale and interest rates during the period indicated. The change in scale is measured by the change in the average balance of interest-earning assets and interest-bearing liabilities, while the change in interest rates is measured by the change in the average interest rates of interest-earning assets and interest-bearing liabilities. The combined effect of changes in scale and interest rates is included in interest rate changes.

For the year ended December 31,			
Changes in 2020 vs. 2019			
Reasons of increase/(decrease)			
	Scale⁽¹⁾	Rate⁽²⁾	Net increase/ decrease⁽³⁾
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)			
Interest-earning assets			
Loans and advances to customers	1,982.6	(156.0)	1,826.6
Financial investments	(116.4)	354.2	237.8
Financial assets held under resale agreements	60.0	(474.3)	(414.3)
Balances with the central bank ⁽⁴⁾	46.0	(11.7)	34.3
Deposits with banks and other financial institution ⁽⁵⁾	(51.6)	(50.5)	(102.1)
Change in interest income	1,920.6	(338.3)	1,582.3
Interest-bearing liabilities			
Customer deposits	1,029.8	558.7	1,588.5
Deposits from banks and other financial institutions ⁽⁶⁾	28.6	(181.6)	(153.0)
Financial assets sold under repurchase agreements	(46.9)	(95.5)	(142.4)
Debt securities issued ⁽⁷⁾	(261.8)	(101.6)	(363.4)
Borrowings from the central bank	192.9	(50.7)	142.2
Change in interest expense	942.6	129.3	1,071.9
Change in net interest income	978.0	(467.6)	510.4

Management Discussion and Analysis

Notes:

- (1) Represents the average balance of the reporting period deducting the average balance of the previous period, multiplied by the average yield/interest rate of the previous period.
- (2) Represents the average yield/interest rate of the reporting period deducting the average yield/interest rate of the previous period multiplied by the average balance for the reporting period.
- (3) Represents interest income/expense during the reporting period deducting interest income/expense from the previous period.
- (4) Consists primarily of mandatory reserve deposits and surplus reserve deposits.
- (5) Consists of deposits with banks and other financial institutions and placements with banks and other financial institutions.
- (6) Consists of deposits from banks and other financial institutions and placements from banks and other financial institutions.
- (7) Consists of tier-two capital bonds issued and interbank negotiable certificates of deposit.

3.2 Interest income

For the year ended December 31, 2020, the Group achieved interest income of RMB17,377 million, representing a year-on-year increase of RMB1,582 million, or 10.0%. The increase in interest income was mainly due to the increase in the average balance of interest-earning assets, though it was offset by decrease in parts of the average asset yield. During the reporting period, the increase in the average balance of interest-earning assets of the Group was mainly due to the increase in the loan of the Group in line with the business development; the decrease in the average asset yield was mainly due to the promotion of the interest marketization, and the downward trend of the macro market interest rate leading to the decrease in interest of the loans and advances to customers, financial assets held under resale agreements, deposits with banks and other financial institutions of the Group.

3.2.1 Interest income from loans and advances to customers

For the year ended December 31, 2020, interest income from the Group's loans and advances to customers was RMB11,040 million, representing a year-on-year increase of RMB1,827 million or 19.8%, mainly attributable to the increase in the average balance of total loans and advances to customers. During the reporting period, the average balance of our total loans and advances to customers increased, primarily reflecting the overall growth of our loan portfolio.

The following table sets forth the average balance, interest income and average yield of various components of loans and advances to customers of the Group in the period indicated.

	For the year ended December 31,					
	2020			2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)						
Corporate loans and advances	114,226.6	6,670.5	5.84	101,434.6	6,080.3	5.99
Retail loans and advances	61,761.1	3,738.9	6.05	47,275.2	2,880.3	6.09
Discounted bills	19,015.6	630.2	3.31	11,913.2	252.4	2.12
Total	195,003.3	11,039.6	5.66	160,623.0	9,213.0	5.74

3.2.2 Interest income from financial investments

For the year ended December 31, 2020, interest income from financial investments of the Group amounted to RMB5,427 million, representing a year-on-year increase of RMB238 million, or 4.6%, primarily due to the increase in investment income.

3.2.3 Interest income from financial assets held under resale agreements

For the year ended December 31, 2020, interest income from financial assets held under resale agreements of the Group amounted to RMB346 million, representing a year-on-year decrease of RMB414 million, or 54.5%, primarily due to the decrease in the average yield of financial assets held under resale agreements. The decrease in average yield was primarily due to (i) decreased portion of bills held under resale agreements which have higher yields, and (ii) loosened market liquidity.

3.2.4 Interest income from balances with the central bank

For the year ended December 31, 2020, interest income from balances with the central bank of the Group was RMB453 million, representing a year-on-year increase of RMB34 million or 8.2%, mainly attributable to the increase in the Group's reserve and excess reserve deposits in the central bank as the growth in scale of various deposit businesses.

Management Discussion and Analysis

3.2.5 Interest income from deposits with banks and other financial institutions

For the year ended December 31, 2020, the interest income with deposits with banks and other financial institutions of the Group was RMB111 million, representing a year-on-year decrease of RMB102 million, or 47.9%. This was mainly due to the downward trend of interbank market interest rate and the decrease in scale of interbank lending funds arising from the adjustment of fund allocation of the Group.

3.3 Interest expense

For the year ended December 31, 2020, interest expense of the Group amounted to RMB9,515 million, representing a year-on-year increase of RMB1,072 million, or 12.7%.

3.3.1 Interest expense on customer deposits

For the year ended December 31, 2020, interest expense on customer deposits of the Group amounted to RMB7,051 million, representing a year-on-year increase of RMB1,589 million, or 29.1%, primarily due to the increase in the average interest rate and the increase in average balance of customer deposits. The increase in the average interest rate of customer deposits was mainly due to fierce competition in the industry. The increase in the average balance of customer deposits was mainly due to (i)(a) our continuous efforts to broaden our corporate customer base, and (b) improvements in our customer service and marketing activities, which resulted in an increase in the Group's corporate customers' deposits; and (ii) our increased personal deposits in line with the expansion of our retail banking branch network.

The following table sets forth the average balance, interest expense and average interest rate for each component of the Group's customer deposits in the period indicated.

	For the year ended December 31,					
	2020			2019		
	Average balance	Interest expense	Average interest rate (%)	Average balance	Interest expense	Average interest rate (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)						
Corporate deposits						
Demand	92,653.9	1,239.7	1.34	84,510.5	1,029.8	1.22
Time	49,640.9	1,755.5	3.54	39,852.8	1,375.5	3.45
Pledged deposits	31,771.9	682.6	2.15	28,044.2	655.7	2.34
Subtotal	174,066.7	3,677.8	2.11	152,407.5	3,061.0	2.01
Personal deposits						
Demand	17,250.2	88.0	0.51	15,433.4	65.0	0.42
Time	87,672.3	3,284.8	3.75	67,871.5	2,336.1	3.44
Subtotal	104,922.5	3,372.8	3.21	83,304.9	2,401.1	2.88
Others	351.8	–	–	186.0	–	–
Total customer deposits	279,341.0	7,050.6	2.52	235,898.4	5,462.1	2.32

3.3.2 Interest expense on deposits from banks and other financial institutions

For the year ended December 31, 2020, interest expense on deposits from banks and other financial institutions of the Group was RMB565 million, representing a year-on-year decrease of RMB153 million, or 21.3%. This was mainly due to the decrease in the average interest rate of deposits from banks and other financial institutions. The decrease in average interest rate primarily reflected lower market interest rates which resulted from loosened market liquidity in 2020.

3.3.3 Interest expense on financial assets sold under repurchase agreements

For the year ended December 31, 2020, interest expense on financial assets sold under repurchase agreements of the Group amounted to RMB309 million, representing a year-on-year decrease of RMB142 million, or 31.6%. This was mainly due to the decrease in the average interest rate and the average balance of financial assets sold under repurchase agreements. The decrease in average interest rate was mainly due to the downward trend in interbank market interest rates, while the decrease in average balance was mainly due to the gradual improvement of the Group's liquidity management.

Management Discussion and Analysis

3.3.4 Interest expense from debt securities issued

For the year ended December 31, 2020, interest expense from the issued debt securities issued of the Group amounted to RMB1,362 million, representing a year-on-year decrease of RMB363 million, or 21.1%. This was mainly due to the decrease in the average interest rate and the average balance of the issued debt securities of the Group. The decrease in average interest rate was primarily due to loosened market liquidity in 2020, which led to the decrease in the interest rate of inter-bank certificate. The decline in the average balance was mainly due to the Group's optimization and adjustment of its debt structure during the reporting period and the reduction in the issuance of negotiable inter-bank certificates of deposit.

3.3.5 Interest expense on borrowings from the central bank

For the year ended December 31, 2020, interest expense on borrowings from the central bank of the Group amounted to RMB229 million, representing a year-on-year increase of RMB142 million, or 163.1%. This was mainly due to the increase in the average balance of borrowings from the central bank.

3.3.6 Net interest spread and net interest margin

For the year ended December 31, 2020, net interest spread of the Group decreased from 2.24% in the previous year to 2.22%. The net interest margin decreased from 2.25% in the previous year to 2.18%, mainly due to the narrowing of interest spread in the overall macro market as a result of the acceleration of interest rate marketization.

3.4 Non-interest income

3.4.1 Fee and commission income

For the year ended December 31, 2020, the fee and commission income of the Group amounted to RMB764 million, representing a year-on-year increase of RMB269 million or 54.2%, mainly attributable to the strengthening of management related to net income of intermediary business of the Group.

The following table sets forth each component of fee and commission income of the Group in the period indicated.

	For the year ended December 31,			
	2020	2019	Amount of change	Percentage of change (%)
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)			
Fee and commission income				
Agency service fees	246.5	192.6	53.9	28.0
Wealth management fees	224.9	132.1	92.8	70.2
Credit commitments and financial guarantees fees	165.9	99.2	66.7	67.2
Settlement and clearing fees	11.4	8.0	3.4	42.5
Bank card fees ⁽¹⁾	75.5	55.3	20.2	36.5
Transaction and consultancy fees	39.6	8.1	31.5	388.9
Subtotal	763.8	495.3	268.5	54.2
Fee and commission expense				
Settlement fees	(51.8)	(51.1)	(0.7)	1.4
Transaction fees	(61.3)	(62.2)	0.9	(1.4)
Others	(26.7)	(39.7)	13.0	(32.7)
Subtotal	(139.8)	(153.0)	13.2	(8.6)
Net fee and commission income	624.0	342.3	281.7	82.3

Note:

- (1) The Ministry of Finance, Assets Supervision and Administration Commission of the State Council, CBIRC and CSRC jointly issued the Notice of Strict Implementation of Accounting Standards for Business Enterprises for Effective Improvement of the Work of 2020 Annual Report for Enterprises (Cai Kuai [2021] No.2) in 2021. The Group reclassified the income of credit card installment business for 2020 from fee and commission income to interest income according to the requirement of the notice. The comparative figures in the same period have been adjusted accordingly.

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For the year ended December 31, 2020, agency service fee income of the Group amounted to RMB247 million, representing a year-on-year increase of RMB54 million or 28.0%, mainly attributable to the increase in bond underwriting business of the Group which led to an increase in the agency service fee income.

For the year ended December 31, 2020, the wealth management fee income of the Group amounted to RMB225 million, representing a year-on-year increase of RMB93 million or 70.2%, mainly attributable to the expansion of scale of the Group's wealth management assets.

For the year ended December 31, 2020, credit commitments and financial guarantees fee income of the Group amounted to RMB166 million, representing a year-on-year increase of RMB67 million or 67.2%, mainly attributable to increase in trading volume as a result of our vigorous development of the acceptance business.

For the year ended December 31, 2020, bank card fee income of the Group reached RMB76 million, representing a year-on-year increase of RMB20 million, or 36.5%. The increase in income was mainly due to the increase in the related fee income as a result of promotion and application of the Group's credit cards.

3.4.2 Net gains arising from financial investments

For the year ended December 31, 2020, net gains arising from financial investments of the Group reached RMB1,562 million, representing a year-on-year decrease of RMB602 million, or 27.8%, mainly due to the decrease in both yield and scale of the financial investments measured at fair value through profit or loss resulting from the Group's implementation of national policy guidance and steady financial investment strategy.

3.5 Operating expenses

For the year ended December 31, 2020, operating expenses of the Group amounted to RMB2,886 million, representing a year-on-year increase of RMB103 million, or 3.7%, which was basically in line with the overall growth of the Group's business.

The following table sets forth the amount, amount of change and percentage of changes for each component of operating expenses of the Group in the period indicated.

	For the year ended December 31,			
	2020	2019	Amount of change	Percentage of change (%)
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)			
Staff costs	1,560.8	1,341.8	219.0	16.3
General and administrative expenses	810.5	939.2	(128.7)	(13.7)
Tax and surcharges	105.8	98.1	7.7	7.8
Depreciation and amortization (excluding investment properties)	323.9	309.4	14.5	4.7
Depreciation on right-of-use assets	74.3	84.9	(10.6)	(12.5)
Rental and property management expenses	10.4	9.7	0.7	7.2
Total operating expenses	2,885.7	2,783.1	102.6	3.7

Management Discussion and Analysis

For the year ended December 31, 2020, staff costs of the Group amounted to RMB1,561 million, representing a year-on-year increase of RMB219 million, or 16.3%, mainly attributable to the general increase in the number of employees of the Group and their average remuneration along with our continuous business expansion which led to an increase in salaries, bonuses, allowances and housing funds of employees.

	For the year ended December 31,			
	2020	2019	Amount of change	Percentage of change (%)
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)			
Salaries, bonuses and allowances	1,195.5	1,020.6	174.9	17.1
Staff welfares	71.6	53.1	18.5	34.8
Social insurance and supplementary retirement benefits	220.2	211.1	9.1	4.3
Housing funds	45.8	31.2	14.6	46.8
Labor union fees and staff education expenses	27.7	25.8	1.9	7.4
Total staff costs	1,560.8	1,341.8	219.0	16.3

For the year ended December 31, 2020, general and administrative expenses of the Group were RMB811 million, representing a year-on-year decrease of RMB129 million or 13.7%, mainly due to the impact of the epidemic in 2020, some marketing promotion and internal management activities of the Group were cancelled or carried out online instead, thus reducing expenses.

For the year ended December 31, 2020, the tax and surcharges of the Group were RMB106 million, representing a year-on-year increase of RMB8 million, or 7.8%, mainly attributable to the normal business growth of the Group.

For the year ended December 31, 2020, depreciation and amortization (excluding investment properties) of the Group amounted to RMB324 million, increased by RMB15 million or 4.7% year-on-year. This is primarily due to changes in tangible assets, property and equipment and renovation expenses of the Group during the relevant period.

3.6 Impairment losses on assets

For the year ended December 31, 2020, the Group's impairment losses on assets were RMB5,179 million, representing a year-on-year increase of RMB559 million or 12.1%. This is primarily due to the increase in the Group's loss allowance of financial assets that are measured at amortized cost and repossessed assets.

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

	For the year ended December 31,			
	2020	2019	Amount of change	Percentage of change (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Loans and advances to customers at amortized cost	386.5	2,329.8	(1,943.3)	(83.4)
Loans and advances to customers at FVOCI	57.5	22.0	35.5	161.4
Financial investments measured at amortized cost	3,780.9	2,096.9	1,684.0	80.3
Financial investments measured at FVOCI	120.8	51.8	69.0	133.2
Others ⁽¹⁾	832.8	118.8	714.0	601.0
Total impairment losses on assets	5,178.5	4,619.3	559.2	12.1

Note:

- (1) Consists of placements with banks and other financial institutions, deposits with banks and other financial institutions, financial assets held under resale agreements, interests receivable, other receivables, repossessed assets, and credit commitments and financial guarantees.

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3.7 Income tax expense

For the year ended December 31, 2020, income tax of the Group was RMB428 million, representing a year-on-year increase of RMB27 million or 6.7%, mainly attributable to a year-on-year increase in the recovery amount upon write-offs.

The following table sets forth the amount, amount of change and percentage of change for each component of income tax expense of the Group in the period indicated.

	For the year ended December 31,			
	2020	2019	Amount of change	Percentage of change (%)
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)			
Current income tax	941.5	637.7	303.8	47.6
Tax filling differences	657.6	4.0	653.6	16,340.0
Deferred tax	(1,171.0)	(240.4)	(930.6)	387.1
Total income tax expenses	428.1	401.3	26.8	6.7

4. Analysis of major financial position items

4.1 Assets

As of December 31, 2020, total assets of the Group were RMB415,794 million, representing an increase of RMB52,443 million or 14.4% as compared to the end of last year, mainly attributable to (i) the increase in loans and advances to customers, and (ii) the increase in financial investments.

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

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Total loans and advances to customers	210,440.0	50.7	178,455.6	49.1
Accrued interest on loans and advances to customers	439.9	0.1	499.9	0.1
Less: Allowances for impairment losses	(5,221.7)	(1.3)	(5,586.9)	(1.5)
Loans and advances to customers, net	205,658.2	49.5	173,368.6	47.7
Financial investments, net	145,947.1	35.1	134,421.6	37.0
Cash and balances with the central bank	38,740.9	9.3	35,382.2	9.8
Deposits with banks and other financial institutions	2,014.6	0.5	2,247.7	0.6
Placements with banks and other financial institutions	–	–	2,251.0	0.6
Financial assets held under resale agreements	13,447.8	3.2	7,808.5	2.2
Interests in associates	126.8	–	121.6	–
Other assets ⁽¹⁾	9,858.7	2.4	7,750.4	2.1
Total assets	415,794.1	100.0	363,351.6	100.0

Note:

(1) Consists of right-of-use assets, property and equipment, right-of-use assets, deferred tax assets and others.

4.1.1 Loans and advances to customers

As of December 31, 2020, loans and advances to customers of the Group amounted to RMB210,440 million, representing an increase of RMB31,984 million, or 17.9% from the end of the previous year. The increase in the loan portfolio of the Group is primarily due to (i) the stable growth in our corporate loans, and (ii) our continued efforts to develop retail loan business.

Management Discussion and Analysis

The following table sets forth, as at the dates indicated, the distribution of total loans and advances of the Group by business type.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Corporate loans and advances	124,439.4	59.1	105,661.7	59.2
Retail loans and advances	66,362.3	31.5	59,427.6	33.3
Discounted bills	19,638.3	9.4	13,366.3	7.5
Total loans and advances to customers	210,440.0	100.0	178,455.6	100.0

(1) Corporate loans and advances

For the year ended December 31, 2020, gross corporate loans and advances of the Group amounted to RMB124,439 million, representing an increase of RMB18,778 million or 17.8% from the end of the previous year, mainly due to our continued expansion of its corporate loan portfolio.

The following table sets forth, as at the dates indicated, the distribution of corporate loans and advances of the Group by product type.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Working capital loans	72,974.8	58.6	60,734.6	57.5
Fixed asset loans	40,354.3	32.4	39,248.4	37.1
Trade finance loans	9,543.0	7.7	4,056.9	3.8
Others	1,567.3	1.3	1,621.8	1.6
Total corporate loans and advances	124,439.4	100.0	105,661.7	100.0

The following table sets forth, as at the dates indicated, the distribution of corporate loans and advances of the Group by size of corporate banking customers.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Large enterprise ⁽¹⁾	11,995.0	9.6	8,720.4	8.3
Medium enterprise ⁽¹⁾	32,508.8	26.1	27,078.8	25.6
Small enterprise ⁽¹⁾	51,519.7	41.4	45,916.4	43.5
Micro enterprise ⁽¹⁾	24,886.2	20.0	20,676.0	19.6
Others ⁽²⁾	3,529.7	2.9	3,270.1	3.0
Total corporate loans and advances	124,439.4	100.0	105,661.7	100.0

Notes:

(1) Classified in accordance with the classification criteria stipulated in the Classification Standards of Small and Medium Enterprises.

(2) Primarily includes the public institutions in the PRC.

(2) Retail loans and advances

As of December 31, 2020, retail loans and advances of the Group amounted to RMB66,362 million, representing an increase of RMB6,935 million, or 11.7% as compared to the end of last year. Such increase was mainly due to the rapid development of the Group's personal loans for business purposes.

Management Discussion and Analysis

The following table sets forth, as at the dates indicated, the breakdown of retail loans and advances of the Group by product type.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Residential mortgage loans	29,565.8	44.6	25,155.5	42.4
Personal loans for business purposes	17,279.7	26.0	9,891.8	16.6
Personal loans for consumption	16,550.2	24.9	22,569.0	38.0
Credit card	2,966.6	4.5	1,811.3	3.0
Total retail loans and advances	66,362.3	100.0	59,427.6	100.0

(3) Discounted bills

As of December 31, 2020, discounted bills of the Group were RMB19,638 million, representing an increase of RMB6,272 million or 46.9% as compared to the end of last year, mainly attributable to the fact that the Group continuously increased the support towards the real economy through bills business.

4.1.2 Financial investments

As of December 31, 2020, the total financial investments of the Group were RMB149,221 million, increasing by RMB12,748 million, or 9.3% over that at the end of last year. The increase is primarily due to the fact that (i) the debt securities held by the Group increased; and (ii) equity investments held by the Group increased, primarily in bond funds and currency funds.

The following table sets out the components of the Group's financial investments by investment intention as at the dates indicated.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Financial investments at fair value through profit or loss	30,087.7	20.1	34,789.8	25.5
Financial investments measured at amortized cost	88,122.7	59.1	83,124.9	60.9
Financial investments at fair value through other comprehensive income	31,010.4	20.8	18,558.1	13.6
Total financial investments	149,220.8	100.0	136,472.8	100.0

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

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Debt securities				
Government bonds	32,804.8	21.9	14,836.7	10.9
Debt securities issued by PRC policy banks	30,306.8	20.3	25,737.9	18.9
Debt securities issued by other PRC banks and financial institutions	4,742.2	3.2	5,073.5	3.7
Debt securities issued by PRC corporate issuers	19,500.4	13.1	24,649.5	18.0
Subtotal	87,354.2	58.5	70,297.6	51.5
Non-standard Investment				
Trust beneficiary rights and asset management plans	39,369.9	26.4	44,158.5	32.3
Wealth management products issued by other PRC commercial banks	207.6	0.1	937.0	0.7
Other investments at fair value through profit or loss	5,192.3	3.5	4,873.2	3.6
Subtotal	44,769.8	30.0	49,968.7	36.6
Equity investments				
Equity investments	256.5	0.2	689.5	0.5
Fund investments	14,947.0	10.0	13,618.7	10.0
Subtotal	15,203.5	10.2	14,308.2	10.5
Accrued interest				
	1,893.3	1.3	1,898.3	1.4
Total financial investments				
Less: Allowances for impairment losses	(3,273.7)		(2,051.2)	
Financial investments, net				
	145,947.1		134,421.6	

Management Discussion and Analysis

4.1.3 Other Components of the Group' Assets

Other components of the Group' assets mainly include: (i) Cash and balances with the central bank; (ii) Deposits with banks and other financial institutions; (iii) Placements with banks and other financial institutions; and (iv) Financial assets held under resale agreements.

As of December 31, 2020, the total amount of cash and balances with the central bank of the Group was RMB38,741 million, representing an increase of RMB3,359 million or 9.5% from the end of the previous year, mainly due to the increase in mandatory reserve deposits and the needs of liquidity management of the Group.

As of December 31, 2020, the total amount of deposits with banks and other financial institutions of the Group was RMB2,015 million, representing a decrease of RMB233 million or 10.4% from the end of the previous year. The decrease was mainly due to our adjustment of liquidity management measures based on the funding situation and market liquidity changes.

As of December 31, 2020, there was no balance of placements with banks and other financial institutions of the Group, mainly due to the maturity of the lending funds in the second half of 2020.

As of December 31, 2020, the total amount of financial assets held under resale agreements of the Group was RMB13,448 million, representing an increase of RMB5,639 million or 72.2% as compared with the end of the last year. This is mainly due to the increase of financial assets held under resale agreements based on the Group's liquidity management measures.

4.2 Liabilities

As of December 31, 2020, the total liabilities of the Group were RMB389,165 million, increasing by RMB51,171 million, or 15.1% over that at the end of last year.

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

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Borrowings from the central bank	13,763.5	3.5	4,073.3	1.2
Customer deposits	313,804.7	80.6	255,263.1	75.5
Deposits from banks and other financial institutions	9,124.1	2.3	14,244.3	4.2
Placements from banks and other financial institutions	7,409.5	1.9	5,140.2	1.5
Financial assets sold under repurchase agreements	14,705.0	3.8	6,379.4	1.9
Debt securities issued	26,634.1	6.8	49,667.0	14.7
Other liabilities ⁽¹⁾	3,723.7	1.1	3,226.5	1.0
Total liabilities	389,164.6	100.0	337,993.8	100.0

Note:

- (1) Consisted of income tax payable, lease liabilities, provisions, salaries payable, settlement and clearing accounts, and dividend payable, etc.

Management Discussion and Analysis

4.2.1 Customer deposits

As of December 31, 2020, the Group recorded total customer deposits of RMB313,805 million, increasing by RMB58,542 million, or 22.9% over that at the end of last year, mainly due to rising momentum of our corporate and retail banking business of the Group.

The following table sets forth, as at the dates indicated, customer deposits by product type and maturity of the Group.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Corporate deposits				
Demand	102,884.3	32.8	86,076.1	33.7
Time	54,123.6	17.2	46,260.2	18.1
Pledged deposits	35,719.6	11.4	27,088.5	10.6
Subtotal	192,727.5	61.4	159,424.8	62.4
Personal deposits				
Demand	18,803.8	6.0	16,669.5	6.5
Time	97,415.1	31.0	75,925.0	29.8
Subtotal	116,218.9	37.0	92,594.5	36.3
Other deposits⁽¹⁾	192.5	0.1	219.7	0.1
Accrued interest	4,665.8	1.5	3,024.1	1.2
Total customer deposits	313,804.7	100.0	255,263.1	100.0

Note:

(1) Consists primarily of funds deposited with us for remittance and outbound remittance.

4.2.2 Deposits from banks and other financial institutions

As of December 31, 2020, the balance of the Group's deposits from banks and other financial institutions was RMB9,124 million, decreasing by RMB5,120 million, or 35.9% from that at the end of last year, mainly because the Group had strengthened daily management on inter-bank liabilities, and decreased deposits from banks and other financial institutions.

4.2.3 Borrowings from the central bank

As of December 31, 2020, the balance of the Group's borrowings from the central bank was RMB13,764 million, representing an increase of RMB9,690 million, or 237.9%, as compared with the end of last year. The increase was primarily due to the Group's borrowings at lower interest rates from the central bank in 2020 to support the economic development of farmers and small and micro enterprises.

4.2.4 Financial assets sold under repurchase agreements

As of December 31, 2020, the Group's financial assets sold under repurchase agreements valued RMB14,705 million, increasing by RMB8,326 million, or 130.5% from that at the end of last year. The increase was primarily a result of our adjustment on selling bonds for repurchase in compliance with the capital liquidity management measures.

4.2.5 Debt securities issued

As of December 31, 2020, the Group's debt securities issued totaled RMB26,634 million, decreasing by RMB23,033 million or 46.4% as compared to the end of last year, which was primarily due to the Group's optimization and adjustment of its debt structure and the reduction in the issuance of negotiable inter-bank certificates of deposit.

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4.3 Equity

As of December 31, 2020, the total equity of the Group was RMB26,630 million, increasing by RMB1,272 million, or 5.0% over that at the end of last year. As of December 31, 2020, the equity attributable to shareholders of the Bank was RMB25,976 million, increasing by RMB1,251 million, or 5.1% over that at the end of last year. The increase in the Group's equity can be primarily ascribed to the growing retained earnings.

The following table sets forth, as at the dates indicated, the various components of the Group's equity.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Share capital	2,407.4	9.0	2,407.4	9.5
Share premium	8,165.8	30.7	8,165.7	32.2
Surplus reserve	3,808.8	14.3	3,460.5	13.6
General reserve	4,673.6	17.6	4,175.5	16.5
Fair value reserve	(79.2)	(0.3)	54.2	0.2
Retained earnings	6,999.8	26.2	6,462.3	25.5
Equity attributable to equity shareholders of the Bank	25,976.2	97.5	24,725.6	97.5
Non-controlling interests	653.3	2.5	632.2	2.5
Total equity	26,629.5	100.0	25,357.8	100.0

5. Off-balance sheet commitments of assets and liabilities

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

	As of December 31, 2020	As of December 31, 2019
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)		
Credit commitments		
Unused credit card commitments	9,568.6	4,136.8
Bank acceptances	35,207.3	27,953.3
Letters of credit	8,858.4	7,144.3
Letters of guarantee	11,999.9	5,776.7
Total	65,634.2	45,011.1

As of December 31, 2020, the Group's off-balance sheet commitments totaled RMB65,634 million, representing an increase of RMB20,623 million, or 45.8% as compared to the end of last year, which was mainly due to the increase in bank acceptance bills and letters of guarantee. For details on off-balance sheet commitments of assets and liabilities, see "Note 40 to the financial statement" in this report.

Management Discussion and Analysis

6. Loan quality analysis

In 2020, the Group paid close attention to external dynamics and took concrete steps to strengthen full-process management over loans, sped up credit structure adjustment, intensified recovery and disposal of non-performing loans, enhanced risk management performance assessment and continued to optimize loan quality, therefore, the non-performing loan ratio declined. As of December 31, 2020, the Group's balance of non-performing loans was RMB3,265 million, representing an increase of RMB210 million as compared to the end of the previous year; non-performing loan ratio was 1.55%, representing a decrease of 0.16 percentage point as compared to the end of the previous year.

6.1 Distribution of loans by five-category loan classification

The following table sets forth, as at the dates indicated, loans and advances to customers of the Group categorized by five-category loan classification.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total amount	Amount	% of total amount
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Normal	204,356.9	97.1	170,453.3	95.5
Special mention	2,817.8	1.3	4,946.9	2.8
Substandard	807.6	0.4	891.6	0.5
Doubtful	1,488.8	0.7	1,619.2	0.9
Loss	968.9	0.5	544.6	0.3
Total loans and advances to customers	210,440.0	100.0	178,455.6	100.0
Non-performing loan ratio(%)⁽¹⁾		1.55		1.71

Note:

(1) Non-performing loan ratio is calculated by dividing the non-performing loans by the gross amount of loans and advances to customers.

Based on the five-category loan classification system, the Group's non-performing loans are classified into substandard loans, doubtful loans and loss loans.

As of the end of the reporting period, the Group's total normal and special mention loans amounted to RMB207,175 million, accounting for 98.4%, among which, total non-performing loans amounted to RMB3,265 million, the non-performing loan ratio was 1.55%, representing a decrease of 0.16 percentage point as compared to the end of the previous year.

6.2 Distribution of loans and non-performing loans classified by business type

The following table sets forth, as at the dates indicated, loans and non-performing loans of the Group by business type.

	As of December 31, 2020				As of December 31, 2019			
	Amount	% of total amount (%)	Non-performing loan amount	Non-performing loan ratio (%)	Amount	% of total amount (%)	Non-performing loan amount	Non-performing loan ratio (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)								
Corporate loans and advances								
Working capital loans	72,974.8	34.7	1,725.8	2.36	60,734.6	34.0	1,813.8	2.99
Fixed asset loans	40,354.3	19.2	259.7	0.64	39,248.4	22.0	265.8	0.68
Trade finance loans	9,543.0	4.5	2.8	0.03	4,056.9	2.3	3.0	0.07
Others ⁽¹⁾	1,567.3	0.7	437.4	27.91	1,621.8	0.9	386.3	23.82
Subtotal	124,439.4	59.1	2,425.7	1.95	105,661.7	59.2	2,468.9	2.34
Retail loans and advances								
Residential mortgage loans	29,565.8	14.0	147.8	0.50	25,155.5	14.2	62.1	0.25
Personal loans for business purposes	17,279.7	8.2	389.7	2.26	9,891.8	5.5	329.7	3.33
Personal loans for consumption	16,550.2	7.9	266.3	1.61	22,569.0	12.6	144.9	0.64
Credit card	2,966.6	1.4	35.8	1.21	1,811.3	1.0	49.8	2.75
Subtotal	66,362.3	31.5	839.6	1.27	59,427.6	33.3	586.5	0.99
Discounted bills	19,638.3	9.4	-	-	13,366.3	7.5	-	-
Total loans and advances to customers	210,440.0	100.0	3,265.3	1.55	178,455.6	100.0	3,055.4	1.71

Note:

(1) Mainly include bank acceptance bills in corporate loans, third-party loans and merger and acquisition loans.

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As of December 31, 2020, the Group's non-performing loan balance of corporate loans and advances amounted to RMB2,426 million, representing a decrease of RMB43 million as compared to the end of the previous year; the non-performing loan ratio of the corporate loans and advances decreased by 0.39 percentage point as compared to the end of the previous year to 1.95%, which was mainly due to the efforts of the Group on settling non-performing corporate loans.

As of December 31, 2020, the Group's non-performing loan balance of retail loans and advances amounted to RMB840 million, representing an increase of RMB253 million as compared to the end of the previous year; the non-performing loan ratio of retail loans and advances of the Group increased by 0.28 percentage point as compared to the end of the previous year to 1.27%, which was mainly due to the weakening of the repayment ability of some retail customers affected by overall economic environment and the COVID-19 epidemic.

6.3 Loans and non-performing loans classified by industry

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

	As of December 31, 2020				As of December 31, 2019			
	Amount	% of total amount (%)	Non-performing loan amount	Non-performing loan ratio (%)	Amount	% of total amount (%)	Non-performing loan amount	Non-performing loan ratio (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)								
Real estate	29,703.7	14.1	530.0	1.78	25,717.1	14.4	695.8	2.71
Construction	20,913.3	9.9	341.0	1.63	14,208.7	8.0	254.5	1.79
Wholesale and retail	17,016.2	8.1	578.6	3.40	11,684.1	6.5	653.4	5.59
Water conservancy, environment and public utility management	12,663.7	6.0	–	–	13,368.2	7.5	–	–
Manufacturing	10,711.1	5.1	816.0	7.62	7,386.2	4.1	598.3	8.10
Leasing and commercial services	7,932.1	3.8	7.2	0.09	20,129.6	11.3	26.5	0.13
Production and supply of electricity, gas and water	4,191.6	2.0	1.4	0.03	2,972.6	1.7	–	–
Education	2,374.7	1.1	–	–	1,339.9	0.8	–	–
Agriculture, forestry, animal husbandry and fishery	2,337.8	1.1	34.7	1.48	1,431.5	0.8	125.5	8.77
Hotels and catering services	1,380.0	0.7	17.5	1.27	1,288.2	0.7	4.5	0.35
Transportation, storage and postal services	1,366.4	0.6	11.2	0.82	721.4	0.4	22.2	3.08
Others ⁽²⁾	13,848.8	6.6	88.1	0.64	5,414.2	3.0	88.2	1.63
Total corporate loans and advances	124,439.4	59.1	2,425.7	1.95	105,661.7	59.2	2,468.9	2.34
Total retail loans and advances	66,362.3	31.5	839.6	1.27	59,427.6	33.3	586.5	0.99
Discounted bills	19,638.3	9.4	–	–	13,366.3	7.5	–	–
Gross loans and advances to customers	210,440.0	100.0	3,265.3	1.55	178,455.6	100.0	3,055.4	1.71

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Notes:

- (1) Calculated by dividing non-performing loans in each industry by gross loans to corporate customers in that industry.
- (2) Mainly included: (i) hygiene and social services; (ii) information transmission, software and information technology services; (iii) finance; (iv) scientific research and technical services; and (v) residential services, repairing and other services.

As of December 31, 2020, the Group's non-performing loans of corporate loans and advances were primarily from: (i) manufacturing industry; (ii) wholesale and retail industry; (iii) real estate industry, whose non-performing loan ratios were 7.62%, 3.40% and 1.78%, respectively.

As of December 31, 2020, the Group's non-performing loan balance of manufacturing industry was RMB816 million, increased by RMB218 million from the end of last year. The non-performing loan ratio decreased by 0.48 percentage point compared to the end of last year, mainly due to the efforts of the Group on settling non-performing loans of enterprises in this industry.

As of December 31, 2020, the Group's non-performing loan balance of wholesale and retail industry was RMB579 million, decreasing by RMB75 million from the end of last year. The non-performing loan ratio decreased by 2.19 percentage points compared to the end of last year, which was mainly due to the efforts of the Group on settling non-performing loans of enterprises in this industry.

As of December 31, 2020, the Group's non-performing loan balance of real estate industry was RMB530 million, decreasing by RMB166 million from the end of last year. The non-performing loan ratio decreased by 0.93 percentage point compared to the end of last year, which was mainly due to the efforts of the Group on settling non-performing loans of enterprises in this industry.

6.4 Distribution of loans and non-performing loans classified by collateral

The following table sets forth, as at the dates indicated, loans and non-performing loans of the Group by collateral.

	As of December 31, 2020				As of December 31, 2019			
	Amount	% of total amount (%)	Non-performing loan amount	Non-performing loan ratio (%) ⁽¹⁾	Amount	% of total amount (%)	Non-performing loan amount	Non-performing loan ratio (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)								
Unsecured loans	41,068.5	19.5	492.1	1.20	45,575.6	25.5	336.6	0.74
Pledged loans	41,454.3	19.7	315.7	0.76	20,006.1	11.2	121.0	0.60
Guaranteed loans	44,220.6	21.0	1,051.5	2.38	35,623.0	20.0	1,053.4	2.96
Collateralized loans	83,696.6	39.8	1,406.0	1.68	77,250.9	43.3	1,544.4	2.00
Total	210,440.0	100.0	3,265.3	1.55	178,455.6	100.0	3,055.4	1.71

Note:

- (1) Calculated by dividing the non-performing loans secured by various types of collateral in each product category by the total amount of loans for such collateral.

As of December 31, 2020, the Group's non-performing loan balance of guaranteed loans decreased by RMB2 million as compared to the end of the previous year. The non-performing loan ratio decreased by 0.58 percentage point; the Group's non-performing loan balance of collateralized loans decreased by RMB138 million as compared to the end of last year. The non-performing loan ratio decreased by 0.32 percentage point, primarily due to the efforts of the Group on settling non-performing loans.

As of December 31, 2020, the Group's non-performing loan balance of unsecured credit loans increased by RMB156 million as compared to the end of the previous year. The non-performing loan ratio increased by 0.46 percentage point; the Group's non-performing loan balance of pledged loans increased by RMB195 million as compared to the end of last year. The non-performing loan ratio increased by 0.16 percentage point, mainly due to the weakening of repayment ability of some corporate customers.

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6.5 Distribution of loans and non-performing loans classified by region

The following table sets forth, as at the dates indicated, loans and non-performing loans of the Group by region.

	As of December 31, 2020				As of December 31, 2019			
	Amount	% of total performing amount (%)	Non-performing loan amount	Non-performing loan ratio (%) ⁽¹⁾	Amount	% of total performing amount (%)	Non-performing loan amount	Non-performing loan ratio (%)
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)								
Jiangxi Province	174,963.3	83.1	2,758.8	1.58	146,550.7	82.1	2,851.9	1.95
Including: Jiujiang City	67,369.9	32.0	578.6	0.86	56,576.2	31.7	478.1	0.85
Anhui Province	10,320.4	4.9	47.8	0.46	10,091.0	5.7	34.8	0.34
Guangdong Province	17,721.6	8.4	328.3	1.85	15,254.7	8.5	22.5	0.15
Others ⁽¹⁾	7,434.7	3.6	130.4	1.75	6,559.2	3.7	146.2	2.23
Total	210,440.0	100.0	3,265.3	1.55	178,455.6	100.0	3,055.4	1.71

Note:

- (1) Mainly includes the controlled county banks of the Group where they are located in the provinces and cities such as Beijing, Shandong Province and Jiangsu province.

As of December 31, 2020, the Group's loans released in Jiangxi province amounted to RMB174,963 million, representing an increase of RMB28,413 million as compared to the end of the previous year, accounting for 83.1% of total loans and advances to customers. Among which, the Group's loans released in Jiujiang city amounted to RMB67,370 million, representing an increase of RMB10,794 million as compared to the end of the previous year. Meanwhile, the Group's non-performing loan balance of Jiangxi province decreased by RMB93 million as compared to the end of last year and the non-performing loan ratio decreased by 0.37 percentage point, which was primarily due to the efforts of the Group on settling non-performing loans of Jiangxi province.

6.6 Borrower concentration

As of December 31, 2020, the Group's loan balance to any single borrower did not exceed 10% of the Group's net capital base.

The following table sets forth, as at the dates indicated, the loan balances to the Group's ten largest single borrowers (excluding group borrowers).

As of December 31, 2020				
Industry	Loan balance	% of total loan	% of net capital	
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Borrower A	Water conservancy, environment and public utility management	2,199.0	1.04	7.02
Borrower B	Real estate	1,753.2	0.83	5.60
Borrower C	Real estate	1,400.0	0.67	4.47
Borrower D	Real estate	1,086.0	0.52	3.47
Borrower E	Water conservancy, environment and public utility management	1,065.0	0.51	3.40
Borrower F	Real estate	1,031.6	0.49	3.29
Borrower G	Others	1,015.0	0.48	3.24
Borrower H	Construction	1,000.0	0.48	3.19
Borrower I	Production and supply of electricity, heat gas and water	950.0	0.45	3.03
Borrower J	Leasing and commercial services	800.0	0.38	2.55
Total		12,299.8	5.85	39.26

As of December 31, 2020, the Group's loan balance to the largest single borrowers amounted to RMB2,199 million, representing 1.04% of the Group's total loans; the total loans to our ten largest single borrowers amounted to approximately RMB12,300 million, representing 5.85% of the Group's total loans, accounting for 39.26% of the Group's net capital.

Management Discussion and Analysis

6.7 Overdue loans

The following table sets forth, as at the dates indicated, the Group's loans and advances to customers by overdue period.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total amount	Amount	% of total amount
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Current loans	206,269.6	98.0	173,999.5	97.5
Overdue loans ⁽¹⁾				
Up to 3 months (inclusive)	1,604.6	0.8	2,010.5	1.1
3 months to 1 year (inclusive)	735.2	0.3	993.4	0.6
1 to 3 years (inclusive)	1,673.6	0.8	1,283.4	0.7
Over 3 years	157.0	0.1	168.8	0.1
Subtotal	4,170.4	2.0	4,456.1	2.5
Total loans and advances to customers	210,440.0	100.0	178,455.6	100.0

Note:

(1) Represents the principal amount of the loans on which principal or interest is overdue.

As of December 31, 2020, the gross overdue loans of the Group amounted to RMB4,170 million, representing a decrease of RMB286 million as compared to the end of last year; overdue loans accounted for 2.0% of the total loans and advances to customers, representing a decrease of 0.5 percentage point as compared to the end of the last year. The decrease in overdue loans was primarily due to the fact that the Group continued to control new non-performing loans and reduce old non-performing loans and enhanced the efforts on overdue loans management.

6.8 Changes in allowance for impairment losses on loans

The Group has performed impairment accounting and recognized loss allowance based on expected credit losses. If the credit risk of a financial instrument is low at the end of the reporting period or has not increased significantly since initial recognition, the Group measures its loss allowance based on amount of the 12-month expected credit losses. For other financial instruments, the Group measures their loss allowance based on amounts of lifetime expected credit losses.

The Group re-measures expected credit losses at the end of each reporting period. In addition, the Group regularly reviews a number of key parameters and assumptions involved in the process of determining impairment allowance based on the expected credit loss model, including division of loss stages, probability of default, loss given default, default risk exposure, discount rate, forward-looking adjustment and other adjustment factors.

The following table sets forth, as at the dates indicated, the changes in allowance for impairment losses on loans of the Group.

	As of December 31, 2020	As of December 31, 2019
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)	
Opening balance	5,586.9	4,681.3
Provision for the year	386.5	2,329.8
Write-offs/transferred out for the year	(989.7)	(1,628.8)
Recoveries of write-offs for the year	238.0	204.6
Closing balance	5,221.7	5,586.9

As of December 31, 2020, the Group's allowance for impairment losses on loans amounted to RMB5,222 million, representing a decrease of RMB365 million or 6.5% as compared to the end of the previous year, which was mainly due to that the Group focused on asset quality scheduling meeting and major customer consultation to control new non-performing loans and dispose of existing non-performing loans.

Management Discussion and Analysis

7. Segment reporting

7.1 By geographical region

The following table sets forth, for the periods indicated, the Group's operating income in various geographical regions and shares in the total operating income.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total amount	Amount	% of total amount
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Jiangxi Province	8,753.9	85.9	9,035.4	93.4
Guangdong Province	676.9	6.6	247.4	2.6
Anhui Province	424.8	4.2	75.2	0.8
Other areas ⁽¹⁾	336.0	3.3	318.0	3.2
Total operating income⁽²⁾	10,191.6	100.0	9,676.0	100.0

Notes:

- (1) Mainly includes the controlled county banks of the Group where they are located in the provinces and cities such as Beijing, Shandong Province and Jiangsu Province.
- (2) The Group reclassified impairment losses on repossessed assets from "Other income, gains or losses" to "Impairment losses on assets" in 2020. The comparative figures in the same period have been adjusted accordingly.

7.2 By business segment

The following table sets forth, for the periods indicated, the operating income of the Group's various business segments and shares in the total operating income.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total amount	Amount	% of total amount
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)				
Corporate banking	4,354.1	42.7	4,332.7	44.8
Retail banking business	1,203.6	11.8	1,254.0	13.0
Financial market business	4,021.6	39.5	3,687.3	38.1
Unallocated ⁽¹⁾	612.3	6.0	402.0	4.1
Total operating income⁽²⁾	10,191.6	100.0	9,676.0	100.0

Notes:

- (1) Consists primarily of income and expenses that are not directly attributable to any specific segment.
- (2) The Group reclassified impairment losses on repossessed assets from "Other income, gains or losses" to "Impairment losses on assets" in 2020. The comparative figures in the same period have been adjusted according.

8. Analysis of capital adequacy ratio and leverage ratio

8.1 Capital adequacy ratio

The Group continued to optimize its business structure and strengthen its capital management. As of December 31, 2020, the Group's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 10.71%, 9.02% and 9.02%, respectively; capital adequacy ratio decreased by 0.93 percentage point as compared to the end of last year, while tier-one capital adequacy ratio and core tier-one capital adequacy ratio increased by 0.05 percentage point as compared to the end of the previous year, which met the regulatory requirements of the Administrative Measures for Capital of Commercial Banks (Trial) of the CBIRC.

The changes in capital adequacy ratio of the Group were mainly due to (i) an increase in risk-weighted assets arising from the expansion of scale of the Group's assets; and (ii) exercise of the redemption option of tier-two capital bonds in an amount of RMB2.0 billion.

Management Discussion and Analysis

The capital adequacy ratio calculated by the Group in accordance with the Administrative Measures for Capital of Commercial Banks (Trial) of the CBIRC is as follows:

	As of December 31, 2020	As of December 31, 2019
(All amounts expressed in millions of RMB except percentages, unless otherwise stated)		
Core tier-one capital		
Share capital	2,407.4	2,407.4
Qualifying portion of capital reserve	8,086.6	8,220.0
Surplus reserve and general reserve	8,482.4	7,636.0
Retained earnings	6,999.8	6,462.3
Qualifying non-controlling interests	1,107.1	632.2
Deductions of core tier-one capital	(716.5)	(132.5)
Net core tier-one capital	26,366.8	25,225.4
Other tier-one capital	–	–
Net tier-one capital	26,366.8	25,225.4
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	3,000.0	5,000.0
Surplus provision for loan impairment	1,956.5	2,531.5
Qualifying non-controlling interests	–	–
Net tier-two capital	4,956.5	7,531.5
Net capital base	31,323.3	32,756.9
Total risk-weighted assets	292,351.4	281,314.6
Core tier-one capital adequacy ratio (%)	9.02	8.97
Tier-one capital adequacy ratio (%)	9.02	8.97
Capital adequacy ratio (%)	10.71	11.64

8.2 Leverage ratio

The leverage ratio of commercial banks shall not be lower than 4% in accordance with the requirements in “Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)” promulgated by the CBIRC. As of December 31, 2020, the Group’s leverage ratio, calculated in accordance with “Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)”, was 5.70%, higher than the regulatory requirement by CBIRC.

Item	As of December 31, 2020	As of December 31, 2019
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)	
Net tier-one capital	26,366.8	25,225.4
Adjusted on-and off-balance sheet assets	462,314.8	397,820.4
Leverage ratio	5.70%	6.34%

Management Discussion and Analysis

9. Business operations

Project: Fight COVID-19 with financial measures

To fully support the prevention and control of the COVID-19 epidemic, the Bank actively implemented anti-epidemic requirements by taking multiple measures such as continuously improving the outlet service mode, granting anti-epidemic loans, and investing in anti-epidemic bonds. The Bank considered the prevention and control of epidemic, as well as the support of financial services as its primary tasks to ensure smooth financial services.

I. Actively respond to external policies to focus precisely on helping small and micro enterprises

To help enterprises tide over the difficulties and relieve the financial pressure of small and micro enterprises, the Bank actively responded to the “special re-loan” and “re-loan for small businesses” policies of the People’s Bank of China, and strictly implemented the “deferred principal and interest repayment” and “credit loan currency” policies to contribute to the development of small and medium-sized enterprises with financial measures.

As of the end of the reporting period, the Bank had issued 183 anti-epidemic preferential loans to 158 key enterprises for epidemic prevention and control, amounting to RMB3,313 million, and disbursed loans for 15,187 small businesses that are qualified for the special re-loans, amounting to RMB9.16 billion. Since the promulgation of the “deferred principal and interest repayment” and “credit loan currency” policies, the Bank has implemented a total of RMB2.639 billion of deferred principal for inclusive small and micro loans, and has issued a total of RMB4,733 million of inclusive small and micro credit loans. The amount of deferred principal and interest repayment in December 2020 accounted for 91.03% of the loan principal to be repaid in that month, ranking top among the legal institutions in Jiangxi Province.

II. Strengthen credit product innovation to support enterprises to resume work and production

We have developed a variety of credit products, such as “Aiding Finance Loan”, “Aiding Business Loan” and “Stabilizing Employment Loan”, to support enterprises to resume work and production in all aspects and in many fields. The “Aiding Finance Loan” focuses on the credit needs of production and trade circulation enterprises during the epidemic fighting period, such as medical and medicine, material supply and life security, and opens up green financial channels for them according to the principle of special measures for special and urgent matters. The “Aiding Business Loan” mainly provides credit services for small and medium-sized enterprises in processing and manufacturing, trade and commerce, leisure and catering industry and commerce, and commercial services, which are greatly affected by the epidemic; the “Stabilizing Employment Loan” mainly provides credit services for industrial development and upgrading of enterprises in the park. In 2020, the Bank had issued RMB3,596 million in “Aiding Finance Loan” to 221 enterprises, RMB272 million in “Aiding Business Loan” to 126 enterprises, and RMB1,169 million in 132 “Stabilizing Employment Loan”.

III. Underwrite special anti-epidemic products based on our own qualification advantages

In response to the direct financing needs of enterprises for epidemic prevention, the Bank launched special bond products for epidemic prevention, opened up green approval and underwriting channels at the first time, and counseled business institutions to submit applications. In 2020, the Bank took the lead in coordinating the registration and issuance of 20 Ganzhou City Investment (epidemic prevention and control debt) CP001, the largest debt financing instrument for epidemic prevention and control in the country in the inter-bank market, with a registered amount of RMB4,600 million and an issued amount of RMB2,000 million; the Bank launched the first private enterprise epidemic prevention and control debt in Jiangxi Province – 20 Zhengbang SCP001, and the first municipal epidemic prevention and control debt financing plan in Jiangxi Province – Nanchang municipal epidemic prevention and control debt financing plan and others to help enterprises fight against the epidemic. The Bank innovated financial instruments and issued AAA anti-epidemic certificates with an initial amount of RMB100 million. All the funds raised were used to meet the capital needs of enterprises in the province for epidemic prevention and control and to ensure normal production and operation of enterprises. In 2020, the Bank underwrote and invested a total of RMB2.93 billion in anti-epidemic bonds such as in the Kouhang and Nongfa, and the funds raised were used to support the procurement of materials for key enterprises in epidemic prevention and control and the resumption of work and production by enterprises affected by the epidemic.

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IV. Increase the transmission of discounts to meet the financing needs of enterprises

In order to effectively transmit the rediscounting policy to small and micro enterprises and private enterprises, the Bank established the “Small and Micro Enterprise Bill Discounting Center” and took four measures to help small and micro enterprises, including setting up a quick response team to serve small and micro enterprises, opening a green channel for small and micro enterprises to seamlessly match bill discounts, streamlining the discounting process to fully meet customers’ needs, and increasing preferential concessions to reduce financing costs. As of the end of 2020, the rediscounting balance of the Bank amounted to RMB6,363 million, representing an increase of RMB2,683 million or 72.91% as compared to the beginning of the year, hitting a record high. Among them, RMB586 million was processed for rediscounting of green bills, effectively supporting the development of green industries such as green buildings, new energy vehicles and resource recycling.

9.1 Corporate financing business

In 2020, the Bank’s corporate banking business adhered to its principle of moving forward with steady growth and continuously optimized the structure of the corporate business to focus on serving the real economy. In 2020, the Group achieved operating income of RMB4,354 million from corporate banking business, accounting for 42.7% of the total operating income. As of the end of 2020, the corporate deposit balance of the Group was RMB192,728 million, representing an increase of RMB33,303 million or 20.9% as compared to the end of the previous year; the total corporate loans and advances of the Group amounted to RMB124,439 million, representing an increase of RMB18,778 million or 17.8% as compared to the end of the previous year; there were approximately 56,000 corporate deposit customers and approximately 4,500 corporate loan customers.

Meanwhile, the Bank has taken advantage of its geographical location to support local enterprises in resuming production. For more information on the Bank’s initiatives in the outbreak, please refer to “**Project: Fight COVID-19 with financial measures**” in this section.

Trading and Financial Business

In 2020, the trading and financial business of the Bank adhered to the development concept of “serving the real economy, practicing capital saving and focusing on business compliance”, focusing on system construction and product innovation to build a new business ecology, integrating scenario construction and line linkage to shape a new development pattern. The annual settlement volume of trading and financial business was USD4,283 million, representing an increase of 16.74%.

Follow the policy guidance and serve the real economy. Following the general requirements of the policy of “financial support to protect market players”, the Bank actively guided trading and financial products to precisely “irrigate” the real economy. 857 trading and financial transactions with a single transaction amount of less than RMB10 million were implemented in 2020, accounting for 66.13% of the total volume of trading and financial business, up 46.73% year-on-year. At the end of 2020, the balance of trading and financial business in line with the green finance was RMB779 million, representing a year-on-year increase of 224.41%.

Adhere to customers first and continue to optimize structure. As of the end of 2020, the number of valid customers of the Bank increased by 43.63% on a year-on-year basis and the client structure was optimized in multiple aspects: the number of international and domestic customers grew in both directions, with the number of international business customers increasing by 16.12% and the number of domestic business customers increasing by 96.06% on a year-on-year basis, fully in line with the macro environment of “double cycle”; the number of small and medium-sized customers grew faster, with the number of customers with business balances below RMB10 million (inclusive) increasing by 204.17% on a year-on-year basis, accounting for 42.94%, up 24.76 percentage points from the previous year.

Deepen technological support and improve product system. In 2020, the Bank put into operation the electronic letter of credit information exchange system of the People’s Bank of China, and continuously improved the online migration of domestic letter of credit business; actively connected to the blockchain financial service platform of cross-border finance of the Bureau of Foreign Exchange, and handled RMB470 million of international trade financing “on the chain” for the whole year; completed the development of products such as domestic letter of credit charge and trade-link, formed a product framework of “international, domestic and supply chain”, and promoted the construction of “trade e-finance” product system.

Management Discussion and Analysis

Bill Business

In 2020, the Bank's bill business has been fulfilling the requirements that finance shall serve the real economy, taking small and micro private enterprises as the main service targets, green industries and industrial chain supply chains as the entry dimensions, continuously innovating business varieties, launching the "Jiuyin Bill Trade Financing (九銀票易融)" series of bill business products, strengthening inclusive finance, helping to upgrade the industrial chain and supply chain, and effectively solving the financing problems of real enterprises.

Optimize business flow and enhance user experience. In March 2020, the Bank launched "Jiuyin Rapid Discount (九銀極速貼)", a technology-enabled bill service for the real economy, to create an industry-leading bill management system that automates the entire process of electronic commercial bill discounting, allowing customers to apply for discount without having to leave their homes. At the same time, the Bank reconstructed the process of bill business and launched the "Jiuyin Kuai Easy Discount (九銀快活貼)" to optimize the whole business process, which effectively improved the discounting efficiency and further enhanced the customer experience.

Innovate business products to meet diverse needs. In order to penetrate into the supply chain and revitalize the receivables, the Bank launched three products, namely, "Jiuyin Chi Bill Financing (九銀池票融)", "Jiuyin Shang Bill Financing (九銀商票融)" and "Jiuyin Lian Bill Financing (九銀鏈票融)", which improved the liquidity, financing cost and financial income of enterprises and enhanced the overall competitiveness of the industrial chain. In addition, in July 2020, the Bank, as the project promoter and general coordinator, assisted in the successful issuance of the "Jiangtong Jiuyin 2020 First Phase Standardized Bills of Huatai Securities Co., Ltd.", launched the first single standardized bill business in Jiangxi Province and the first single standardized bill business nationwide in the non-ferrous metal industry, providing diversified bill financing services for real enterprises.

Enhance research level and practice industry-academia-research integration. The Bank insisted on the integration of industry, academia and research, made full use of the research results, put them into practice in the areas of bill risk prevention, business and product innovation and market trend changes, improved the management ability and promoted the standardized and steady development of bill business. The Bank, together with Jiangxi University of Finance and Economics, established the first professional bill research institute in China, dedicated to building a high-end think tank in the bill field, created the bill exchange and cooperation platforms of "China Bill Forum" and "China Small and Medium-sized Bank Bill Coordinated Development Forum", and published professional works such as History of Bills and Basic Theory of Bills and Business Innovation, which have attracted attention from the industry.

Investment Banking Business

Optimize bond underwriting business. Since obtaining the qualification of Class B lead underwriter in the inter-bank market, during the reporting period, the Bank underwrote a total of 18 debt financing instruments with an issue size of RMB9.85 billion, ranking top among the lead underwriters of the same batch in China. The Bank underwrote the issuance of the first inter-bank asset-backed notes (ABN) in Jiangxi Province as the main underwriter, namely the phase I asset-backed notes of Taihao Technology Co., Ltd. for 2020 to serve the development of local real economy.

Actively expand comprehensive financial services. The Bank launched comprehensive financial service brands such as “Jiuying Bond Connect (久赢债券通)”. Through product innovation and service model innovation, it coordinated various market resources to build a diversified comprehensive financial service system for customers. In addition, the Bank actively assisted local governments in carrying out direct financing and became a member of the working group on direct financing for local governments, further enhancing the influence of its business brand.

9.2 Retail banking business

In 2020, the Bank’s retail banking business continued to build a “one core, two platforms” strategic plan based on improvement of retail products, and continued to deepen the “Mobile Jiuyin” business channel layout, establishing a retail marketing system, product system and interest system and ultimately achieved a larger scale of the retail business and the structural optimization of retail customers. In 2020, the Group recognized operating income of RMB1,204 million from retail banking business, basically unchanged from last year. As of the end of 2020, the Group recorded retail loans and advances of RMB66,362 million, increasing by RMB6,935 million, or 11.7% as compared to the end of last year. The Group recorded personal deposits of RMB116,219 million, achieving the target of RMB100,000 million, representing an increase of RMB23,624 million or 25.5% as compared to the end of last year; the number of retail loan customers of the Group was approximately 128,400, and the number of personal deposit customers was approximately 4,027,200.

Intergrate online and offline marketing to credit customer group. In 2020, the Bank’s online product system was basically completed, and the offline loans were integrated and optimized, forming the system of Easy-Credit-Loan, Easy-Guarantee-Loan and Easy-Mortgage-Loan series products, with the dual tracks of online and offline. As of the end of 2020, the total number of the new customers reached 522,500, an increase of 43%; 375,000 payroll credit customers, an increase of 40.16%; 509,100 VIP customers, an increase of 18.75%, and the proportion of wealth management and gold card customers increased.

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Accelerate the construction of smart scenarios to broaden the service coverage. As of the end of 2020, the Bank had 73,000 valid merchants, an increase of 33.48%; created 130 key scenarios and launched 48 smart scenarios. The number of fee payers for the whole year was 36,300 with the payment amount of RMB59,589,000, basically achieving full coverage of people's clothing, food, housing and transportation.

E-Banking Business

Our electronic channels provided customers with comprehensive financial services through online banking, mobile banking, telephone banking, WeChat banking and self-service banking. For the year ended December 31, 2020, the Group completed transactions of RMB1,732.205 billion through e-banking channels. The online platform handled a total transaction volume of RMB1,519.209 billion, accounting for 87.70% of the total amount of electronic banking transactions. As of 31 December 2020, the number of mobile banking users of the Bank was approximately 1,385,100, representing an increase of 471,900 or 51.68% as compared to the end of last year. The number of retail online banking users was 1,295,600, representing an increase of 373,800 or 40.55% as compared to the end of last year; and the number of corporate online banking users was 46,800, representing an increase of 4,300 or 10.12% as compared to the end of last year.

Bank Card Business

Debit Card

As of December 31, 2020, the cumulative number of debit cards issued was approximately 4,145,000, representing an increase of 775,000 or 23% as compared to the end of last year.

Credit Card

In 2020, our credit card business insisted on internal control and compliance, technology and data, and focused on product development, user experience, risk prevention and control and brand promotion to make up shortcomings, seek development and achieve breakthrough. As of the end of December 2020, the Bank had issued a total of 571,000 credit cards, representing an increase of 180.70%; the cumulative number of customers was 467,900, representing an increase of 222.12%, and the number of cards issued and new customers in the current year exceeded the sum of the previous three years, with an average of 30,000 cards issued per month and over 50,000 cards issued in the peak month; the cumulative number of credit card activation was 334,000, representing an increase of 139.89%.

Optimize service level and risk control ability. We continued to improve WeChat banking functions and launched various credit card products zones, realizing personalized customer pricing for two major products, namely, cash and debit; launched the mobile interview system, providing customers with multiple services such as door-to-door activation and guidance on card use, creating a convenient and fast user experience. At the same time, the Bank officially released Jiujiang Bank's credit card "Xuan Yuan" big data risk control system to comprehensively improve the digital risk control management and operation management capabilities of credit cards and effectively promote the digitalization process of the Bank.

Innovate product development and strengthen brand promotion. The Bank launched Meituan co-branded credit card, PICC co-branded credit card, BBK co-branded credit card and Aigou card to build up young and high-end client base while forming a positive interaction with economic and social development with the advantages of scenarios. In terms of brand promotion, the Bank actively broadened its brand promotion ideas and carried out brand promotion work in a systematic manner with a step-by-step approach, carried out online and offline activities such as "food, clothing, housing and transportation".

Direct Banking Business

Effective digital risk control. In 2020, the Bank self-developed Obsidian anti-fraud cloud platform and Obsidian knowledge mapping system to strengthen risk control research and application capabilities; built a project monitoring and analysis index system for all-round and multi-dimensional project control.

Achieve breakthrough in business exploration. The Bank launched pure online small and micro tobacco loans in September 2020, with a loan balance of nearly RMB400 million as of the end of 2020; based on the current situation of upgrading industrial finance, the Bank explored business transformation and granted credit amounting to RMB42 million around various scenarios of finance such as medicine, infrastructure and plastic pellets throughout the year.

Management Discussion and Analysis

9.3 Financial market business

In 2020, the Bank's financial market business focused on serving the real economy, expanded its business externally, prevented risks internally, strengthened management and promoted transformation, and achieved initial results. In 2020, the Group's financial market business achieved operating income of RMB4,022 million, representing an increase of RMB334 million as compared to last year.

Raise the stance and carried out our inclusive financial social responsibilities. Centering on serving the real economy, the Group optimized asset allocation, continuously reduced non-standard investments, adjusted the investment structure, transformed and expanded inclusive finance and supply chain finance, and increased inclusive financial investment amounting to RMB300 million to actively support the development of medium, small and micro enterprises.

Stand in the forefront bravely and innovate positively and establish the brand characteristics of bond business. The Bank actively carried out its role as market maker, and enhanced its involvement in the bond market so as to create a “transactional bank”. In 2020, the Bank's total bond delivery volume reached RMB12.81 trillion, of which the transaction amount of cash bonds was RMB6.25 trillion, ranking 14th in the market according to the data of China Bond.

Actively explore and obtain fruitful results in business qualification and honor. In 2020, the Bank became a member of the interest rate upper/lower limit options and interest rate swap options market, the only corporate banking institution in Jiangxi Province to be approved as a member of the interest rate options market; it was appointed as a partner organization of the Inter-bank Market Clearing House Joint Stock Company's default disposal expert group, the only corporate banking institution in Jiangxi Province to be invited; it was awarded the “Core Dealer”, “Outstanding Money Market Dealer” and “X-lending Trading Mechanism Innovation” in the inter-bank local currency market in 2020; it was awarded “Top 100 Clearing Companies – Excellent Proprietary Dealers” by the central government bond company, “Local Bond Institution and Bank Underwriters with the Best Progress” and the honor of “Outstanding Award for Proprietary Clearing of Net Bonds” by Shanghai Clearing House; the honor of Excellent Market Maker, the Award for Contribution to Resumption of Anti-epidemic and Production, and the Award for Construction of Financial Business District in Jiangxi Province.

Wealth Management Business

The transformation of the wealth management business pattern was accelerated. As of the end of 2020, the balance of the Bank's wealth management products was RMB34,786 million, basically unchanged from the end of the previous year. In order to comply with the transformation requirements of the new regulations on asset management, the Bank took the initiative to increase the issuance of net-value products. As of the end of 2020, the balance of the Bank's net-value products was RMB18,309 million, increasing to 52.63% in proportion, which significantly accelerated the transformation of net-value.

Wealth management product system was increasingly improved. The Bank completed the construction of the net-value product system with three major categories, including flexible cash management, stable regular open-ended category and long-term closed operation. As of the end of December 2020, the Bank's net-value wealth management product "Jiu Ying Zeng Li No. 1 (久赢增利1號)" exceeded RMB10 billion in scale and was rated as a five-star (the highest rank) cash management product by P&E Standard in July 2020, the only wealth management product in Jiangxi Province to receive this award.

Professional strength in financial management was widely recognized. The Bank was awarded the "2020 Golden Tripod Award for Innovative Wealth Management Bank" by the Daily Economic News; the Bank was also awarded the "2020 Excellent Bank in National Banking Industry for Wealth Management Information Registration" for its wealth management statistics; as of the end of 2020, the Bank's overall financial management capability ranked among the top 30 urban commercial banks in China and topped the list of local corporate financial institutions in Jiangxi Province.

Management Discussion and Analysis

9.4 Specialty business

Inclusive Financial Service

Practiced the concept of inclusive finance and increased credit allocation to small and micro enterprises. In 2020, the Bank continued to innovate financial products, and improved the financial service level of small and micro enterprises through credit products such as “Aiding Finance Loan”, “Aiding Business Loan” and the “Mobile Easy loan – Business Quicken Loan (手機快活貸-經營快貸)”. As of the end of 2020, the Group’s gross amount of loans to small and micro enterprises is RMB76.406 billion, representing an increase of 14.7% as compared to the end of last year.

Implemented the requirements of regulatory authorities and achieved the target of “two increases and two controls”. As of the end of 2020, the Bank’s small and micro enterprise loan balance (with the credit granted to a single customer less than RMB10 million (inclusive)) was RMB23,550 million, up by RMB6,732 million or 40.0% over the end of the previous year, with the growth rate higher than other loans of the Bank; there were 39,144 customers who received small and micro enterprise loan (with the credit granted to a single customer less than RMB10 million (inclusive)), up by 12,065 from the end of last year; weighted average interest rate was 4.81%, representing a decrease of 0.98 percentage point as compared to last year, which further reduced the financing costs of small and micro enterprises and continuously improved the quality of financial services for small and micro enterprises..

Make full use of the refinancing policy to relieve enterprises from difficulties. As of the end of 2020, the Bank had issued 183 anti-epidemic preferential loans to 158 key enterprises for epidemic prevention and control, amounting to RMB3,313 million, disbursed loans for 15,187 small businesses that are qualified for the special re-loans, amounting to RMB9.16 billion. The amount of loans issued by the Bank ranked top among the legal person institutions in Jiangxi Province.

Innovate business model to support the development of agriculture, rural areas and farmers. The Bank introduced the living mortgage business model in the breeding industry, implemented the first mortgage loan for breeding sows in Jiangxi Province and promoted the financialization of biological assets by means of science and technology; strengthened the cooperation with Jiangxi Province Agricultural Credit Guarantee Co., Ltd., and promoted “Yindan Huinong Loan (銀擔惠農貸)” across the province to provide farmers with efficient and convenient financing services.

Arrange Inclusive Finance service stations and extend the service reach. The Bank actively promoted the construction of the financial infrastructure in rural areas. By the end of 2020, The Bank has established 591 inclusive finance service stations in rural areas in Jiangxi Province and carried out 160 publicity activities.

Green Financial Business

The Bank's green financial business took brand building as the core and innovative development as the guiding principle. The Bank continued to increase efforts from the aspects of system and mechanism construction, product and service innovation and multi-party cooperation to promote the high-quality development of green finance.

Green credit to a new level. As of the end of 2020, the green credit balance of the Bank was RMB133,20 million, representing an increase of RMB4,318 million or 47.97% as compared to the end of the previous year. As a pilot bank for green bills, the Bank completed the transformation and implementation of the first national green bill research project and took the lead in launching the green bill special product of "Jiuyin Green Bill Financing (九銀綠票融)", which provided preferential policies for special bills for green industries, completed the first green bill rediscounting in the province, empowering the green transformation and development of enterprises. As of the end of 2020, the Bank's green bill acceptance amounted to RMB661 million, green bill discount amounted to RMB792 million and the rediscount amounted to RMB586 million, effectively supporting the development of green industries such as green constructions, new energy vehicles and resource recycling.

Green development widely recognized. In the assessment of green credit work of Jiangxi Banking and Insurance Regulatory Bureau, the Bank was awarded "excellent" for three consecutive years; in the essay contest of "Green Finance for Ecological Progress" organized by Jiangxi Finance Society, the Bank won the first and second prizes; in the green finance knowledge contest of Jiangxi Province organized by Jiangxi Finance Society, the Bank won the second prize for the groups. The Bank also won the title of advanced unit of green finance in Jiangxi Province from 2018 to 2020.

Management Discussion and Analysis

Strengthened cooperation and actively made our voice heard. In April 2020, the Bank joined the United Nations Environment Programme Finance Initiative (UNEP FI) and became the first urban commercial bank in China to sign the UN Principles for Responsible Banking (PRB); in September of the same year, the Bank, as a signatory bank of the PRB, made a video appearance at the first anniversary of the UN PRB, gaining widespread attention. At the same time, as the only invited Chinese banking financial institution, we participated in the Asia-Pacific side event of the UNEP Finance Initiative Global Roundtable Summit to share our concrete practice of supporting green recovery (anti-epidemic action). In addition, the Bank also became one of the first batch of urban commercial bank in China to join the Climate Investment and Financing Professional Committee of the Chinese Society of Environmental Sciences and the first banking legal institution in the province to join the Green Credit Business Professional Committee of the China Banking Association.

Automobile Finance Business

Stable increase in the number of dealers. Adhering to the business philosophy of serving the real economy and supporting the development of small and medium-sized enterprises, the Bank was committed to providing financial support to the dealers in the automobile industry, actively marketing to match the financing needs of small and medium-sized dealers, and achieving a steady growth in the number of cooperating dealers, with the number of dealers cooperated with the Bank growing from 81 to 157 in 2020, representing an increase of 93.8%.

Continuous increase in the scale of “Shang Dai Tong (商貸通)”. The Bank reinforced its constant efforts on developing the “Shang Dai Tong (商貸通)” and strove to expand cooperation with our OEMs. As of the end of 2020, the Bank established tripartite inventory financing business cooperation with 8 OEMs, including: BAIC Shenbao, BAIC SUV, BAIC New Energy, BAIC Foton, BAIC Changhe, Chery Automobile, Dongfeng Yueda Kia and Geely New Energy Commercial Vehicle, and the cumulative billing scale has exceeded RMB10 billion.

Continuous enhancement of risk control and management. Focusing on the management of automobile brands in terms of team management and targeted marketing, the Bank clarified the responsibility of middle and front-line positions, enhanced the team’s risk management and identifying ability, created a professional expert team, established standardized automobile financial processes, as well as improved business handling efficiency plus risk management and control capacity.

9.5 Subsidiaries business

9.5.1 Businesses of controlling subsidiaries

As of December 31, 2020, the Bank controlled 18 county banks, including 15 in Jiangxi Province and 3 in Beijing, Shandong Province and Jiangsu Province. The total assets of 18 county banks amounted to RMB15,479 million, increasing by 11.1% as compared to the end of last year. The total loans amounted to RMB7,436 million, an increase of 17.5% as compared to the end of last year, whereas the balance of deposits amounted to RMB13,030 million, an increase of 8.7% as compared to the end of last year; in 2020, 18 controlling county banks realized net profits of RMB75 million.

9.5.2 Companies in which the Bank has shareholdings

As of December 31, 2020, there were 2 county banks in which the Bank has shareholdings, which were Zhongshan Xiaolan County Bank Co., Ltd. and Guixi Jiuyin County Bank Co., Ltd., respectively. The total assets of 2 county banks in which the Bank has shareholdings amounted to RMB4,877 million. The total loans amounted to RMB3,367 million whereas the total deposits amounted to RMB3,923 million; in 2020, the net profit of the 2 county banks in which the Bank has shareholdings was RMB41 million.

10. Development strategy

The Bank adhered to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the guideline, and further strengthened “Four Consciousnesses”, secured “Four Confidences” and accomplished “Two Maintainances”. We adhered to the focus on the financial supply-side structural reform and revolved around the three major missions and regulatory policy requirements, to promote the high-quality development of Bank of Jiujiang, and determined the work theme of “adjusting structure, saving capital, controlling non-performing, stabilizing growth, toughening work style, working hard, focusing on high-quality development, and striving to promote the new journey of digital Jiuyin”.

Optimize the structure to achieve high-quality development. The Bank expanded and strengthened its customer base, optimized product research and development promotion and business operation processes, and steadily improved its traditional business while highlighting its distinctive business.

Management Discussion and Analysis

Motivate empowerment to improve quality and efficiency. The Bank further enhanced corporate governance and adhered to the organic unification of the Party committee's overall leadership and the strategic deployment of the Board; the Bank continued to strengthen the role of discipline inspection and supervision, and promoted the synergy between the responsibilities of entities and supervisors; we will explore the efficiency of human resources, integrate selection and training, and optimize the talent supply chain.

Prioritize compliance to strengthen the foundation of internal control. The Bank deepened the corporate culture of compliance priority, consolidate risk management, practice the credit culture of "due diligence, flexibility and service", and promote the construction of project management in the whole process of credit; the Bank strengthened audit supervision, increased the use of audit results, and promoted the improvement of management capability and efficiency of the Bank.

Focus on efficiency to promote "Digital Jiuyin". Taking advantage of the launch of the new core system, the Bank implemented digitalized and refined management, enhanced technology empowerment and supported efficient operation. Taking "Digital Jiuyin" as the core, the Bank will promote platform integration, data exchange, capability enhancement and scenario aggregation to further enhance the level of technology empowerment and leading role. The Bank adheres to the "Digital Operation" to promote the construction of smart bank.

11. Risk management

11.1 Risk management structure

The risk management structure of the Bank consists of the Board of Directors and its sub-committees, senior management and its sub-committees, as well as risk management functions.

The Board performs its risk management duties in accordance with the Articles of Association and regulatory requirements. The Risk Management Committee under the Board is responsible for determining the risk management strategies and risk appetite of the Bank, reviewing the risk organizational structure, policies and systems, supervising and evaluating the implementation of the systems and risk control, and regularly assessing the risk management status and risk tolerance. The Board regularly reviews the annual risk appetite statement, comprehensive risk management report and special reports on various risks to ensure that the overall risk of the Bank is within the scope of risk appetite. The Board of Supervisors supervises the establishment of a comprehensive risk management system and the performance of the duties of comprehensive risk management by the Board and senior management. The senior management is responsible for implementing the risk strategies formulated by the Board and organizing as well as implementing comprehensive risk management.

The risk management department of the Bank is a centralized risk management department, and the relevant departments of business lines take the lead in managing various risks.

The Bank has a sound and compliant internal control system for total risk management, carries out internal special audit of total risk every year, forms independent audit report and submits it to the Board.

11.2 Credit risk management

The Bank has always been committed to building a credit risk management culture with a unified risk appetite and prudent and sound approach. The Bank has been dedicated to recruiting quality talents and continuously improving the risk management structure and system based on our management structures. The Bank learned advanced concepts and technologies, promoted the construction of systems including a collateral management system, a unified credit limit system, an intelligent risk control system, a non-retail customer rating system and a risk forewarn system, improved the accuracy, efficiency and comprehensiveness of the credit risk management system, and strove to achieve a more advanced credit risk management with a more reasonable structure and a higher asset quality.

Management Discussion and Analysis

The credit risks of the Bank mainly arise from loans and advances to customers, investment securities, inter-bank business, commitments and other on- and off-balance sheet credit risk exposures.

The credit risk management organization system of the Bank is composed of the Board of Directors, senior management, Risk Management Department, Audit Department and Credit Risk-taking Department, etc., thus forming a credit risk management structure characterized by centralized and unified management and hierarchical authorization and implementation.

The Board is the Bank's highest decision-making body for credit risk management, which undertakes the ultimate responsibility of credit risk management. The Risk Management Committee subordinate to the Board is responsible for deliberating on the strategic planning of credit risk management, major policies and risk capital allocation schemes, evaluating their implementation and effect, and making recommendations to the Board; reviewing major credit risk management matters as authorized by the Board.

Senior management is the Bank's highest decision-making panel for daily credit risk management, which is responsible for fully organizing the implementation of credit risk management strategies and risk appetite approved by the Board, putting into practice credit risk management policies, procedures and measures, and undertaking the credit risk arising from business operation. Risk Management Department is the Bank's leading department for credit risk management, which is responsible for formulating and organizing the implementation of basic policies, systems, measures, procedures and risk evaluation criteria for credit risk management. Credit Extension Department is responsible for implementing risk management of credit extension. The competent department of each line is responsible for their respective credit extension business, as well as inspection and supervision over the implementation and execution of the Bank's credit risk-related system. Audit Department is responsible for the independent review and evaluation of the Bank's credit risk management system, including but not limited to auditing the effectiveness of credit risk management measures and system operation.

1. Lay stress on asset quality improvement to achieve orderly control and management. Through the formulation of comprehensive working system, optimization of management mechanism, specialization of management measures, the Bank enhanced the efficiency of risk management and achieved the goal of asset quality optimization. During the reporting period, the Bank established a variety of institutional measures, including the management system of overdue loan scissors differences, the rules of procedure of the Risk Management Committee of Bank of Jiujiang Co., Ltd., the Rules of Procedure of the Credit Risk Special Committee of Bank of Jiujiang Co., Ltd., the Administrative Measures of Risk Reporting Management of Bank of Jiujiang (Trial) and the Construction and Planning of the Comprehensive Risk Management System of Bank of Jiujiang Co., Ltd.
2. Lay stress on the improvement of basic management to strengthen credit management. In addition to the strict execution of a differentiated credit system, the Bank carried out normalized risk examination and inspection, covering investigation on credit risk during the anti-epidemic period, special inspection on existing non-performing credit facilities, investigation on proprietary investment and off balance sheet wealth management business and collateral data governance and physical management self-inspection in accordance with regulatory requirements and changes in external environment. Through self-examination and rectification, the Bank enhanced the effectiveness of internal control, strengthened the risk awareness and improved the risk management capability.
3. Lay stress on the control of digital credit extension to establish itself as a smart bank. By persistently improving the quality and enhancing the efficiency, the Bank thoroughly implemented the strategy of “digital risk control”, adhered to the principle of “useful, unified and compatible”, and was committed to building a unified digital risk control platform incorporating the features of “unified credit limit management, unified collateral management, unified post-lending warning, unified collection management, unified decision platform” to achieve the information sharing of various risk control data and information. During the reporting period, the Bank successfully launched the smart risk control system and collateral management system, and activated the establishment of smart risk control system, collateral management system, unified credit limit management system, credit risk forewarn system, collection management system, moving forward towards the goal of a full-process digital risk control.

Management Discussion and Analysis

11.3 Market risk management

Market risk refers to the risk that the value of a financial instrument may change due to the changes in interest rates, exchange rates and other market factors, which may result in potential losses to future income or future cash flows. Primary sources of market risks for the Bank are interest rate risks and exchange rate risks, including trading accounts and banking accounts.

11.3.1 Interest rate risk analysis

Interest rate risk refers to the risk exposure of our Bank's financial conditions to adverse changes in interest rates. The interest rate risk faced by the Bank is mainly manifested as repricing risk and basis risk. Repricing risk, also known as term mismatch risk, is the dominant and most common form of interest rate risk, which arises from the differences between the term to maturity or repricing term of bank assets, liabilities and off-balance sheet activities. The asymmetry of such repricing makes the income or intrinsic value of banks change as interest rate changes.

Affected by COVID-19 and monetary policy changes, the market interest rate fluctuated greatly in 2020, the one-year treasury bond rate dropped to 1.1%, then began to adjust upward at the end of April 2020 and hit the peak of 2.95%, with an interval amplitude of 185BP, whose short-term adjustment is rarely seen in history; the ten-year treasury bond rate hit the bottom of 2.50% and the peak of 3.35%, with an interval amplitude of 85BP, whose fluctuation ratio is at a historic high. Therefore, the necessary measures to effectively prevent the repricing risk are to intensify the anticipation and monitoring of interest rate changes, do a good job of internal control management and limit management and make dynamic adjustment to the duration of assets and liabilities.

Our Bank manages our interest rate risk primarily through the following measures. Firstly, our Bank adjusts our asset and liability structure by adjusting the interest rate maturity and pricing of our products, adjusting the transfer pricing of internal capital, developing new products and securitizing assets. Secondly, our Bank conducts maturity analysis upon the bond instruments in our investment portfolios and evaluates their potential price fluctuations through analysis of the sensitivity of the bonds' price against interest rate fluctuations. Thirdly, our Bank primarily uses re-pricing gap analysis, revenue curve analysis, duration analysis, interest rate sensitivity analysis and stress testing to measure our Bank's risk exposure to potential interest rate changes. Fourthly, the Bank has formulated and issued the Emergency Response Plan of Bank of Jiujiang for Market Risks, improved the market risk management system and mechanism and enhanced its ability to deal with market risks; fifthly, the Bank monitors and quantifies the degree of exposure of transaction businesses to interest rate risk by setting stop-loss limit, sensitivity limit and other risk limits for transaction accounts; sixthly, the Bank exercises proactive management over interest rate risk through scenario analysis and stress test

11.3.2 Exchange rate risk analysis

Exchange rate risk refers to the risk of loss of the overall income of the Bank due to adverse changes in exchange rates for assets and liabilities, and equity projects, foreign exchange and foreign exchange derivative positions in the form of foreign currencies.

Our Bank's primary principle for controlling our exchange rate risk is to match assets with liabilities denominated in each currency and monitor our foreign currency exposure on a daily basis. Meanwhile, based on the relevant regulatory requirements and the management's decisions on the current situation, we seek to control our exposure to exchange rate risk by reasonably arranging our sources and use of funds denominated in foreign currencies to minimize the mismatches of assets and liabilities in different currencies. We also prevent currency exchange loss arising from exchange rate fluctuation through settlement and sales of foreign exchange in a timely manner under our prudent transaction strategy. In addition, our Bank imposes an exchange rate lock on the large transactions in foreign currencies and conducts regular re-evaluation on exchange rate translation for collaterals, and reduces losses from exchange rate risk through advance repayment or supplementary guarantee in a timely manner in the event of collateral devalue.

As the Bank is currently not involved in interest rate, exchange rate and other sensitive fields such as derivative trading, the exchange rate risk is controllable as a whole. In view of COVID-19 and turbulent financial environment in 2020, the exchange rate of RMB to USD basically fluctuated around 7 in a bilateral manner. In this macro context, on the one hand, the Bank controls its exchange rate exposures in a rational way and holds no redundant self-operated foreign exchange positions; on the other hand, it insists on the principle of prudence to close the positions on behalf of customers, implements the strategy of closing the positions in real time, and ensures that the Bank's exchange rate risk is controllable while serving the customers.

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11.4 Operational risk management

Operational risk refers to risks caused by imperfect or problematic internal procedures, employees or information technology systems, as well as external incidents. Our Bank may be primarily exposed to the following categories of operational risks: internal fraud, external fraud, workplace safety incidents and information technology system incidents. Our Bank has set up an operational risk governance organizational structure composed of the Board of Directors and the Risk Management Committee under it, the Senior Management and the implementation level. The Board of Directors is our Bank's highest decision-making body regarding operational risk management. The Senior Management is responsible for executing operational risk management strategies, overall policies and systems approved by the Board of Directors. The Compliance Department leads our Bank's operational risk management, with the Risk Management Department, Operation Management Department and other departments supporting it in collaboration.

During the reporting period, the Bank managed operational risk mainly through the following measures:

1. Establish the three operational risk tools. The Bank completed the "three-in-one" system construction for internal control compliance and operational risk, achieved online operation of operational risk management, employed three major management tools of operational risk, and gradually improved the Bank's risk management system. First, the Bank monitored key risk indicators. It is required to organize the key indicators of operational risk within the Bank, clarify the responsible department, divide the Bank's indicators into 10 enterprise-level risk indicators and 52 line-level risk indicators involving 9 business lines, and carry out feedback monitor on a quarterly basis. Second, The Bank collected the data on losses caused by operational risk. It is required to retrieve data on legal costs, other business expenses, penalty expenses and other accounting items by connecting the three-in-one system with the financial system, and timely prompted each institution that feedback realization was accurate and efficient for the reporting and data collection of loss events by means of system early warning. Third, the Bank carried out risk control and self-appraisal. It is required to gradually develop self-appraisal plans and schemes through the three-in-one system, and then carried out appraisal in an orderly manner.

2. Effectively prevent the moral hazard of employees. The Bank comprehensively utilized various means such as supervision linkage, on-site inspection, and off-site monitoring to carry out employee behavior investigation throughout the Bank on a regular basis. The Bank organized employee credit investigation, and focused on investigating personal liabilities, abnormal capital transactions and information on involvement in litigation and case, etc., and achieved certain results. In addition, the Bank regularly investigated whether the employees were involved in litigation and doing business through Qichacha, www.shixinmingdan.com and China Judgments Online, learned about the acts of employees during work and off work, and prevented employee's moral risk.
3. Enhance business operational risk management. It is required to exercise centralized and standardized management over the key links and important nodes of main business process, such as building a loan center for credit business, seal control center for seal management and authorization and operation center for counter business and incorporating it into process bank for centralized management and standardized and planned operation; divide front-end, middle-end and back-end posts for key business, clarify their respective responsibilities, which requires that incompatible posts shall be separated on the one hand, and the businesses shall check each other at different nodes on the other hand, so as to reduce the occurrence of operational risk.
4. Enforce the responsibility of preventing legal risk. First, the Bank implemented the responsibility of legal review. In 2020, the Bank carried out about 1,500 legal reviews in total, and achieved a double enhancement in legal review efficiency and ability to prevent and control legal risk, building a solid defense line for the Bank to prevent and control legal risk. Second, the Bank organized format text. In the first half of 2020, the Bank organized 154 copies of format text and issued them within the Bank due to the new provisions of the Civil Code and other laws and regulations; in the second half, the Bank revised 48 contracts again concerning corporate credit extension, personal credit extension and guarantee and started using the new format contract text of credit extension and guarantee, improving the uniformity, applicability and preciseness of format text. Third, the Bank sped up the online process of credit extension contract texts. As required by the internet court, all credit extension contract texts are integrated into two parts, i.e. contract elements and legal provisions, laying a foundation for achieving litigation and arbitration on the Internet in the future. Fourth, the Bank continued to introduce external legal force. It hired QZ&WD Law Firm, a well-known law firm in Jiangxi Province, as the Bank's legal counsel, so to further improve the Bank's professional level and service efficiency in terms of legal work.

Management Discussion and Analysis

11.5 Liquidity risk management

Liquidity risk refers to the risk of failure of commercial banks to acquire sufficient funds in a timely manner at a reasonable cost to pay off debts due or meet liquidity demands in line with expansion of business operations. Our Bank is exposed to liquidity risk primarily in the funding of our lending, trading and investment activities, as well as in the management of our liquidity positions.

The organizational structure for liquidity risk management of the Bank consists of a decision-making system, an executive system and a supervision system. The decision-making system includes the Board of Directors and the Risk Management Committee under the Board of Directors; the executive system includes senior management and its Asset and Liability Management Committee, Risk Classification Committee and other relevant business management departments; the supervision system includes the Board of Supervisors and the Audit Department. The Board of Directors is our Bank's highest decision-making body regarding liquidity risk management and takes the ultimate responsibility for liquidity risk management. The Board of Supervisors supervises and evaluates the performance of the Board of Directors and senior management in liquidity risk management. The senior management is fully responsible for organization and implementation of the Bank's liquidity risk management. The risk management department of the Head Office leads the liquidity risk management of the Bank, which is responsible for integrating liquidity risk into the comprehensive risk management system, preparing comprehensive risk management reports to the senior management and risk management committee on a regular basis. The planning and finance department of the Head Office is the executive department of the Bank's liquidity risk management, and is primarily responsible for management of the daily fund position, while the financial market management department and other departments (lines) in the Head Office are the executive departments of the Bank's liquidity risk management, and are responsible for coordinating the implementation of liquidity risk management. The Audit Department performs independent audit and supervision on our Bank's liquidity risk management activities.

During the reporting period, the Bank managed liquidity risk mainly through the following measures: Firstly, the Bank improved relevant policies and basic systems, clearly defined the management responsibilities of each department, improved the coordination and cooperation mechanism and the efficiency of emergency response, updated and amended the Liquidity Risk Emergency Response Plan of Bank of Jiujiang Co., Ltd., further improved the liquidity risk management system and mechanism of the Bank and improved the precision and perspectiveness of the liquidity risk emergency management. Secondly, the Bank strengthened the daily coordination of liquidity risk, increased the monitoring of regulatory indicators and liquidity gap prediction and limit control in special periods, and ensured that the value of each indicator is higher than the regulatory requirements. Thirdly, the Bank intensified the construction of liquidity early warning mechanism, effectively implemented liquidity emergency drills, conducted liquidity stress test and assessment on a quarterly basis, and increased the number of special stress tests and pressure tests according to the actual situation. The results show that the Bank's minimum survival period under stress is more than 30 days, and its stress bearing capacity remains at a good level. Fourthly, the Bank monitored the term of assets and liabilities, and continuously optimized the term structure of assets and liabilities. Fifthly, the Bank controlled the total amount and structure of assets and liabilities through the asset and liability management system, so as to enhance the ability of active management of liquidity risk and foster the organic alignment of risk management and control, profitability and resource allocation. Meanwhile, we adopted measures including setting up dedicated capital planning positions, a lead management department, execution and operation department and a liquidity risk contingency team to keep improving our liquidity risk management organizational structure and enhance effectiveness of liquidity risk management.

As of December 31, 2020, the Group's liquidity ratio, the net stable capital ratio and liquidity coverage ratio were 72.65%, 123.52% and 327.77%, respectively. Among them, the balance of high-quality liquid assets was RMB54,869 million and the net cash outflow in the next 30 days was RMB16,740 million.

Item	Amount	
	As of December 31, 2020	As of September 30, 2020
	(All amounts expressed in millions of RMB except percentages, unless otherwise stated)	
Net stable capital ratio	123.52%	117.47%
Available stable capital	290,214.37	279,849.56
Required stable capital	234,954.33	238,239.17

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11.6 Compliance risk management

The Bank has established a three-level compliance management departments (positions) from top to bottom, formed a compliance risk management structure of “foreground, middle-ground and background that covers both dimensions”, and created a compliance system highly consistent with the Bank’s development strategy, market positioning, operating environment, corporate culture and management philosophy.

During the reporting period, the Bank managed compliance risk through the following measures:

1. Promoting the construction of compliance system at a high level. The Bank has further reformed and optimized the compliance management system and organizational structure. First is to establish the Compliance Management Committee. Formally set up a Compliance Management Committee under the senior management, formulate “Rules of Work of the Compliance Management Committee”, and clarify the rules of procedure for compliance risk management. Second is to strengthen the construction of the compliance team. Upon the approval of CBIRC Jiangxi Bureau, the formal establishment of the position of compliance director has clarified the management core of the construction of the Bank’s compliance system, mechanism and culture, further enhancing the independence and professionalism of compliance work; we dispatched compliance to the five major lines of corporate finance, retail finance, credit approval, operation management and planned finance respectively to prevent and control compliance risks in advance. Third is to establish a case prevention leadership responsibility system. In order to further reinforce entity responsibility of management personal at each level for case prevention, the Bank strove to manage simultaneously and actively and consciously for case prevention, and issued Measures for Responsibility System of Leaders for Case Prevention and Control of Bank of Jiujiang. This is to clarify case prevention responsibilities of management at all levels and to associate promotion with performance and salary, constructing a responsibility system so that responsibilities are taken in all levels, where it comprehensively covers the network and systematically prevents cases.

2. Joint efforts to improve the efficiency of compliance management. First is to fully cooperate with on-site inspections. Before the on-site inspection on effectiveness of risk management and internal control carried by the CBIRC Jiangxi Bureau, under the principle of “full exposure, comprehensive rectification, and accountability in place”, the Bank of Jiujiang formulated and issued the “Implementation Plan for Comprehensive Compliance Inspection in 2020”, and organized all branches and subsidiaries to carry out self-examination in an orderly manner. Second is to continuously supervise the rectification of problems. “Leading Group in Charge of Rectifying, Urging and Implementing Inspection Opinions” was set up with President as group leader, Compliance Director as deputy leader and heads of relevant departments as members, which is fully responsible for the rectification and accountability of problems. The Bank kept tracking and carrying out rectification work of market chaos appearing in previous years, and performed 2020 “Looking Back” rectification work in market chaos by implementing rectification and revocation measures. Third is to follow regulatory advice. The Bank assigned staff to specifically manage, supervise and close loopholes of policies so as to fulfill regulatory policies and requirements, optimize the mechanism and system, and enhance the effectiveness of compliance management. Fourth is to optimize the identification, monitoring and evaluation of compliance risk. Compared with external regulatory policies and combined with the Bank’s situation, the Bank continuously enriched and optimized compliance monitoring indicators. On the basis of continuing compliance indicator monitoring, the Bank carried out special evaluation of compliance risk within the Bank, and further carried out special evaluation of compliance risk for online loans according to risk changes, so as to make Bank’s compliance risk visible. Fifth is to promote system development. The Bank focused on the customized development of a three-in-one system of internal control, compliance and operational risk. It plans to include compliance management into corporate governance, internal control case prevention and business management. At the end of 2020, the Bank completed the optimization of online process, and promoted online, systematic compliance risk management, providing a scientific and technological support for the efficient operation of internal control compliance.

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3. Building a culture of compliance gradually. First is to develop a compliance culture. The Bank organized monthly compliance examination and “Monthly Session for Leaders of the Bank” activities to promote corporate key values of “Compliance is everyone’s responsibility” and “Practice of compliance creates values” to develop an over all compliance culture of “Doing business with compliance”. Second is to conduct strict internal accountability. Starting from 2020, the Director of Compliance also serves as the vice chairperson of Accountability Committee of Head Office to tighten compliance guidance and supervision. Third is to enhance reporting on integrity violation. The Bank listed and announced major “integrity violation” activities, operated seasonal reporting mechanism, assigned staff members to specifically handle reports on integrity violation. Meanwhile, the Bank established various reporting channels such as drop-in boxes, reporting hotline and OA online QR code reporting etc. Fourth is to compile compliance cases. With reference to daily compliance issues and external regulatory cases, the Bank kept updating and posting compliance cases on “Compliance Online” column to educate all employees of the Bank to “Stay alert to compliance cases, bear in mind the compliance rules”. Fifth is to compile compliance manual. The Bank organized bank-wide compliance risk points and compiled the Compliance Manual of the Bank of Jiujiang, providing compliance guidelines for all employees.

11.7 Money laundering risk management

The risk of money laundering refers to likelihood or probability of an act or process where the criminals or lawbreakers who use various means to cover up or conceal the source and nature of illegal funds and turn it into legitimate funds in the process of establishing business relationships with customers, selling financial products and providing financial services.

Effective money laundering risk management is the foundation for the safe and sound operation of banks. The Bank takes the opportunity of preparing for inspection to fully reinforce the anti-money laundering internal control system, improve the organizational structure, strengthen department cooperation centering on the theme of “improving regulations, optimizing system, stressing identification and enhancing quality and efficiency”, pays adequate attention to foundation work, reinforce entity responsibility, and enhance the level of anti-money laundering compliance management.

During the reporting period, the Bank managed money laundering risk mainly through following measures:

1. Take preparing for inspection as an opportunity and carry out self-inspection and self-correction in an orderly manner. First is to carry out sweeping check and advance self-inspection and self-correction solidly. According to laws and regulations and regulatory requirements, the Bank combed key points of self-inspection, decomposed the responsibilities to departments and detailed into personnel from top to bottom, and organized self-inspection and self-correction in an orderly manner. Second is to detect weaknesses and hire external counsel to boost data search. The Bank fully covered the key inspection points, and thoroughly organized rectification. Third is to fully cooperate with the inspection and pay attention to rectification in a refined and practical way. Through “1+1+2” on-site scheduling mechanism, the Bank took the lead in doing a good job of cooperating with the inspection, paid high attention to the digestion and application of the inspection results, and dug into the causes from the system, process, employee operation and science and technology system and promoted the implementation of rectification.
2. Focus on inspection assessment and continue to enhance performance efficiency. First is to improve the assessment system, incorporate all employees into the scope of anti-money laundering assessment by expanding it, and further improve the assessment system and urge employees to take the initiative to perform their duties; second is to enhance the accountability for violations. The Bank issued inspection circulars, prompted risks in a timely manner, urged rectification in place, and gave full play to the warning against violations by intensifying the internal accountability for anti-money laundering violations.

Management Discussion and Analysis

3. Take optimization of institutional process as driving force and escort the working mechanism in a well-organized manner. First is to continue to improve the internal control mechanism and enhance the level of anti-money laundering management. The Bank embedded the requirements of money laundering risk management into the internal control system and operation procedure of new businesses and products in order to further optimize the compliance system. Second is to continue to optimize system functions and enhance the anti-money laundering efficiency. The Bank optimized the anti-money laundering system according to regulatory submission requirements and day-to-day management needs, added online audit process in process structure, supervised and handled rectification matters through internal control system, achieved online and standardized anti-money laundering, and enhanced working efficiency. Third is to make steady progress in centralized collection and scope expansion in depth. The Bank deployed the second batch of centralized collection in an orderly manner, successfully completed the collection task in downtown Jiujiang, achieved the goal of full coverage of outlets in Jiujiang, and further improved the level of anti-money laundering in an intensified, professional and systematic way. Fourth is to well organize publicity and training and consolidate the foundation of anti-money laundering. The Bank improved training idea, broadened training channel, made the construction of compliance culture go deep into the hearts of employees, blended it into day-to-day work, and enhanced the breadth and depth of anti-money laundering compliance education. In addition, the Bank brought forth new ideas into publicity mode and carried out anti-money laundering publicity through online tools such as online Q&A and official WeChat account to popularize anti-money laundering knowledge to the public and fulfill social responsibility.
4. Carry out data governance in a deep-going way based on three core duties. First is to do a solid work of customer identification and data preservation. Through department cooperation, the Bank developed plans, clarified management and control measures and pushed the disposal of customers in doubt with incomplete information elements. Second is to refine and deepen the reporting on large-amount transactions and suspicious transactions. According to regulatory requirements and based on risk information, the Bank made a risk anticipation and took management and control measures. In addition, the Bank improved precision of the model and reporting rate by optimizing the model, and handed over valuable transaction clues to the public security organs.

11.8 Information technology risk management

Information technology risk refers to the operational, legal and reputational risks caused by natural and artificial factors, technical vulnerabilities and management defects during the application of information technology by the Bank.

The Bank has set up an information technology risk management organizational structure composed of the Board of Directors, the senior management and the Information Technology Management Committee under it, and the implementation level. The information technology risk management framework of our Bank, under the leadership of our Board of Directors and our senior management, is based on the three lines of defense. The pre-event, during-event and post-event risk prevention systems have been effectively ameliorated.

1. Promoting qualification certification and improving operation and maintenance capabilities. The Wuhan data center of the Bank successfully passes the final trial of Uptime M&O certification, becoming the first urban commercial bank in China to receive the certification. It also passes the ISO27000 (Information Security System) certification, which strengthened the information security management level of the Bank.
2. Strengthening system assessment and carrying out emergency drill. Firstly, all processes prior to the launch of important information system (including project approval, demands and technology review, risk assessment of production versions, business impact analysis and grading) were discussed in online and offline meetings, and risk assessment were performed; secondly, the emergency drill covering bank-wide infrastructure and department-level key business system was carried out, which enhanced the staff's awareness of the importance of business continuity management and continuously improved the overall level of business continuity management.
3. Strengthening information security, preventing and mitigating risks. Firstly, the Bank adhered to the principle of in-depth defense when carrying out information security-related work, and established a sufficiently efficient defense system to ensure the information security of the Bank; secondly, the Bank upgraded the anti-virus version of the Bank's anti-virus version system, updated the rule base of the professional anti-virus system, as well as managed and controlled the USB mobile storage, so as to immediately give attention to and solve the loopholes and strengthen the security control; thirdly, the Bank reinforced network security protection and completed resource preparation, security self-inspection and attack and defense drill, and will continue to reinforce rectification, enhance the training of safety awareness and establish the overall protection system.

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4. Improving outsourcing management and controlling the risks. In respect of the outsourcing projects currently carried out by the Bank, the Bank mainly assessed on an aspect by aspect basis, such as system security management, original program code management, source code management, developer management, development terminal environment management, and development test and server management. It also carried out in-depth analysis on potential risk, extent of impacts, risk control measures and more, and analyzed the risk control effects based on the risk control measures adopted or to be adopted.

11.9 Reputational risk management

Reputational risk refers to the risk that interested parties, the public and the media have a negative evaluation of the Bank due to the Bank's institutional behaviors, employee behaviors or external events, which damages the Bank's brand value, is harmful to the Bank's normal operation and even affects market and social stability. Our Bank's reputational risk management further improves the system, optimizes the organizational structure, strengthens the training, investigation and assessment of reputational risk, and establishes a sound reputational risk coordination mechanism to effectively enhance the ability of prevention and resilience of public opinions and reputational risk management Classification standards, subjects of accountability and management principles concerning reputational risk have been defined. Prevention, monitoring, reporting and handling of reputational risks have been improved so as to minimize the loss and negative impact on our Bank caused by the reputational risk-related events and promote our sustainable and stable operation. During the reporting period, the Bank was not involved in major negative public opinion event, and the overall public opinion environment was stable and orderly.

In the next stage of reputational risk management, the Bank will constantly revise and improve reputational risk prevention, public opinion management and handling, contingency plan and other systems, establish and improve the 365*24 public opinion monitoring mechanism, organize reputational risk training drills on a regular basis, increase the efforts to investigate reputational risk, improve the quick response and handling mechanism for reputational risk, further strengthen positive publicity and guidance, build a more harmonious and stable external public opinion environment, and consolidate, maintain and enhance the Bank's good brand image.

11.10 Strategic risk management

Strategic risk refers to the risk caused by improper operation policies of a commercial bank or changes in the external operation environment. Our Bank's strategic risk management goals is to set up and improve the strategic risk management system to systematically identify and evaluate potential risks in our Bank's existing strategic plans and adopt scientific decision-making approaches and risk management measures to minimize or avoid substantial losses at a maximum level.

Our Bank has established a well-rounded strategic risk management organizational structure composed of the Board of Directors and the Strategy Committee under it, the senior management, strategy management functional departments of the Head Office and other related functional departments. During the reporting period, our Bank executed the Management Measures for Strategy and Operation Planning of Bank of Jiujiang strictly, and proactively launched strategic risk management to identify strategic management risks. Risk identification includes identifying whether the strategic plan is scientific and reasonable, whether the plan has taken external business environment changes into consideration, whether enough resources are available and allocated (including manpower, capital, management and IT resources) to support the execution of strategic decisions, whether an effective control mechanism over the strategy implementation process is in place, and whether any significant emergencies that affect the implementation of the strategy occurred, so as to ensure the consistency of the strategic plan with our Bank's development prospect and with our Bank's scale, risk appetite and portfolio complexity.

As of the end of 2020, our Bank's strategic risk level remained stable and under control overall, indicating our effective management over strategic risks.

As the next step, the Bank plans to establish and gradually improve its strategic risk assessment system and adopt reasonable assessment methods to evaluate the likelihood and impact of strategic risks; and regularly evaluates the strategic risks of the Bank, including risk factors such as changes in the external environment, formulation of strategic plans, implementation and control of strategic plans, resource allocation and emergencies.

Changes in Share Capital and Information on Shareholders

1. Changes in share capital

As of December 31, 2020, the Bank's total number of issued shares was 2,407,367,200, including 2,000,000,000 Domestic Shares and 407,367,200 H Shares.

During the reporting period, the Bank had no change in share capital.

1.1 Breakdown table of changes in shares

Class of shares	As at December 31, 2020		Changes in shares during the reporting period (share)	As at December 31, 2019	
	Number of shares (share)	Proportions (%)		Number of shares (share)	Proportions (%)
Domestic state-owned shares	366,020,000	15.20	0	366,020,000	15.20
Domestic state-owned legal person shares	561,261,736	23.31	69,540,000	491,721,736	20.43
Domestic social legal person shares	1,046,910,790	43.50	(69,540,000)	1,116,450,790	46.38
Domestic natural person shares	25,807,474	1.07	0	25,807,474	1.07
Overseas listed shares (H Shares)	407,367,200	16.92	0	407,367,200	16.92
Total number of ordinary shares	2,407,367,200	100.00	0	2,407,367,200	100.00

1.2 Information on changes in more than 1% of Domestic Shares

On July 27, 2020, Tellhow Group Limited transferred 57,040,000 Domestic Shares it held of the Bank to Nanchang County Cultural Tourism Investment Co., Ltd.

On August 12, 2020, 136,070,000 Domestic Shares of the Bank held by Dasheng (Fujian) Agriculture Co., Ltd. were successfully sold off on Alibaba's public auction platform, and the buyer, Fangda Carbon New Material Co., Ltd. ("Fangda Carbon", a listed company on Shanghai Stock Exchange, stock code: 600516), obtained the qualification of a major shareholder upon the approval from the CBIRC Jiangxi Bureau (Gan Yin Bao Jian Fu [2021] No. 64) on March 11, 2021.

On March 10, 2021, March 31, 2021 and April 20, 2021, Jiujiang Hehui Import & Export Co., Ltd. transferred its 31,392,500, 11,000,000 and 14,000,000 Domestic Shares of the Bank to Wuning County Urban Construction Investment Development Co., Ltd. (武寧縣城市建設投資開發有限公司), respectively, with a total of 56,392,500 Domestic Shares transferred.

From the end of the reporting period and as at the date of this report, saved as the above, there were no information on changes in more than 1% of Domestic Shares of the Bank.

2. Particulars of shareholders

2.1 Total number of shareholders of Domestic Shares as at the end of the reporting period

As of December 31, 2020, the Bank had 671 domestic shareholders in total, including 1 state-owned shareholder, 8 state-owned legal person shareholders, 57 social legal person shareholders and 605 natural person shareholders.

2.2 Top 10 shareholders of non-overseas listed Domestic Shares

As of December 31, 2020, the shareholdings of the top 10 shareholders who directly held non-overseas listed Domestic Shares are as follows:

Name of Shareholders	Classes of shares	Number of shares held as at the end of the reporting period (share)	Approximate Percentage of Total Issued Share Capital of the Bank by the end of reporting period (%)	Shares pledged or frozen	
				Particulars of shares	Number of shares (share)
Jiujiang Finance Bureau	Domestic Shares	366,020,000	15.20	Normal	-
Beijing Automotive Group Co., Ltd.	Domestic Shares	366,020,000	15.20	Normal	-
Industrial Bank Co., Ltd.	Domestic Shares	294,400,000	12.23	Normal	-
Fangda Carbon New Material Co., Ltd. ⁽²⁾	Domestic Shares	136,070,000	5.65	Normal	-
Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd.	Domestic Shares	95,840,000	3.98	Normal	-
Jiangxi Baoshen Industrial Co., Ltd.	Domestic Shares	86,920,000	3.61	Pledged	84,792,010
Junhe (Xiamen) Holdings Co., Ltd.	Domestic Shares	86,653,080	3.60	Pledged	81,653,080
Nanchang County Cultural Tourism Investment Co., Ltd.	Domestic Shares	57,040,000	2.37	Normal	-
Jiujiang Hehui Import & Export Co., Ltd. ⁽³⁾	Domestic Shares	56,392,500	2.34	Pledged	49,890,000
Jiujiang State-owned Assets Management Co., Ltd.	Domestic Shares	43,454,831	1.81	Pledged	12,000,000
Total		1,588,810,411	66.00⁽¹⁾		

Changes in Share Capital and Information on Shareholders

Notes:

- (1) The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.
- (2) On August 12, 2020, Fangda Carbon New Material Co., Ltd. successfully bidden 136.07 million Domestic Shares of the Bank originally held by Dasheng (Fujian) Agriculture Co., Ltd., on Alibaba's public auction platform. On March 11, 2021, Fangda Carbon obtained the qualification of a major shareholder upon the approval from the CBIRC Jiangxi Bureau (Gan Yin Bao Jian Fu [2021] No.64).
- (3) On March 10, 2021, March 31, 2021 and April 20, 2021, Jiujiang Hehui Import & Export Co., Ltd. transferred its 31,392,500, 11,000,000 and 14,000,000 Domestic Shares of the Bank to Wuning County Urban Construction Investment Development Co., Ltd. (武寧縣城市建設投資開發有限公司), respectively, with a total of 56,392,500 Domestic Shares transferred. The pledge of such shares has been discharged accordingly.

2.3 Interests and short positions of substantial shareholders in shares and underlying shares under Hong Kong laws and regulations

As of December 31, 2020, so far as is known to the Bank and the Directors, substantial shareholders of the Bank and other persons (other than Directors, Supervisors and chief executive officers of the Bank) who had interests and short positions in the Shares and underlying Shares of the Bank which were required to notify the Bank or the Hong Kong Stock Exchange under 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 366 of the SFO were as follows:

Name of shareholders	Classes of shares	Number of shares (share)	Nature of interest	Approximate percentage of shareholding in the relevant class of share (%)	Approximate percentage of total share capital of the Bank (%)
Jiujiang Finance Bureau ⁽²⁾	Domestic Shares	366,020,000(L) ⁽¹⁾	Beneficial Owner	18.30	15.20
	Domestic Shares	40,000,000(L) ⁽¹⁾	Interest of Controlled Corporation	2.00	1.66
Beijing Automotive Group Co., Ltd. ⁽³⁾	Domestic Shares	366,020,000(L) ⁽¹⁾	Beneficial Owner	18.30	15.20
Industrial Bank Co., Ltd. ⁽⁴⁾	Domestic Shares	294,400,000(L) ⁽¹⁾	Beneficial Owner	14.72	12.23
Fangda Carbon New Material Co., Ltd. ⁽⁵⁾	Domestic Shares	136,070,000(L) ⁽¹⁾	Beneficial Owner	6.80	5.65
	Domestic Shares	35,000,000(L) ⁽¹⁾	Interest of Controlled Corporation	1.75	1.45
Foresea Life Insurance Co., Ltd.	H Shares	104,666,400(L) ⁽¹⁾	Beneficial Owner	25.69	4.35
Taiping Assets Management (HK) Company Limited	H Shares	104,666,400(L) ⁽¹⁾	Investment Manager	25.69	4.35
Chu Mang Yee ⁽⁶⁾	H Shares	66,037,600(L) ⁽¹⁾	Interest of Controlled Corporation	16.21	2.74

Name of shareholders	Classes of shares	Number of shares (share)	Nature of interest	Approximate percentage of shareholding in the relevant class of share (%)	Approximate percentage of total share capital of the Bank (%)
Sounda Properties Limited ⁽⁶⁾	H Shares	66,037,600(L) ⁽¹⁾	Interest of Controlled Corporation	16.21	2.74
Hopson Development Holdings Limited ⁽⁶⁾	H Shares	66,037,600(L) ⁽¹⁾	Interest of Controlled Corporation	16.21	2.74
Hopson Development International Limited ⁽⁶⁾	H Shares	66,037,600(L) ⁽¹⁾	Interest of Controlled Corporation	16.21	2.74
R&F Properties (HK) Co., Ltd. ⁽⁷⁾	H Shares	59,591,000(L) ⁽¹⁾	Beneficial Owner	14.63	2.48
Guangzhou R&F Properties Co., Ltd. ⁽⁷⁾	H Shares	59,591,000(L) ⁽¹⁾	Interest of Controlled Corporation	14.63	2.48
Harbor Sure (HK) Investments Limited	H Shares	59,591,000(L) ⁽¹⁾	Security interest in shares	14.63	2.48
ABCI Investment Management Limited	H Shares	59,591,000(L) ⁽¹⁾	Interest of Controlled Corporation	14.63	2.48
ABCI International Holdings Limited	H Shares	59,591,000(L) ⁽¹⁾	Interest of Controlled Corporation	14.63	2.48
Agricultural Bank of China Limited	H Shares	59,591,000(L) ⁽¹⁾	Interest of Controlled Corporation	14.63	2.48
Ministry of Finance of the People's Republic of China	H Shares	59,591,000(L) ⁽¹⁾	Interest of Controlled Corporation	14.63	2.48
Central Huijin Investment Ltd.	H Shares	59,591,000(L) ⁽¹⁾	Interest of Controlled Corporation	14.63	2.48
Hopeson Holdings Limited ⁽⁶⁾	H Shares	46,037,600(L) ⁽¹⁾	Beneficial Owner	11.30	1.91
Success Cypress Limited ⁽⁶⁾	H Shares	40,850,800(L) ⁽¹⁾	Beneficial Owner	10.03	1.70
Tan Huichuan ⁽⁶⁾	H Shares	40,850,800(L) ⁽¹⁾	Interest of Controlled Corporation	10.03	1.70
Guangzhou Jinxiu Dadi Property Development Company Limited ⁽⁶⁾	H Shares	40,850,800(L) ⁽¹⁾	Interest of Controlled Corporation	10.03	1.70

Changes in Share Capital and Information on Shareholders

Name of shareholders	Classes of shares	Number of shares (share)	Nature of interest	Approximate percentage of shareholding in the relevant class of share (%)	Approximate percentage of total share capital of the Bank (%)
Guangzhou Jinxiu Investment Company Limited ⁽⁸⁾	H Shares	40,850,800(L) ⁽¹¹⁾	Interest of Controlled Corporation	10.03	1.70
Guangdong Nimble Real Estate (Group) Co., Ltd. ⁽⁸⁾	H Shares	40,850,800(L) ⁽¹¹⁾	Interest of Controlled Corporation	10.03	1.70
Zhaoqing Tiancheng Property Co., Ltd. ⁽⁸⁾	H Shares	40,850,800(L) ⁽¹¹⁾	Interest of Controlled Corporation	10.03	1.70
Faithful Edge Limited ⁽⁸⁾	H Shares	40,317,800(L) ⁽¹¹⁾	Interest of Controlled Corporation	9.90	1.67
Rong De Investment Limited ⁽⁹⁾	H Shares	33,308,200(L) ⁽¹¹⁾	Beneficial Owner	8.18	1.38
East System Investments Limited	H Shares	27,370,800(L) ⁽¹¹⁾	Beneficial Owner	6.72	1.14
Venfi Group Limited ⁽¹⁰⁾	H Shares	22,205,400(L) ⁽¹¹⁾	Beneficial Owner	5.45	0.92

Notes:

- (1) The letter “L” denotes the person’s long position in the shares.
- (2) Jiujiang Finance Bureau, an official organ as legal person, directly or indirectly holds a total of 366.02 million Domestic Shares of the Bank, accounting for 15.20% of the Bank’s total issued share capital as at the end of the reporting period. The bureau’s legal representative is Wu Zexun. Besides, Jiujiang Finance Bureau indirectly holds 40 million Domestic Shares of the Bank through the holding of Jiujiang City Financial Enterprise Financial Services Co., Ltd. Furthermore, in accordance with the forms for filing disclosure of interests submitted on August 20, 2019, Jiujiang Finance Bureau and Jiujiang State-owned Assets Management Co., Ltd. have acted in concert or without contradictory since January 1, 2016, the Bank’s Domestic Shares held by Jiujiang State-owned Assets Management Co., Ltd. amounted to 43,454,831 shares. Therefore, Jiujiang Finance Bureau controlled an approximate of 18.67% of Domestic Shares of the Bank.
- (3) Beijing Automotive Group Co., Ltd. (“BAIC Group”) holds 366.02 million Domestic Shares of the Bank, accounting for 15.20% of the Bank’s total issued share capital as at the end of the reporting period. The company’s legal representative is Xu Heyi. Founded in 1958, BAIC Group is headquartered in Beijing and is one of leading automotive groups in China and a Fortune 500 Company.
- (4) Industrial Bank Co., Ltd. (“Industrial Bank”) holds 294.40 million Domestic Shares of the Bank, accounting for 12.23% of the Bank’s total issued share capital as at the end of the reporting period. The company’s legal representative is Gao Jianping. Founded in August 1988 and headquartered in Fuzhou City, Fujian province, Industrial Bank is one of the first joint-stock commercial banks approved by the State Council and the central bank. Industrial Bank was officially listed in Shanghai Stock Exchange on February 5, 2007 (stock code: 601166) and ranks among the Top 50 banks in the world.
- (5) On August 12, 2020, Fangda Carbon New Material Co., Ltd. (“Fangda Carbon”) successfully bidden 136.07 million Domestic Shares of the Bank originally held by Dasheng (Fujian) Agriculture Co., Ltd, on Alibaba’s public auction platform, accounting for 5.65% of the Bank’s total issued share capital as at the end of the reporting period. In addition, Jiangxi PXSteel Industrial Co. Ltd., a related company of Fangda Carbon holds 35.00 million Domestic Shares of the Bank, accounting for 1.45% of the Bank’s total issued share capital as at the end of the reporting period. Therefore, Fangda Carbon controlled an aggregate of 7.11% of the ordinary shares of the total issued share capital of the Bank. On March 11, 2021, Fangda Carbon obtained the qualification of a major shareholder upon the approval from the CBIRC Jiangxi Bureau (Gan Yin Bao Jian Fu [2021] No.64). Founded in January 1999, Fangda Carbon, with a registration place in Lanzhou City, Gansu province and a total of approximately 3,806 million registered capital, is mainly engaged in research and development and sale of carbon products and iron concentrates and is a leading enterprise of the National Science and Technology Development and Innovation Base. Fangda Carbon was listed on Shanghai Stock Exchange on August 30, 2002 (stock code: 600516).
- (6) Chu Mang Yee holds equity interests in 66,037,600 H shares of the Bank through two controlled corporations, of which 46,037,600 H shares held through Hopeson Holdings Limited and the remaining 20,000,000 H shares held through Sound Zone Properties Limited.
- (7) R&F Properties (HK) Co., Ltd. is a company incorporated in Hong Kong and a wholly-owned subsidiary of Guangzhou R&F Properties Co., Ltd. (stock code: 2777). It is principally engaged in investment holding business.
- (8) Success Cypress Limited is a company incorporated in the British Virgin Islands and is ultimately held by Tan Huichuan, Tan Mei, Tan Haocheng and Tan Yuehua as to 43%, 7%, 25% and 25%, respectively. It is principally engaged in investment holding business.
- (9) Rong De Investments Limited is a company incorporated in the British Virgin Islands and is owned as to 36%, 34.06% and 29.94% by Liao Tengjia, Zhu Qingsong and Zhu Muzhi, respectively. It is principally engaged in investment holding business.
- (10) Venfi Group Limited is a company incorporated in Hong Kong and is wholly owned by Liu Yang. It is principally engaged in investment holding business.

Changes in Share Capital and Information on Shareholders

2.4 Top 10 shareholders of ordinary shares

As of December 31, 2020, the shareholdings of the top 10 shareholders who directly held ordinary shares of the Bank are as follows:

Name of shareholders	Classes of shares	Number of shares held as at the end of the reporting period (share)	Approximate percentage of total issued share capital of the Bank by the end of reporting period (%)
Jiujiang Finance Bureau	Domestic Shares	366,020,000	15.20
Beijing Automotive Group Co., Ltd.	Domestic Shares	366,020,000	15.20
Industrial Bank Co., Ltd.	Domestic Shares	294,400,000	12.23
Fangda Carbon New Material Co., Ltd. ⁽¹⁾	Domestic Shares	136,070,000	5.65
Foresea Life Insurance Co., Ltd.	H Shares	104,666,400	4.35
Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd.	Domestic Shares	95,840,000	3.98
Jiangxi Baoshen Industrial Co., Ltd.	Domestic Shares	86,920,000	3.61
Junhe (Xiamen) Holdings Co., Ltd.	Domestic Shares	86,653,080	3.60
R&F Properties (HK) Co., Ltd.	H Shares	59,591,000	2.48
Nanchang County Cultural Tourism Investment Co., Ltd.	Domestic Shares	57,040,000	2.37
Total		1,653,220,480	68.67

Note:

- (1) On August 12, 2020, Fangda Carbon New Material Co., Ltd. successfully bidden 136.07 million Domestic Shares of the Bank originally held by Dasheng (Fujian) Agriculture Co., Ltd. on Alibaba's public auction platform. On March 11, 2021, Fangda Carbon obtained the qualification of a major shareholder upon the approval from the CBIRC Jiangxi Bureau (Gan Yin Bao Jian Fu [2021] No.64).

2.5 The controlling shareholders of the Bank

As of the end of the reporting period, the Bank had no controlling shareholders.

2.6 Shareholders holding 5% (inclusive) or more of the Bank's shares

Jiujiang Finance Bureau

Jiujiang Finance Bureau holds 366.02 million Domestic Shares of the Bank, which are state-owned shares, accounting for 15.20% of the Bank's total issued share capital as of the end of the reporting period. Jiujiang Finance Bureau is an official organ as legal person, and the bureau's legal representative is Wu Zexun.

Jiujiang Finance Bureau holds 40 million Domestic Shares of the Bank through Jiujiang City Financial Enterprise Financial Services Co., Ltd., the wholly-owned sub-subsidiary of Jiujiang Finance Bureau indirectly. In addition, Jiujiang Finance Bureau and Jiujiang State-owned Assets Management Co., Ltd have acted in concert since January 1, 2016, the Bank's Domestic Shares held by Jiujiang State-owned Assets Management Co., Ltd. amounted to 43,454,831 shares. Therefore, Jiujiang Finance Bureau controlled an aggregate of 18.67% of the ordinary shares of the total issued share capital of the Bank.

As of the end of the reporting period, Jiujiang State-owned Assets Management Co., Ltd., the concert party of Jiujiang Finance Bureau, pledged 12 million Domestic Shares of the Bank. Apart from that, neither Jiujiang Finance Bureau nor its related parties pledge the equity of the Bank.

Beijing Automotive Group Co., Ltd.

BAIC Group holds 366.02 million Domestic Shares of the Bank, which are state-owned legal person shares, accounting for 15.20% of the Bank's total issued share capital as of the end of the reporting period. As of the end of the reporting period, BAIC Group did not pledge the equity of the Bank.

Founded in 1958, BAIC Group, with a registration place in Beijing and a total of RMB19,956.5 million registered capital, is one of leading automotive groups in China and a Fortune 500 Company. The company's legal representative is Jiang Deyi and its controlling shareholder is Beijing State-owned Capital Operation and Management Center. The actual controller and ultimate beneficial owner are the State-owned Assets Supervision and Administration Commission of Beijing Municipality. BAIC Group has no concert parties.

Changes in Share Capital and Information on Shareholders

Industrial Bank Co., Ltd.

Industrial Bank holds 294.40 million Domestic Shares of the Bank, which are social legal person shares, accounting for 12.23% of the Bank's total share capital as of the end of the reporting period. As of the end of the reporting period, Industrial Bank did not pledge the equity of the Bank.

Founded in August 1988 and with a registration place in Fuzhou City, Fujian province, Industrial Bank is one of the first joint-stock commercial banks approved by the State Council and the People's Bank of China. It has a total of RMB20,774 million registered capital. The company's legal representative is Gao Jianping. It has no controlling shareholder, concert parties or actual controller. The ultimate beneficial owner is Industrial Bank. Industrial Bank was officially listed in Shanghai Stock Exchange on February 5, 2007 (stock code: 601166) and ranks among the Top 50 banks in the world.

Fangda Carbon New Material Co., Ltd.

On August 12, 2020, Fangda Carbon successfully bidden 136.07 million Domestic Shares of the Bank originally held by Dasheng (Fujian) Agriculture Co., Ltd. on Alibaba's public auction platform. Accordingly, Fangda Carbon holds 136.07 million Domestic Shares of the Bank, which are social legal person shares, accounting for 5.65% of the Bank's total share capital as of the end of the reporting period. In addition, Jiangxi PXSteel Industrial Co. Ltd., a related company of Fangda Carbon holds 35.00 million Domestic Shares of the Bank, accounting for 1.45% of the Bank's total issued share capital as at the end of the reporting period. Therefore, Fangda Carbon controlled an aggregate of 7.11% of the ordinary shares of the total issued share capital of the Bank. As of the end of the reporting period, Fangda Carbon and its related party did not pledge the equity of the Bank. On March 11, 2020, Fangda Carbon obtained the qualification of a major shareholder upon the approval from the CBIRC Jiangxi Bureau (Gan Yin Bao Jian Fu [2021] No.64).

Founded in January 1999, Fangda Carbon, with a registration place in Lanzhou City, Gansu province and a total of approximately 3,806 million registered capital, is mainly engaged in research and development and sale of carbon products and iron concentrates and is a leading enterprise of the National Science and Technology Development and Innovation Base. Fangda Carbon's legal representative is Dang Xijiang and its controlling shareholder is Liaoning Fangda Group Industrial Co., Ltd. The actual controller and ultimate beneficial owner is Fang Wei. Fangda Carbon was officially listed on Shanghai Stock Exchange on August 30, 2002 (stock code: 600516).

2.7 Other substantial domestic shareholders

According to the Interim Measures for the Equity Management of Commercial Banks of CBIRC (CBRC Order 2018 No. 1), substantial shareholders of a commercial bank means shareholders who hold or control 5% or more shares or voting rights of the commercial bank, or who hold less than 5% of total capital or total shares of the commercial bank but have significant influence on the business of the commercial bank. The significant influence mentioned above includes but not limited to dispatching directors, supervisors or senior management of a commercial bank.

Other than those disclosed in the section 2.6 in this chapter, i.e. Jiujiang Finance Bureau, Beijing Automotive Group Co., Ltd., Industrial Bank Co., Ltd. and Fangda Carbon New Material Co., Ltd., substantial domestic shareholder of the Bank who holds less than 5% of total capital or total shares but dispatch supervisors to the Bank is Foshan Gaoming Jindun Hengye Computer Special Printing Co., Ltd. (“Foshan Gaoming”).

Foshan Gaoming Jindun Hengye Computer Special Printing Co., Ltd.

Foshan Gaoming holds 95.84 million Domestic Shares of the Bank, which are social legal person shares, accounting for 3.98% of the Bank’s total issued share capital as of the end of the reporting period. As of the end of the reporting period, Foshan Gaoming did not pledge the equity of the Bank.

Foshan Gaoming, with Luo Hanmin as its legal representative, was established in 2000 with a registration place in Foshan city, Guangdong province. It has a total of RMB300 million registered capital. The controlling shareholder, the actual controller and the ultimate beneficial owner are Lin Xin. Foshan Gaoming has no concert parties. The company is engaged in deposit receipt and deposit books printing, R&D and sales, and is the earliest in China to apply hot stamping to magnetic stripes of deposit books. It is also a member of “China Trade Association for Anti-counterfeiting”, one of the “Top 100 Printing Enterprises in Guangdong Province”, and a “Garden-like Organization in Foshan City”.

Changes in Share Capital and Information on Shareholders

2.8 Related parties of substantial domestic shareholders at the end of the reporting period

No.	Name of substantial shareholders	Related parties of substantial shareholders and their concert parties (if any)
1	Jiujiang Finance Bureau	Jiujiang Financial Holdings Group Co., Ltd., Jiujiang City Financial Enterprise Financial Services Co., Ltd., Jiujiang City Financial Investment Management Co., Ltd., Jiujiang Technology Investment Co., Ltd., Jiujiang Non-financial Guarantee Holdings Co., Ltd., Jiujiang Infrastructural Investment Limited and Jiujiang State-owned Assets Management Co., Ltd., etc.
2	Beijing Automotive Group Co., Ltd.	BAIC Group Industrial Investment Co., Ltd., BAIC Group Finance Co., Ltd., Beijing Hyundai Motor Co., Ltd., Jiangxi Changhe Automobile Co., Ltd., Beijing Benz Automotive Co., Ltd., Beijing Xingdongfang Industry Co., Ltd., Beijing Automotive Industry Imp. & Exp. Co., Ltd., and Beijing Automotive Institute Co.,Ltd., etc.
3	Industrial Bank Co., Ltd.	Industrial Bank Financial Leasing Co., Ltd., China Industrial International Trust Co., Ltd., CIB Fund Management Co., Ltd., Industrial Consumer Finance Co., Ltd., Industrial Economic Research Consulting Co., Ltd., Ciit Asset Management Co.,Ltd., Industrial Wealth Asset Management Co., Ltd., and Industrial Securities Co.,Ltd., etc.
4	Fangda Carbon New Material Co., Ltd.	Pingxiang Pinggang Steel Co., Ltd., Jiangxi Fangda Steel Group Co., Ltd., Jiujiang Ping Gang Steel Co., Ltd., Shanghai Fangda Investment Management Co., Ltd., Chengdu Carbon Co., Ltd., Hefei Carbon Co., Ltd., Fushun Laihe Mining Co., Ltd., etc.
5	Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd.	Foshan Gaoming Standard Spectrum Garden Co., Ltd., Foshan Gaoming Hengye Real Estate Co., Ltd., and Guigang Hengfu Real Estate Co., Ltd., etc.

2.9 Related party transactions between the Bank and the substantial shareholders and controlling domestic shareholders, actual controllers, related parties, persons acting in concert and ultimate beneficiaries thereof in the reporting period

Unit: in millions of RMB

No.	Name of shareholders	Credit balance	The controlling shareholders of the corporation	Credit balance	Actual controllers	Credit balance	Parties acting in concert	Credit balance	Ultimate beneficiary	Credit balance	Related party with related transaction(s)	Credit balance	Total
1	Jiujiang Finance Bureau	-	-	-	-	-	Jiujiang State-owned Assets Management Co., Ltd.	-	-	-	Jiujiang Infrastructural Investment Limited Jiujiang Non-financial Guarantee Holdings Co., Ltd. Pengze County Natural Gas Co., Ltd. Jiangxi Natural Gas Duchang Co., Ltd. Jiujiang Ganghua Gas Company Limited	275.00 65.20 10.00 9.60 5.00	364.81
2	Beijing Automotive Group Co., Ltd.	-	Beijing State-owned Capital Operation and Management Center	-	State-owned Assets Supervision and Administration Commission of Beijing Municipality	-	-	-	State-owned Assets Supervision and Administration Commission of Beijing Municipality	-	Anpeng International Financial Leasing (Shenzhen) Co., Ltd. Jiangxi Changhe Automobile Co., Ltd. BAIC Group Industrial Investment Co., Ltd. Jiangxi Changhe Automobile Sales Co., Ltd. BAIC Yinxiang Automobile Co., Ltd. Beijing Beiqi Pengyuan Automobile Sales & Service Co., Ltd. Cangzhou Economic Development Zone and Xingye Industrial Park Co., Ltd. (滄州經濟開發區興業產業園有限責任公司) Jingdezhen City Xingchangda Property Co., Ltd. Beijing CA Sinfusi Financial Leasing Co., Ltd. Hunan Guanghua Rongchang Automobile Parts Co., Ltd.	600.00 449.76 210.00 185.00 102.00 89.08 58.00 46.10 9.60 7.00	1,756.53

Changes in Share Capital and Information on Shareholders

No.	Name of shareholders	Credit balance	The controlling shareholders of the corporation	Credit balance	Actual controllers	Credit balance	Parties acting in concert	Credit balance	Ultimate beneficiary	Credit balance	Related party with related transaction(s)	Credit balance	Total
3	Industrial Bank Co., Ltd.	-	-	-	-	-	-	-	Industrial Bank Co., Ltd.	-	-	-	-
4	Fangda Carbon New Material Co., Ltd.	-	Liaoning Fangda Group Industrial Co., Ltd.	1,200.00	Fang Wei	-	-	-	Fang Wei	-	Jiangxi Fangda Steel Group Co., Ltd. Jiangxi Fangda Technology Co., Ltd.	774.92 10.00	1,984.92
5	Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd.	-	Lin Xin	-	Lin Xin	-	-	-	Lin Xin	-	-	-	-
Total		-		1,200.00		-		-		-		2,906.26	4,106.26

2.10 Pledge of equity in the Bank by substantial domestic shareholders

As of December 31, 2020, the substantial shareholders of the Bank didn't pledge equity in the Bank.

2.11 Nomination of Directors and Supervisors by the shareholders

- (1) Jiujiang Finance Bureau nominated Mr. ZENG Huasheng as a Director of the Bank;
- (2) Beijing Automotive Group Co., Ltd. nominated Mr. ZHANG Jianyong as a Director of the Bank;
- (3) Industrial Bank Co., Ltd. nominated Mr. LI Jianbao as a Director of the Bank; and
- (4) Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd. nominated Ms. LIU Chunmei and Ms. LIAO Jingwen as Supervisors of the Bank.

2.12 The number of pledged shares of the Bank reaching or exceeding 20% of the issued share capital

As of the end of the reporting period, the number of pledged shares of the Bank didn't exceed 20% of the issued share capital.

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

- (1) As of the end of the reporting period, the Bank has 7,498 pledged shares held by 1 Domestic Shareholders that were involved in frozen; no pledged shares was involved in judicial auctions.
- (2) According to the Articles of Association, when the number of shares pledged by a shareholder reaches or exceeds 50% of the total shares held by him/her in the Bank, the said shareholder is required to issue a commitment letter of giving up his/her voting right at the Shareholders' General Meeting. As of the end of the reporting period, the number of Domestic Shares pledged by 19 shareholders reached or exceeded 50% (inclusive) of the total shares held by them in the Bank, and voting rights represented by 329,622,598 shares were restricted, accounting for 13.69% of the total shares.

2.14 Purchase, sale or redemption of listed securities of the Bank

During the reporting period, the Bank or any of its subsidiaries has not purchased, sold or redeemed any listed securities of the Bank.

Information on Directors, Supervisors, Senior Management, Staff and Institution

1. Current Directors, Supervisors and Senior Management

Directors

Name (former name, if any)	Gender	Age	Position	Terms of appointment	Number of shares held on December 31, 2020 (Share)	Class of shares
LIU Xianting	Male	59	Chairman of the Board of Directors and Executive Director	May 2020 – May 2023	500,000	Domestic Shares
PAN Ming	Male	46	Vice Chairman of the Board of Directors, Executive Director, President and Chief Customer Manager	May 2020 – May 2023	224,910	Domestic Shares
ZENG Huasheng	Male	57	Non-executive Director	May 2020 – May 2023	Nil	
ZHANG Jianyong ⁽¹⁾	Male	44	Non-executive Director	May 2020 – May 2023	Nil	
LI Jianbao	Male	47	Non-executive Director	May 2020 – May 2023	Nil	
CHUA Alvin Cheng- Hock	Male	62	Independent Non-executive Director	May 2020 – May 2023	Nil	
GAO Yuhui	Female	71	Independent Non-executive Director	May 2020 – May 2023	Nil	
QUAN Ze	Male	49	Independent Non-executive Director	May 2020 – May 2023	Nil	
YANG Tao	Male	47	Independent Non-executive Director	May 2020 – May 2023	Nil	
LIU Yinan ⁽²⁾	Male	43	Non-executive Director	-	Nil	
YUAN Delei ⁽²⁾	Male	42	Executive Director and Risk Director	-	Nil	

Notes:

- (1) Mr. ZHANG Jianyong resigned as the non-executive Director and members of the Strategic Committee and the Consumer Rights Protection Committee of the Bank due to his work reallocation. The Board of the Bank received the resignation from Mr. ZHANG Jianyong on March 30, 2021, and his resignation shall take effect from the the date of effectiveness of the non-executive Director newly elected by the shareholders' general meeting of the Bank. During this period, Mr. ZHANG Jianyong will continue to perform the duties of non-executive Director of the Bank and members and relevant special committees of the Board.
- (2) Newly elected directors, namely Mr. LIU Yinan and Mr. YUAN Delei, will be reported to China banking and insurance regulatory authorities for approval of their Director's qualifications. The term of office will be from the effective date of the approval of China banking and insurance regulatory authorities to the expiry of the term of the sixth session of the Board.

Supervisors

Name (former name, if any)	Gender	Age	Position	Terms of appointment	Number of shares held on December 31, 2020 (Share)	Class of shares
MEI Mengsheng	Male	53	Chairman of the Board of Supervisors	May 2020 – May 2023	Nil	
LIU Chunmei	Female	71	Supervisor	May 2020 – May 2023	Nil	
GUO Jiequn	Male	50	Supervisor	May 2020 – May 2023	Nil	
CHEN Chunxia	Female	56	Supervisor	May 2020 – May 2023	Nil	
LIAO Jingwen	Female	35	Supervisor	May 2020 – May 2023	14,000	Domestic Shares
WAN Dandan	Female	32	Supervisor	May 2020 – May 2023	Nil	

Information on Directors, Supervisors, Senior Management, Staff and Institutions

Senior Management

Name (former name, if any)	Gender	Age	Position	Number of shares held on December	
				31, 2020 (Share)	Class of shares
PAN Ming	Male	46	Vice Chairman of the Board of Directors, Executive Director, President and Chief Customer Manager	224,910	Domestic Shares
XIAO Jing	Male	44	Vice President and Chief Information Officer	55,566	Domestic Shares
WANG Li	Female	57	Vice President and Board Secretary	Nil	
HUANG Chaoyang	Male	51	Assistant to President	500,000	Domestic Shares
QI Yongwen	Male	50	Director of Retail Banking and President of Shangrao Branch	249,900	Domestic Shares
CHEN Luping	Male	54	Director of Small-enterprise Credit	331,100	Domestic Shares
XU Cao	Male	53	Assistant to President	217,560	Domestic Shares
WANG Yuanxin	Male	53	Assistant to the President, Chairman and President of Beijing Daxing Jiuyin County Bank	220,500	Domestic Shares
CAI Jianhong	Male	52	Compliance Director	16,170	Domestic Shares
YUAN Delei	Male	42	Risk Director	Nil	

2. Changes in Directors, Supervisors and Senior Management During the Reporting Period

2.1 Changes in Directors

According to the requirements of the relevant laws and regulations and the Articles of Association of the Bank, the term of office of Directors shall be three years, and Directors are eligible for re-election upon expiration of the term of office. The term of office of the fifth session of the Board of Directors expired in May 2020. The Bank had worked on the re-election of Directors.

Upon the consideration and approval at the 2019 Annual General Meeting of the Bank convened on May 22, 2020, Mr. LIU Xianting, Mr. PAN Ming and Ms. CAI Liping were re-elected as the executive Directors of the Bank; Mr. ZENG Huasheng, Mr. ZHANG Jianyong and Mr. LI Jianbao were re-elected as the non-executive Directors of the Bank; Mr. HUANG Jiajue was newly appointed as the non-executive Directors of the Bank; Mr. CHUA Alvin Cheng-Hock, Ms. GAO Yuhui, Mr. YANG Tao and Mr. QUAN Ze were re-elected as the independent non-executive Directors of the Bank. Upon the consideration and approval at the first meeting of the sixth session of the Board on June 18, 2020, Mr. LIU Xianting was appointed as the Chairman of the sixth session of the Board; Mr. PAN Ming was appointed as the Deputy Chairman of the sixth session of the Board. For details of such re-election of the Directors, please refer to the announcements published by the Bank on March 30, 2020, May 22, 2020 and June 18, 2020.

On October 26, 2020, the Bank received written resignation from Ms. CAI Liping to resign as the executive Director and the chairman of the Consumer Rights Protection Committee of the Board of the Bank. For details, please refer to the announcement of the Bank dated October 27, 2020.

Information on Directors, Supervisors, Senior Management, Staff and Institutions

2.2 Changes in Supervisors

According to the requirements of the relevant laws and regulations and the Articles of Association of the Bank, the term of office of Supervisors shall be three years, and Supervisors are eligible for re-election upon expiration of the term of office. The term of office of the fifth session of the Board of Supervisors expired in May 2020. The Bank had worked on the re-election of Supervisors.

Upon the consideration and approval at the 2019 annual general meeting on May 22, 2020, Ms. LIAO Jingwen was re-elected as the Shareholder Supervisor of the Bank; Ms. LIU Chunmei was newly appointed as the Shareholder Supervisor of the Bank; Mr. GUO Jiequn and Ms. CHEN Chunxia were re-elected as the External Supervisors of the Bank. Upon the consideration and approval at the general meeting of employee representatives on May 22, 2020, Mr. MEI Mengsheng and Ms. WAN Dandan were appointed as the employee representative Supervisors of the sixth session of the Board of Supervisors. Upon the consideration and approval at the first meeting of the sixth session of the Board of Supervisors on June 2, 2020, Mr. MEI Mengsheng was elected as the Chairman of the sixth session of the Board of Supervisors. For details of such re-election of the Supervisors, please refer to the announcements published by the Bank on May 22, 2020 and June 2, 2020.

2.3 Changes in Senior Management

Upon the consideration and approval at the first meeting of the sixth session of the Board of the Bank on June 18, 2020, Mr. TONG Faping ceased to be the Board Secretary of the Bank.

Upon the consideration and approval at the fifth meeting of the sixth session of the Board of the Bank on December 22, 2020, Mr. WANG Kun and Ms. CAI Liping ceased to be the Vice Presidents of the Bank.

2.4 Changes in Directors, Supervisors and Senior Management after the Reporting Period

2.4.1 Directors

Upon the consideration and approval at the eighteenth meeting of the fifth session of the Board of the Bank on May 19, 2020 and the first extraordinary general meeting of 2021 held on February 1, 2021, Mr. LIU Yinan was nominated and elected as a Non-executive Director of the sixth session of the Board of the Bank. Mr. LIU Yinan, the new elected Director, will be reported to China banking and insurance regulatory authorities for approval of his Director's qualification. The term of office will be from the effective date of the approval of China banking and insurance regulatory authorities to the expiry of the sixth session of the Board. For details of such election, please refer to the announcements published by the Bank on May 19, 2020 and February 1, 2021.

Upon the consideration and approval at the fourth meeting of the sixth session of the Board of the Bank on November 10, 2020 and the first extraordinary general meeting of 2021 on February 1, 2021, Mr. YUAN Delei was nominated and elected as a executive Director of sixth session of the Board. Mr. YUAN Delei, the newly elected Director, will be reported to China banking and insurance regulatory authorities for approval of his Director's qualifications. The term of office will be from the effective date of the approval of China banking and insurance regulatory authorities to the expiry of the sixth session of the Board. For details of such election, please refer to the announcements published by the Bank on November 10, 2020 and February 1, 2021.

On February 1, 2021, the Bank received the notice that Mr. HUANG Jiajue would no longer serve as the Non-executive Director of the Bank. As Mr. HUANG Jiajue has not yet begun to perform his duty as a Director, the Bank will not report to China banking and insurance regulatory authority for the approval of Director's qualification. For details of such election, please refer to the announcement published by the Bank on February 1, 2021.

Mr. ZHANG Jianyong resigned as the non-executive Director and members of the Strategic Committee and the Consumer Rights Protection Committee of the Bank due to his work reallocation. The Board of the Bank received the resignation from Mr. ZHANG Jianyong on March 30, 2021, and his resignation shall take effect from the the date of effectiveness of the non-executive Director newly elected by the shareholders' general meeting of the Bank. During this period, Mr. ZHANG Jianyong will continue to perform the duties of non-executive Director of the Bank and members and relevant special committees of the Board. For details of such resignation, please refer to the announcement published by the Bank on March 30, 2021.

Information on Directors, Supervisors, Senior Management, Staff and Institutions

Upon the consideration and approval at the eighth meeting of the sixth session of the Board of the Bank on March 30, 2021, Mr. SHI Zhishan was nominated as an executive Director of the Bank. Such nomination will be reported to China banking and insurance regulatory authorities for approval of his Director's qualifications upon the consideration and approval at the Shareholder's general meeting of the Bank. The term of office will be from the effective date of the approval of China banking and insurance regulatory authorities to the expiry of the sixth session of the Board. For details of such nomination, please refer to the announcement published by the Bank on March 30, 2021.

2.4.2 Senior management

Upon the consideration and approval at the first meeting of the sixth session of the Board of the Bank on June 18, 2020 and the fifth meeting of the sixth session of the Board of the Bank on December 22, 2020, and the approval from the CBIRC Jiangxi Bureau (Gan Yin Bao Jian Fu [2021] No. 41 and Gan Yin Bao Jian Fu [2021] No. 42), Ms. WANG Li was appointed as the Board Secretary and Vice President of the Bank.

Upon the consideration and approval at the first meeting of the sixth session of the Board of the Bank on June 18, 2020 and the approval from the CBIRC Jiangxi Bureau (Gan Yin Bao Jian Fu [2021] No. 43), Mr. YUAN Delei was appointed as Risk Director of the Bank.

From the end of the reporting period and as at the date of this report, except for the above mentioned, there were no changes of other Directors, Supervisors and senior management of the Bank.

2.5 Changes in Company Secretary and Authorized Representatives after the Reporting Period

Upon the consideration and approval at the seventh meeting of the sixth session of the Board of the Bank on February 5, 2021, Ms. FOK Po Yi no longer served as the company secretary of the Bank, the Authorized Representative (the "Authorized Representative") of the Bank under Rule 3.05 of the Listing Rules of the Stock Exchange and an agent of the Bank for the acceptance on delivery of service of process or notice in Hong Kong (the "Service of Process Agent") under Rule 19A.13(2)6 of the Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from February 5, 2021. At the same time, Mr. Wong Wai Chiu has been appointed as the company secretary, the Authorized Representative and the Service of Process Agent with effect from February 5, 2021. Details of changes in company secretary and Authorized Representative, please refer to the announcement of the Bank dated February 5, 2021.

3. Biographies of Directors, Supervisors and Senior Management

3.1 Directors

Mr. LIU Xianting (劉羨庭), aged 59, is an executive Director and the chairman of the Board of Directors of the Bank.

Mr. LIU worked for the Lianhua County Sub-branch of PBOC from January 1981 to November 1984 and was responsible for accounting and cashier works, statistical planning and industrial and commercial credit. He joined the Ji'an Regional Branch of PBOC from November 1984 to February 1987 and was responsible for fund management and integrated management at the fund planning division. He served as the deputy head and subsequently head of the fund planning division of Ji'an Regional Branch of PBOC from February 1987 to May 1990 and from May 1990 to September 1991, respectively. He became the president of Ji'an Municipal Sub-branch of PBOC from September 1991 to September 1998. He served as the standing deputy head and director of the office of the leading preparatory team of Jiujiang City Commercial Bank (九江市商業銀行) from September 1998 to January 2001; and deputy Party leadership group secretary, vice chairman and president of Jiujiang City Commercial Bank from January 2000 to October 2004. He served as the Party committee secretary, chairman and president of Jiujiang City Commercial Bank from October 2004 to October 2008, and Party committee secretary, chairman and president of the Bank from October 2008 to August 2013. Mr. LIU has been the Party committee secretary and chairman of the Bank since August 2013.

Mr. LIU is a senior economist. He graduated from Shaanxi Institute of Finance and Economics (陝西財經學院) in July 1997, majoring in finance, and was conferred a bachelor's degree in economics by the same institute in June 1998. He obtained an EMBA degree from Huazhong University of Science and Technology (華中科技大學) in December 2006.

Information on Directors, Supervisors, Senior Management, Staff and Institutions

Mr. PAN Ming (潘明), aged 46, is a vice chairman, executive Director, president and chief customer manager of the Bank.

Mr. PAN served as a teller and credit officer of the Jiujiang Baishuihu Urban Credit Cooperative (九江市白水湖城市信用社) from July 1997 to March 1999; head of the credit department under the preparatory office of Jiujiang City Commercial Bank from February 1999 to January 2000; vice president of the Baishuihu Governing Branch (in preparation) of Jiujiang City Commercial Bank from January 2000 to December 2002; and vice president (person-in-charge) of the Baishuihu Governing Branch of Jiujiang City Commercial Bank from December 2002 to January 2004. He served as the president of Sanli Street Sub-branch of Jiujiang City Commercial Bank from January 2004 to February 2006; and assistant to the president of Jiujiang City Commercial Bank and president of the Sanli Street Sub-branch from February 2006 to January 2008. He served as an assistant to the president of Jiujiang City Commercial Bank from January 2008 to August 2008; Party committee member and assistant to the president of the Bank from August 2008 to January 2009; and Party committee member and assistant to the president of the Bank and president of the Ji'an Branch from January 2009 to April 2009. He served as the Party committee member and vice president of the Bank and president of the Ji'an Branch from April 2009 to February 2010; Party committee member and vice president of the Bank from February 2010 to April 2013 as well as president of Guangzhou Branch from March 2011 to April 2013; and deputy party committee secretary and vice president of the Bank from April 2013 to August 2013. Mr. PAN has been the deputy Party committee secretary, vice chairman, executive Director, president and head customer manager of the Bank since August 2013.

Mr. PAN is a senior economist. He graduated from the Investment and Finance Faculty of Jiangxi University of Finance and Economics (江西財經大學), majoring in monetary banking and was conferred a bachelor's degree in economics by the same university in July 1997. He graduated from the MBA School of Jiangxi University of Finance and Economics in September 2007 and obtained an MBA degree from Jiangxi University of Finance and Economics in December 2009. He also obtained an EMBA degree from Tsinghua University (清華大學) in January 2017.

Mr. ZENG Huasheng (曾華生), aged 57, is a non-executive Director of the Bank.

Mr. ZENG served as the deputy director of the Finance Bureau of Yongxiu County from January 1990 to December 1992; deputy director of the State-owned Assets Administrative Bureau of Jiujiang from June 1994 to October 1996; and became the director of the office and head of the extra-budgetary fund management division of Jiujiang Finance Bureau from November 1996 to July 2004. Mr. ZENG has served as the deputy director of the Jiujiang Finance Bureau from August 2004 to May 2020. Mr. Zeng served as a second-level of the Jiujiang Finance Bureau since May 2020.

Mr. ZENG graduated from the Correspondence College of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院), majoring in economic management, in December 1996.

Mr. ZHANG Jianyong (張建勇), aged 44, is a non-executive Director of the Bank.

Mr. ZHANG served as the chief accountant of the finance and asset department of the China Electric Power Research Institute from July 2001 to December 2003; assistant to the manager, deputy manager and manager of the asset and finance department of Beijing Automotive Industry Holding Co., Ltd. successively from December 2003 to December 2010; and as head of the finance department and deputy chief financial officer of Beijing Automotive Group Co., Ltd. from December 2010 to June 2015. Since January 2015, Mr. ZHANG has been the vice general manager of Beijing Automotive Group Co., Ltd. Since March 2016, Mr. ZHANG has served as the Party committee secretary and chairman of BAIC Group Finance Co., Ltd.

Mr. ZHANG is a senior accountant and a PRC lawyer. He graduated from Zhongnan University of Finance and Economics (中南財經大學) in June 1998, majoring in business administration, and was conferred a bachelor's degree in business administration by the same university at the same time. He obtained his doctoral degree in management from Beijing Institute of Technology (北京理工大學) in March 2015.

Information on Directors, Supervisors, Senior Management, Staff and Institutions

Mr. LI Jianbao (李堅寶), aged 47, is a non-executive Director of the Bank.

Mr. LI served as a member of the Jin'an Sub-branch of the Fuzhou Branch of Industrial Bank from August 1996 to February 1997; officer of the planning and fund department under the head office of Industrial Bank from February 1997 to June 2001; and senior deputy manager of the interbank business department under the head office of Industrial Bank from June 2001 to November 2003. He served as a senior deputy manager of the fund operations center under the head office of Industrial Bank from November 2003 to October 2007; senior manager of the fund operations center under the head office of Industrial Bank from October 2007 to May 2011; and as head of the interbank cooperation services center under the head office of Industrial Bank from May 2011 to March 2015. Mr. LI has been the general manager of the interbank cooperation services center under the head office of Industrial Bank since March 2015.

Mr. LI graduated from the Department of Finance of Shaanxi Institute of Finance and Economics (陝西財經學院) in July 1996, majoring in finance, and was conferred a bachelor's degree in economics by the same institute at the same time. He obtained an MBA degree from China Europe International Business School (中歐國際工商學院) in October 2011.

Mr. CHUA Alvin Cheng-Hock (蔡清福), aged 62, is an independent non-executive Director of the Bank.

Mr. CHUA has been an independent non-executive director of China Guangfa Bank since April 2014, and managing director and global head of the sales sector, trading and research of securities and fixed-income products of BOC International Holdings Limited (Hong Kong) since June 2014. He has been a part-time professor of Lingnan (University) College, Sun Yat-sen University (中山大學嶺南(大學)學院) since April 2014.

Mr. CHUA obtained a bachelor's degree in business administration from The University of Texas at Austin in May 1981, and obtained an MBA degree from The University of Chicago in June 1987.

Ms. GAO Yuhui (高玉輝), aged 71, is an independent non-executive Director of the Bank.

Ms. GAO was the chief risk officer and general manager of the risk management department of Bank of Beijing Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 601169) from July 2006 to June 2010, and served concurrently as a director of Bank of Beijing Co., Ltd. from June 2004 to August 2010.

Ms. GAO is an intermediate economist. She graduated from the evening class of Beijing Vocational College of Finance and Commerce (北京財貿學院夜大學) in January 1984, majoring in finance.

Mr. QUAN Ze (全澤), aged 49, is an independent non-executive Director of the Bank.

Mr. QUAN served as a senior manager of the investment banking department of Shenyin & Wanguo Securities Co., Ltd., now known as Shenwan Hangyuan Group Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 000166 and listed on Hong Kong Stock Exchange, stock code: 06806) from January 1998 to January 2001, and as a vice president of China Dragon Securities Co., Ltd. from May 2001 to May 2012. Mr. QUAN served as the vice chairman of Shanghai Committee of China National Democratic Construction Association and concurrently a member of Shanghai Xuhui District Committee of the Chinese People's Political Consultative Conference from December 2011 to December 2016. Mr. QUAN served as the general manager of Shanghai Difeng Investment Co., Ltd. from May 2012 to January 2021. Mr. QUAN has served as an independent director of Zhejiang Lonsen Group Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600352) from April 2013 to April 2019; an independent director of Guangdong Taientang Pharmaceutical Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002433) from May 2013 to May 2019; an independent director of Zhejiang Juhua Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600160) from October 2013 to November 2019; an independent director of Shanghai Worth Garden Products Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 300483) from February 2015 to July 2018. Mr. QUAN served as an independent director of Xinjiang Tianye Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600075) from September 2016 to February 2021.

Mr. QUAN is a Certified Public Accountant. He graduated from Tongji University (同濟大學) in July 1995 majoring in polymer materials, and was conferred a bachelor's degree in engineering by the same university at the same time. He graduated as a doctoral student in accounting from Shanghai University of Finance and Economics (上海財經大學) in January 2007, and was conferred a doctoral degree in management by the same university at the same time.

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Mr. YANG Tao (楊濤), aged 47, is an independent non-executive Director of the Bank.

Mr. YANG was engaged in post-doctoral research in the business administration department of Chinese Academy of Social Sciences (中國社會科學院) from October 2004 to January 2007. Mr. YANG has been a researcher at the Institute of Finance of Chinese Academy of Social Sciences since September 2003.

Mr. YANG is a non-practising member of the Beijing Institute of Certified Public Accountants and is qualified to practice law in the PRC. Mr. YANG graduated from the Faculty of Economic Management of Nanjing University of Science and Technology (南京理工大學) in June 1995 with a major in industrial trading. He was a master student at the graduate school of the Research Institute of the Ministry of Finance (財政部科研所研究生部) from September 1997 to July 2000 and a doctoral student of the Finance and Trade Department of the Graduate School of Chinese Academy of Social Sciences from September 2000 to July 2003. He graduated as a doctoral student in finance and politics from the Graduate School of Chinese Academy of Social Sciences in June 2003, and obtained a doctoral degree in economics from the same Academy in June 2003.

Mr. LIU Yinan (劉一男), aged 43, is proposed to be appointed as a non-executive Director of the Bank.

Mr. LIU, served as a director and general manager of Vitek Technology Limited from January 2006 to January 2007; the vice president of D&S Media Group from January 2007 to December 2007; the assistant president of BlueFocus Intelligent Communications Group Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 300058) from January 2008 to June 2008; a director and vice president of Liaoning Fangda Group Industrial Co., Ltd. from June 2008 to February 2014; the president of China Forestry Exchange from June 2014 to January 2016; the vice general manager of the head office of investment management of Sun Life Everbright Life Insurance Co., Ltd. from April 2016 to December 2016; an executive director of China Fortune Financial Group Limited (listed on the Hong Kong Stock Exchange, stock code: 00290) from June 2017 to September 2018; and he serves as the vice president and deputy party committee secretary of Liaoning Fangda Group Industrial Co., Ltd. since November 2018. In addition, Mr. LIU serves as a director of Fangda Carbon New Material Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600516) since January 2019.

Mr. LIU is a professorate senior engineer of the People's Republic of China. He graduated from Northeastern University with a bachelor's degree in computer science in July 2000; and obtained a doctor's degree in computer engineering from the University of Rhode Island in January 2006.

Mr. YUAN Delei (袁德磊), aged 42, is the risk director of the Bank, and is proposed to be appointed as an executive Director of the Bank.

Mr. YUAN successively served as the deputy chief, chief and the deputy general manager of Legal Affairs Department of the Anhui Branch of Industrial and Commercial Bank of China Limited (whose H shares and A shares are listed on the Hong Kong Stock Exchange (stock code: 01398) and Shanghai Stock Exchange (stock code: 601398) respectively) from July 2003 to April 2013; a member of the Party Committee and Vice President of the Anhui Chizhou Branch of Industrial and Commercial Bank of China Limited from April 2013 to January 2016; the deputy general manager of Legal Affairs Department and the deputy general manager of Credit and Investment Management Department of the Anhui Branch of Industrial and Commercial Bank of China Limited from January 2016 to October 2019; successively served as the general manager of Risk Management Department under the head office of the Bank and the Chief Independent Credit Approval Officer and General Manager of the Risk Management Department of the Bank from November 2019 to July 2020; the Chief Independent Credit Approval Officer of the Bank from July 2020 to February 2021. Mr. YUAN has served as the risk director and Chief Independent Credit Approval Officer of the Bank since February 2021.

Mr. Yuan is a mid-level economist; he obtained a bachelor's degree in economics in international trade from East China Institute of Metallurgy in July 2000; he obtained a master's degree in law in Marxist Theory and Ideological and Political Education from University of Science and Technology of China in July 2003; he obtained a doctoral degree in management in Management Science and Engineering from University of Science and Technology of China in June 2008.

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3.2 Supervisors

Mr. MEI Mengsheng (梅夢生), aged 53, is the chairman of the Supervision Committee of the Bank.

Mr. MEI Mengsheng has been a physical education teacher of Pengze Agricultural Technology School (彭澤縣農業技術學校) from August 1989 to January 1993, a cadre and an officer of Jiujiang Sports Commission from January 1993 to February 1995, an office deputy director of Jiujiang Veterans' Sports Commission (九江市老年體協辦公室) from February 1995 to December 1997, an office deputy director of Jiujiang Sports Commission from December 1997 to November 2000, a secretary general of the Sports Federation of the General Administration of Sport of Jiujiang from November 2000 to May 2003, a party member and discipline officer of the General Administration of Sport of Jiujiang from May 2003 to July 2012, the secretary of the No. 4 Discipline Commission and the leader of the Inspection Group of the Commission for Discipline Inspection of Jiujiang from July 2012 to October 2016, and the leader of No. 2 Inspection Group (Inspection Group) of Jiujiang Municipal Party Committee from October 2016 to September 2019. Mr. Mei has served as the party member of the Bank, the leader of the discipline and inspection group of the Commission for Discipline Inspection of Jiujiang and the Supervision Committee of Jiujiang in Bank of Jiujiang since September 2019 and Chairman of the Board of Supervisors of the Bank since June 2020.

Mr. MEI has obtained the bachelor's degree in administrative management of the Open University of China in July 2006.

Ms. LIU Chunmei (劉春妹), aged 71, is a supervisor of the Bank.

Ms. LIU was an educated youth in the 12th Regiment of the 4th Division under Guangzhou Production and Construction Corps from 1968 to 1973; studied in People's Bank of China Guangzhou Branch Technical Secondary School from 1974 to 1976; acted in succession as the chief of the Savings Section and office head of Industrial and Commercial Bank of China Guangzhou Branch from 1976 to 2000; and serves as the deputy general manager of Foshan Gaoming Jindun Hengye Computer Special Printing Co., Ltd. from 2004 up to now.

Ms. LIU graduated in December 1997 from Correspondence College of the Party School of the Central Committee of the Communist Party of China.

Mr. GUO Jiequn (郭傑群), aged 50, is a supervisor of the Bank.

Mr. GUO has been the President of Ningbo (China) Supply Chain Innovation Institute since September 2019, and has been a part-time researcher at the Transportation and Logistics Center of Massachusetts Institute of Technology since September 2019. In addition, Mr. GUO has been a part-time researcher at Monetary Policy and Financial Stability Research Center of Tsinghua University since 2017. Mr. GUO served as a deputy director of XIN Real Estate FinTech Research Center under the National Institute of Financial Research of Tsinghua University (清華大學國家金融研究院鑫苑房地產金融科技研究中心) from 2017 to 2019.

Mr. GUO graduated from the Department of Mathematics of Beijing Normal University (北京師範大學) in July 1992 and was conferred a bachelor's degree in science by the same university at the same time. He was conferred a Ph.D. in philosophy by Indiana University in the United States in May 2001.

Ms. CHEN Chunxia (陳春霞), aged 56, is a supervisor of the Bank.

Ms. CHEN has been a professor of the School of Finance of Jiangxi University of Finance and Economics (江西財經大學金融學院) since October 2002, and currently teaches monetary banking policy and theory and corporate financial theory and policy. Ms. CHEN was accredited as a “young and middle-aged backbone teacher of Jiangxi Province” (江西省中青年骨幹教師) in 2004, a “young and middle-aged pioneer of higher education institutions of Jiangxi Province for 2006-2009” (2006-2009年江西省高等學校中青年帶頭人) in 2006 and a member of the “seventh batch of young and middle-aged pioneers of Jiangxi Province” (江西省第七批中青年帶頭人) in 2011.

Ms. CHEN graduated from Jiangxi Institute of Finance and Economics (江西財經學院) in July 1985 and was conferred a bachelor's degree in economics by the same university at the same time. She obtained a doctoral degree in economics from Jiangxi University of Finance and Economics (江西財經大學) in June 2004.

Information on Directors, Supervisors, Senior Management, Staff and Institutions

Ms. LIAO Jingwen (廖靜文), aged 35, is a supervisor of the Bank.

Ms. LIAO served as a teller at the banking business department of the Bank from August 2006 to September 2006; human resources commissioner of the human resources department of the Bank from September 2006 to February 2010; and as an assistant to the general manager of the human resources department of the Bank from February 2010 to April 2016. Ms. LIAO has been the deputy general manager of the county bank management headquarters and general manager of the human resources department under the county bank management headquarters of the Bank since April 2016. Ms. LIAO has been serving as the chairperson of the board of directors of Xiushui Jiuyin County Bank Co., Ltd. since November 2020.

Ms. LIAO is a level-one human resources manager, and an IPMA-CP. She graduated from Zhongnan University of Economics and Law (中南財經政法大學) in June 2006, majoring in labor and social security.

Ms. WAN Dandan (萬丹丹), aged 32, is a supervisor of the Bank.

Ms. WAN has been an audit specialist of the audit department of the Bank from January 2014 to March 2016. She served as the leader of the financial and accounting operation, management and audit center of the audit department of Bank of Jiujiang from March 2016 to September 2020. Ms. WAN serves as an assistant to the general manager of the audit department of the Bank since September 2020.

Ms. WAN is a certified public accountant and a certified intermediate auditor of the People's Republic of China. She has obtained the bachelor's degree in accountant of Jiujiang University in July 2011; and the master's degree in corporate management of Jiangsu University of Science and Technology in June 2014.

3.3 Senior Management

See "3.1 Directors" of this Chapter for the biographical details of Mr. PAN Ming and Mr. YUAN Delei.

Mr. XIAO Jing (肖璟), aged 44, is the vice president and chief information officer of the Bank.

Mr. XIAO served as a programmer of the back-office project team under the development department of ICBC from September 1999 to May 2002; the deputy manager and then manager of the second division of the system department of ICBC from May 2002 to September 2006 and from September 2006 to August 2009, respectively. He served as a senior technical manager of the Hangzhou first development division under the software development center of ICBC from August 2009 to August 2010; deputy general manager and then general manager of the Guangzhou first development division under the software development center of ICBC from September 2010 to February 2012 and from March 2012 to April 2014, respectively. Mr. XIAO joined the Bank in April 2014, and has served as the chief information officer of the Bank since July 2014 and has been a Party committee member as well as chief information officer of the Bank since August 2018 and vice president of the Bank since December 2018.

Mr. XIAO is a senior engineer and is qualified as an internal auditor. He was also accredited as a Financial Risk Manager by the Global Association of Risk Professionals. He graduated from Zhongnan University of Finance and Economics (中南財經大學), majoring in management information systems, and was conferred a bachelor's degree in engineering by the same university in June 1999. He obtained an MBA degree from Sun Yat-sen University (中山大學) in June 2007.

Information on Directors, Supervisors, Senior Management, Staff and Institutions

Ms. WANG Li (王琍), aged 57, is a vice president and the Board secretary of the Bank.

Ms. WANG served as an officer and head of the planning department of the Jiangxi Branch of the PBOC from July 1986 to December 1998; head of the cooperative division under the Nanchang supervision office of the Wuhan Branch of the PBOC from January 1999 to February 2001; deputy head of the Corporate Banking Supervision Division under the Nanchang supervision office of the Wuhan Branch of the PBOC from February 2001 to September 2003; and deputy head of the Rural Banking Supervision Division of the CBRC Jiangxi Bureau from October 2003 to October 2006. She served as the deputy head of the second state-owned banking department of the CBRC Jiangxi Bureau from November 2006 to August 2009; deputy director of the cooperative division of the CBRC Jiangxi Bureau from September 2009 to October 2011; director of the Stock Division of the CBRC Jiangxi Bureau from November 2011 to March 2016; and head of the postal office of the CBRC Jiangxi Bureau from April 2016 to March 2017. Ms. WANG joined the Bank in March 2017 and served as an assistant to the president of the Bank from March 2017 to February 2021. Ms. WANG has served as the Board Secretary of the Bank since June 2020, the party member of the Bank since December 2020 and the vice president of the Bank since February 2021.

Ms. WANG is a senior economist. She graduated from the quantitative statistics department of Jiangxi Institute of Finance and Economics (江西財經學院), majoring in national economic plans in July 1986, and was conferred a bachelor's degree in economics by the same institute at the same time. Ms. WANG obtained an MBA degree from the University of South Australia in March 2009.

Mr. HUANG Chaoyang (黃朝陽), aged 51, is an assistant to president of the Bank.

Mr. HUANG served as a clerk and deputy section head of the De'an County Sub-branch of PBOC from August 1991 to June 2001; general manager of the planning and finance department of the Bank from June 2001 to April 2009; and Board secretary of the Bank from April 2009 to January 2011. He served as the Board secretary of the Bank and president of the Hefei Branch from February 2011 to February 2012; Board secretary of the Bank from March 2012 to June 2014 and compliance director of the Bank from June 2014 to September 2016. Mr. HUANG has served as an assistant to the president of the Bank since September 2016.

Mr. HUANG is a senior economist and a Certified Public Accountant in China. He graduated from the Faculty of Chemistry and Chemical Engineering of Wuxi Institute of Light Industry (無錫輕工業學院), majoring in refined chemical engineering, and was conferred a bachelor's degree in engineering by that institute in June 1991. He obtained an MBA degree from Zhongnan University of Economics and Law (中南財經政法大學) in December 2007.

Mr. QI Yongwen (齊永文), aged 50, is the director of retail banking and the President of Shangrao Branch of the Bank.

Mr. QI served as a software engineer of the computer department of the Jiujiang Branch of China Construction Bank from January 1994 to January 2001; and deputy general manager of the technology department of Jiujiang City Commercial Bank from January 2001 to January 2006. He served as the general manager of the information technology department of the Bank from February 2006 to February 2011; information director (chief information officer) of the Bank from February 2011 to April 2013; information director (chief information officer) of the Bank and president of Guangzhou Branch from April 2013 to June 2013; assistant to the president of the Bank and president of the Guangzhou Branch from June 2013 to January 2016, and assistant to the president of the Bank from January 2016 to September 2016. Mr. QI has served as the director of retail banking of the Bank since September 2016 and has been the President of Shangrao Branch of the Bank since June 2019.

Mr. QI graduated from the School of Computer Science of Shandong University (山東大學計算機科學系) with a major in computer applications and was conferred a bachelor's degree of science by such university in July 1992. He obtained an MBA degree from Zhongnan University of Economics and Law (中南財經政法大學) in December 2008.

Mr. CHEN Luping (陳廬平), aged 54, is the director of small-enterprise credit of the Bank.

Mr. CHEN served as a credit officer of the Daqiao office of Jiujiang Branch of Agricultural Bank of China from July 1989 to April 1990; section head of the life insurance section of Lushan Sub-branch of Jiujiang Branch of Agricultural Bank of China from April 1990 to October 2000; and president of Lushan Sub-branch of the Bank from October 2000 to January 2006. He served as an independent credit approval officer (grade 1) of the credit approval department of the Bank from January 2006 to March 2007; general manager of the loan center for small-and-micro enterprises of the Bank from March 2007 to July 2010; and general manager of the small-enterprise credit center of the Bank from July 2010 to December 2014. Mr. CHEN has served as the director of small-enterprise credit of the Bank since December 2014.

Mr. CHEN is a senior economist. He graduated from Anhui Institute of Finance and Economics (安徽財貿學院), majoring in accounting in July 2004.

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Mr. XU Cao (許操), aged 53, is an assistant to the president of the Bank.

Mr. XU served as the general office secretary of the Bank from August 2000 to February 2003; deputy general manager (person-in-charge) of the office of the Bank from February 2003 to July 2004; president of the Ruichang Sub-branch of the Bank from July 2004 to December 2008; and chairman of the board of directors and president of Zhongshan Xiaolan County Bank (中山小欖村鎮銀行) from December 2008 to January 2012. He served as the general manager of the risk management department of the Bank from February 2012 to January 2015, and has concurrently served as the general manager of the legal and compliance department of the Bank since February 2012. He was the principal person-in-charge of Fuzhou Branch of the Bank from January 2015 to March 2015. He was the president of Fuzhou Branch of the Bank from April 2015 to January 2021. Mr. Xu has served as an assistant to the president of the Bank since August 2015.

Mr. XU is a senior economist. He graduated from Tsinghua University (清華大學) with a major in economics (finance and insurance) in September 2006.

Mr. WANG Yuanxin (王遠昕), aged 53, is an assistant to the president of the Bank, and chairman and president of Beijing Daxing Jiuyin County Bank (北京大興九銀村鎮銀行).

Mr. WANG served as a credit officer of the suburb office of Jiujiang Branch of Agricultural Bank from July 1987 to August 1993; director of the Guizhixiang savings section of the suburb office of Jiujiang Branch of Agricultural Bank from September 1993 to April 1995; and director of the Yifangtian Sub-office of the suburb office of Jiujiang Branch of Agricultural Bank from May 1995 to June 1996. He served as the deputy director of the Maotoushan Sub-office of the suburb office of Jiujiang Branch of Agricultural Bank from July 1996 to January 2000; deputy director of the suburb office of Jiujiang Branch of Agricultural Bank from January 2000 to February 2001; manager of the suburb office of Jiujiang Branch of Agricultural Bank from February 2001 to January 2002; and manager of the Baihu Sub-branch of Jiujiang Branch of Agricultural Bank from January 2002 to September 2004. He became the deputy general manager of the credit approval department of Jiujiang Commercial Bank from October 2004 to January 2005; general manager of the business department of the Bank from January 2005 to January 2012; chairman and president of Zhongshan Xiaolan County Bank from February 2012 to January 2016; and principal person-in-charge of Beijing Daxing Jiuyin County Bank from February 2016 to October 2016. Mr. WANG has served as the chairman and president of Beijing Daxing Jiuyin County Bank since October 2016, and has concurrently served as an assistant to the president of the Bank since November 2016.

Mr. WANG is an intermediate economist. He graduated from China Central Radio and TV University (中央廣播電視大學), majoring in finance, in May 2005.

Mr. CAI Jianhong (蔡劍洪), aged 52, is the compliance director of the Bank.

Mr. CAI served as a statistician and investigator of the planning section of Jiujiang County Subbranch of PBOC from February 1986 to March 1994; auditor of the audit section of Jiujiang County Sub-branch of PBOC from March 1994 to August 1994; head of the administrative secretariat section of Jiujiang County Sub-branch of PBOC from August 1994 to March 2000; and personal secretary of head of office of the Jiujiang Central Sub-branch of PBOC from March 2000 to February 2001. He served as the head of the discipline inspection division of Jiujiang County Sub-branch of PBOC from March 2001 to December 2003; director of the Jiujiang Regulatory Office of the CBRC Jiujiang Branch Office (currently CBIRC Jiujiang Branch Office) from December 2003 to August 2012; head of the regulatory third division of the CBRC Jiujiang Branch Office (currently CBIRC Jiujiang Branch Office) from August 2012 to February 2016; and principal person-in-charge of Guixi Jiuyin County Bank from March 2016 to November 2016. Mr. CAI served as an assistant to the president of the Bank, and as the chairman and president of Guixi Jiuyin County Bank from November 2016 to August 2020. Mr. CAI has served as the compliance director of the Bank since August 2020.

Mr. CAI is an intermediate financial economist. He graduated from the Party School of the Central Committee of C.P.C (中共中央黨校), majoring in economic management, in December 1998.

4. Company Secretary

On February 5, 2021, Ms. FOK Po Yi has resigned as the company secretary, the Authorized Representative and Service of the Process Agent of the Bank. At the same time, upon the consideration and approval at the seventh meeting of the sixth session of the Board, Mr. Wong Wai Chiu has been appointed as the company secretary, the Authorized Representative and Service of Process Agent of the Bank. For details of the changes, please refer to the announcement of the Bank dated February 5, 2021.

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5. Remuneration Policy and Annual Remuneration of Directors, Supervisors and Senior Management

5.1 Remuneration Policy

The Bank provided remuneration to executive Directors, chairperson of the board of Supervisors and senior management in accordance with the Measures on Remuneration and Performance Appraisal for Senior Management of the Bank of Jiujiang Co., Ltd. The Bank provided remuneration to independent non-executive Directors in accordance with the Allowance System for the Independent Directors of the Bank of Jiujiang Co., Ltd., and provided remuneration to external supervisors in accordance with the Allowance System for the External Supervisors of the Bank of Jiujiang Co., Ltd. The non-executive Director of the Bank does not receive any compensation from the Bank. The remuneration standard of other Supervisors was implemented in accordance with relevant measures of the Bank.

5.2 Remuneration Policy of Directors and Supervisors

For remuneration details of Directors, Supervisors, key management personnel and five highest paid individuals of the Bank, please refer to “Note 14 to the financial statements” in this annual report.

6. Confirmation of Independence of Independent Non-executive Directors

The Bank has received an annual confirmation letter from each of the independent non-executive directors regarding their independence in accordance with the requirements of the Listing Rules. It considers that all independent non-executive directors are in compliance with the relevant guidelines set out in Rule 3.13 of the Listing Rules, and that they are independent persons.

Independent non-executive directors do not have business and financial interests, nor do they hold any management positions in the Bank. All current non-executive directors and independent non-executive directors are selected through election for a term of 3 years. They are eligible for re-election at the expiry of the term, independent non-executive directors can serve for a term of not more than 6 years on an accumulative basis in the Bank.

7. Securities Transactions by Directors, Supervisors and Relevant Employees

The Bank has adopted the Model Code as the code of conduct for securities transactions of the Bank by all Directors and Supervisors. The Bank has also put in place guidelines in respect of dealings in securities for the relevant employees (as defined under the Listing Rules) of the Bank, of which the terms are no less exacting than those of the Model Code. Having made specific enquiries to all Directors and Supervisors regarding their compliance with the Model Code, each of the Directors and Supervisors confirmed that those standards as provided thereunder have been complied with during the year ended December 31, 2020. Having made specific enquiries to the relevant employees regarding their compliance with the guidelines of dealing in securities of the Bank, the Bank is not aware of any incompliance with the guidelines.

8. Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures

As at the end of the reporting period, the Directors, Supervisors or chief executive of the Bank who had interests and short positions in the Shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank under Section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code were as follows:

Interests in the Shares of the Bank (Long Positions)

Name	Position	Class of shares	Nature of interest	Number of shares (share)	Approximate percentage of total issued share capital of the relevant class of the Bank (%)	Approximate percentage of total issued share capital of the Bank (%)
LIU Xianting	Chairman of the Board of Directors and Executive Director	Domestic Shares	Beneficial Owner	500,000	0.03	0.02
PAN Ming	Vice Chairman of the Board of Directors, Executive Director, President and Chief Customer Manage	Domestic Shares	Beneficial Owner	224,910	0.01	0.01
LIAO Jingwen	Supervisor	Domestic Shares	Beneficial Owner	14,000	0.00	0.00

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Interests in Associated Corporations (Long Positions)

Name	Position	Associated corporation	Nature of interest	Number of shares (share)	Approximate percentage of share capital (%)
LIU Xianting	Chairman of the Board of Directors and Executive Director	Pengze Jiuyin County Bank Co., Ltd. (彭澤九銀村鎮銀行股份有限公司) ⁽¹⁾	Beneficial Owner	125,000	0.25
		Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司) ⁽²⁾	Beneficial Owner	125,000	0.25
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司) ⁽³⁾	Beneficial Owner	100,000	0.50
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司) ⁽⁴⁾	Beneficial Owner	200,000	0.50
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司) ⁽⁵⁾	Beneficial Owner	250,000	0.50
PAN Ming	Vice Chairman of the Board of Directors, Executive Director, President and Chief Customer Manager	Pengze Jiuyin County Bank Co., Ltd. (彭澤九銀村鎮銀行股份有限公司) ⁽¹⁾	Beneficial Owner	125,000	0.25
		Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司) ⁽²⁾	Beneficial Owner	125,000	0.25
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司) ⁽³⁾	Beneficial Owner	100,000	0.50
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司) ⁽⁴⁾	Beneficial Owner	200,000	0.50
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司) ⁽⁵⁾	Beneficial Owner	250,000	0.50
LIAO Jingwen	Supervisor	Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司) ⁽²⁾	Beneficial Owner	50,000	0.10
		Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司) ⁽³⁾	Beneficial Owner	20,000	0.10
		Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司) ⁽⁴⁾	Beneficial Owner	40,000	0.10
		Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司) ⁽⁵⁾	Beneficial Owner	50,000	0.10

Notes:

- (1) The Bank holds 35.0% of equity and 54.0% of voting rights of Pengze Jiuyin County Bank Co., Ltd. (彭澤九銀村鎮銀行股份有限公司), a subsidiary of the Bank.
- (2) The Bank holds 35.0% of equity and 54.1% of voting rights of Ruichang Jiuyin County Bank Co., Ltd. (瑞昌九銀村鎮銀行股份有限公司), a subsidiary of the Bank.
- (3) The Bank holds 35.0% of equity and 54.4% of voting rights of Zixi Jiuyin County Bank Co., Ltd. (資溪九銀村鎮銀行股份有限公司), a subsidiary of the Bank.
- (4) The Bank holds 35.0% of equity and 54.9% of voting rights of Chongren Jiuyin County Bank Co., Ltd. (崇仁九銀村鎮銀行股份有限公司), a subsidiary of the Bank.
- (5) The Bank holds 35.0% of equity and 54.9% of voting rights of Fenyi Jiuyin County Bank Co., Ltd. (分宜九銀村鎮銀行股份有限公司), a subsidiary of the Bank.

9. Positions Held by Directors, Supervisors and Senior Management in County Bank

Ms. LIAO Jingwen, Supervisor of the Bank, serves as the chairperson of the board of directors of Xiushui Jiuyin County Bank LLC, the chairperson of the board of supervisors of Guixi Jiuyin County Bank Co., Ltd., the director of Jingdezhen Changjiang Jiuyin County Bank Co., Ltd., the director of Lushan Jiuyin Yishu County Bank Co., Ltd. and the director of Hukou Jiuyin County Bank Co., Ltd.

Mr. HUANG Chaoyang, Assistant to President of the Bank, serves as the director of Beijing Daxing Jiuyin County Bank Co., Ltd.

Mr. WANG Yuanxin, Assistant to President of the Bank, serves as the chairman of the board of directors and president of Beijing Daxing Jiuyin County Bank Co., Ltd.

Information on Directors, Supervisors, Senior Management, Staff and Institutions

10. Information on Employees

10.1 Composition of personnel

By department/function

	As at December 31, 2020	
	Number of staff	Percentage of total (%)
Corporate banking	648	15.33
Retail banking	783	18.52
Inclusive financial business	118	2.79
Financial market business	37	0.88
Finance and accounting	303	7.17
Risk management, internal control and audit	211	4.99
Legal and compliance, human resources and information technology	279	6.60
Management	71	1.68
Teller	1,151	27.23
Jiuyin county bank	555	13.13
Others	71	1.68
Total	4,227	100.00

By age

	As at December 31, 2020	
	Number of staff	Percentage of total (%)
Aged below 30	2,673	63.24
Aged 31 – 40	1,341	31.72
Aged 41 – 50	184	4.35
Aged over 50	29	0.69
Total	4,227	100.00

By education level

	As at December 31, 2020	
	Number of staff	Percentage of total (%)
Master's degree and above	458	10.83
Undergraduate and junior college	3,743	88.55
Others	26	0.62
Total	4,227	100.00

10.2 Staff training plan

In order to continue to develop as a learning organization and to help our employees to become professional, resourceful and career-oriented managers, adhering to the mission and purpose of “inheriting culture, condensing wisdom, empowering growth and assisting development”, the Bank takes corporate culture as the foundation, mechanism development as the guidance, and ability improvement as the starting point, making full use of the “Jiuyin Yixue”, the learning platform, to embark on a new model of online and offline three-dimensional energy. At the same time, the Bank explored and launched the work of knowledge extraction and experience extraction from business lines, and pushed forward the “integration of training and practice” by following the practice scenarios; the Bank launched the “Monthly Session for Leaders of the Bank”, “Jiuyin Heroes”, “Mingde Lectures” and “Observation”, better fulfilling the guiding ideology of “cultivating excellent people with excellent people”.

The Bank promoted the development concept of “Digital Jiuyin”, by utilizing online learning platform to enhance professional standards of employees through regular learning of new knowledge. During the reporting period, the Bank organized seven “Bank of Jiujiang Sailing Class” and 343 new employees participated in the study; organized 43 live studies in Mingde Lectures, with a cumulative live broadcast time of 1,730 minutes and 135,877 person-time participating in the study; carried out 14 on-the-job promotion studies, with 846 employees participating in the studies; organized three phases of strategic reserve teams to study abroad, with 133 members of the strategic reserve team participating in the study; produced 641 electronic program, with course views of 114,391 times; while the learning number of employees reached 81,191, and the learning hours reached 19,572.04 hours, with an average learning hours up to 4.05 hours; organized the annual qualification examination for posts, with 4,790 people taking part in the examination and 2,092 people passing the examination; organized the 18th Business Skills Competition, in which 358 outstanding employee on behalf of the organizations participated,

Information on Directors, Supervisors, Senior Management, Staff and Institutions

10.3 Staff remuneration policies

(1) Remuneration management structure and decision-making procedures

In order to standardize the remuneration management of the Bank, improve the remuneration management mechanism of the Bank, and establish a scientific remuneration management structure and decision-making procedures, the Bank has established a remuneration management structure formed by the Nomination and Remuneration Committee and the Remuneration Management Team as well as the supervision system formed by the Board of Supervisors and the Audit Department.

There is a Nomination and Remuneration Committee under the Board of Directors of the Bank, which reviews the general remuneration management system and policies of the Bank; formulates remuneration plans for Directors and the senior management, and provides suggestions to the Board on remuneration plans and supervises the implementation of remuneration plans. The Nomination and Remuneration Committee under the Board of our Bank was composed of one executive Director and two independent non-executive Directors, namely Mr. LIU Xianting as the executive Director, and Mr. QUAN Ze and Mr. YANG Tao as the independent non-executive Directors. The independent non-executive Director, Mr. YANG Tao acted as the chairman.

There is also a Remuneration Management Team internally in the Bank which is mainly responsible for remuneration management strategies, mechanism and methods of the Bank and establishing employees remuneration benefit management mechanism, policies and improvement proposals. The Remuneration Management Team is formed by members from the Human Resources Department of Head Office as well as the Planning and Finance Department.

(II) Balance of remuneration and performance, standard of risk adjustment

Our remuneration policy adhered to the principle of efficiency, fairness, performance and business orientation. The remuneration of the Bank's staff consists of basic salary, post salary, performance salary, allowances and benefits. In order to effectively connect the transmission logic of remuneration incentive and performance assessment, and with the guiding ideology of "efficiency first and performance-driven", the Bank adopts the principle of paying equal attention to incentives and constraints in the assessment of performance salary. Branch's performance salary is directly linked to performance and the contribution to the Bank and is assessed based on the branch's EVA, net income of new deposits and FTP. Personnel's performance salary is linked to the results of personnel performance and performance appraisal. At the same time, the Bank stops and deducts the deferred performance salary and the paid performance pay based on risk exposure and compensation for losses to be borne, etc.

(III) Deferred payment remuneration, non-cash remuneration and deduction system

In order to ensure full effectiveness of remuneration in the Bank's risk management and control and to establish a scientific and reasonable incentive and restraint mechanism, in accordance with the Supervisory Guidelines on Sound Compensation in Commercial Banks, the Bank established a deferred payment management system for employees of the Bank, and implemented deferred payment for the incentive remuneration evaluated based on the results and performances of employees. The Bank strictly implemented the remuneration deferred payment system that associated performance remuneration of key employees to business risk exposure. Exposure shall be subject to corresponding recourse and rebate system.

During deferred payment period, in case of significant risk losses, the Bank will cease the deferred payment of the person responsible and could recall the performance salary. If the loss of credit assets should be adopted according to the assessment, the Bank shall implement the deduction system for performance salary.

During the reporting period, the Bank did not implement non-cash remuneration.

(IV) Formulation and filing of annual remuneration plans and assessment of the completion of economic, risk and social responsibility indicators

In order to enhance our competitive advantages, adhere to the principle of efficiency, fairness, performance and business orientation and establish a scientific and reasonable incentive and restraint mechanism; as well as to give full play to the incentivisation, restrictiveness, and protection, fostering the organic unification of value creation, evaluation and allocation, the Bank has established a sound salary system. The remuneration system of the existing personnel consists of basic salary, post salary, performance salary and allowances and benefits. The basic salary shall be assessed according to the personnel type, employment method, employee grade, basic salary level and regional adjustment coefficient; the post salary shall be assessed according to the number of days on duty, personnel type, employment method, employee grade, management responsibility, basic salary level and regional adjustment coefficient; the performance salary shall be assessed according to the employee's performance.

During the reporting period, the Bank's economic, risk and social responsibility indicators complied with regulatory requirements and achieved the expected goals.

Information on Directors, Supervisors, Senior Management, Staff and Institutions

(V) Exceptions to the original remuneration plan

During the reporting period, there were no exceptions to the original remuneration plan.

11. Basic Information of Institutions under the Bank

As of December 31, 2020, the Bank operated the business through the operation department of head office in Jiujiang, 13 branches and 262 sub-branches which consisted of 163 traditional sub-branches, 87 community sub-branches and 12 small and micro enterprises sub-branches. The branch network of the Bank is primarily located in Jiangxi Province, and also covers Guangzhou, Guangdong Province and Hefei, Anhui Province. The Bank realized the full coverage of districts and cities within Jiangxi Province, and the coverage rate of branches in counties within Jiangxi Province reached 100%. In addition, we established 20 Jiuyin County banks, among which 18 County banks were controlled and consolidated as of December 31, 2020.

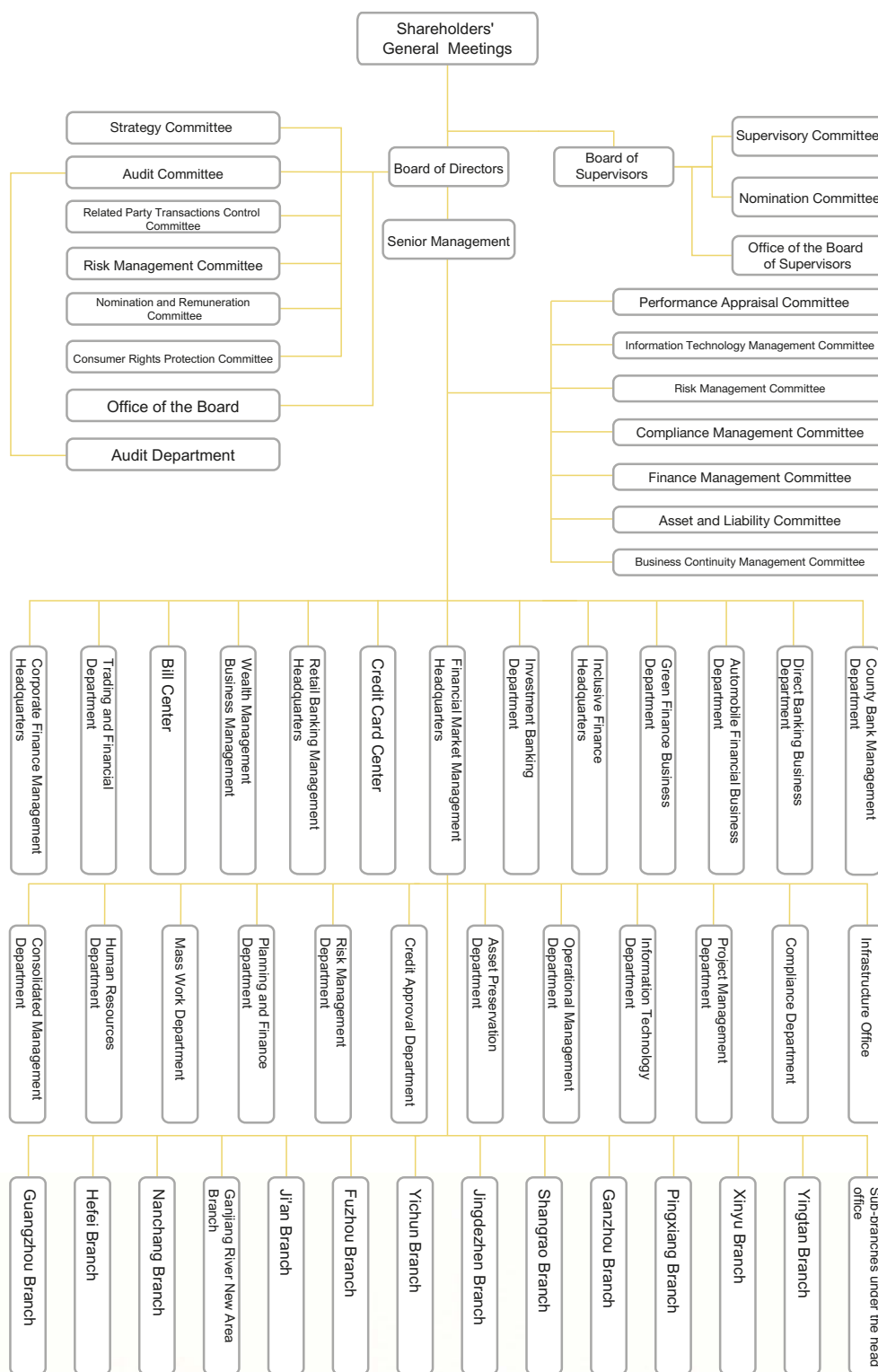
Status of the branches of the Bank as of December 31, 2020 is set out below:

District	Name of institution	Operating address	Remark	Number
Jiangxi Province	Head Office	Bank of Jiujiang Mansion, No.619 Changhong Avenue, Jiujiang, Jiangxi Province	1 operation department of head office, 39 traditional sub-branches, 17 community sub-branches	57
	Nanchang Branch	No.1398 Hongguzhong Avenue, Nanchang, Jiangxi Province	1 branch, 11 traditional sub-branches, 19 community sub-branches, 1 small and micro enterprises sub-branch	32
	Ganjiang River New Area Branch	No. 528 Shuanggang West Street, Jingkai District, Nanchang, Jiangxi Province	1 branch, 1 community sub-branch, 1 small and micro enterprises sub-branch	3
	Ji'an Branch	No.196 Jinggangshan Avenue, Ji'an, Jiangxi Province	1 branch, 14 traditional sub-branches, 6 community subbranches, 3 small and micro enterprises sub-branches	24
	Ganzhou Branch	Building 5, Shenghui City Center, Ganxian Road, Zhanggong District, Ganzhou, Jiangxi Province	1 branch, 16 traditional sub-branches, 11 community subbranches, 2 small and micro enterprises sub-branches	30
	Fuzhou Branch	No. 1250 Gandong Avenue, Fuzhou, Jiangxi Province	1 branch, 12 traditional sub-branches, 9 community sub-branches	22
	Yichun Branch	No. 587 Luzhou North Road, Yichun, Jiangxi Province	1 branch, 15 traditional sub-branches, 3 community sub-branches, 3 small and micro enterprises sub-branches	22

District	Name of institution	Operating address	Remark	Number
	Shangrao Branch	1-1, 2-1, 3-1, 4-1, 5-1, No. 87 Wusan Avenue, Xinzhou District, Shangrao, Jiangxi Province	1 branch, 12 traditional sub-branches, 6 community subbranches	19
	Jingdezhen Branch	No. 197 Licun Garden, Jingdezhen, Jiangxi Province	1 branch, 7 traditional sub-branches, 5 community subbranches	13
	Pingxiang Branch	No. 121 Yuejin North Road, Pingxiang, Jiangxi Province	1 branch, 6 traditional sub-branches, 2 community sub-branches	9
	Xinyu Branch	No. 720 Xianlai East Avenue, Xinyu City, Jiangxi Province	1 branch, 3 traditional sub-branches, 2 community sub-branches, 1 small and micro enterprises sub-branch	7
	Yingtian Branch	Bank of Jiujiang Mansion, South of Wei Wu Road and North of Binjiang Road, Xinjiang New Area, Yingtian, Jiangxi Province	1 branch, 3 traditional sub-branches, 1 community subbranch, 1 small and micro enterprises sub-branch	6
Guangdong Province	Guangzhou Branch	Rms 106, 107 and 108, No. 108, Huangpu West Avenue, Tianhe District, Guangzhou, Guangdong Province	1 branch, 11 traditional sub-branches	12
	Nansha Sub-branch in Guangdong Pilot Free-Trade Zone	Rms 105, 401, 402, 403, 404, 405, 406 and 407, No. 106 (Self-named Building 1) Fengze East Road, Nansha District, Guangzhou City, Guangdong Province	1 branch, 1 community sub-branch	2
Anhui Province	Hefei Branch	Office Building A, Jiaqiao International Plaza, Intersection Of Maanshan Road And South Second Ring Road (Southwest), Baohe District, Hefei, Anhui Province	1 branch, 13 traditional sub-branches, 4 community sub-branches	18
Total				276

Corporate Governance Report

1. Organizational and Management Chart



Note: The Bank has established the Inspection and Supervision Team of the Bank of Jiujiang of the Jiujiang Municipal Supervisory Committee of the CPC, directly under the leadership of the Jiujiang Municipal Supervisory Committee

2. Overview of Corporate Governance

The Bank is committed to improving corporate governance in accordance with domestic and overseas laws and regulations and setting up a corporate governance framework with coordination, continuously improving the corporate governance mechanism, and consistently enhancing the effectiveness of corporate governance so as to promote the steady development of the Bank's business with high-quality corporate governance.

During the reporting period, taking deepening reform as support, the Bank strives to build a distinctive corporate governance system, providing strong support for improving financial service capabilities and achieving high-quality development. Firstly, the Bank fully leveraged Party's function as the political core, integrated the Party's leadership into all aspects of corporate governance, and promoted the organic unity of the Party's leadership and corporate governance; Secondly, the Bank, focusing on system construction, revised the Articles of Association of Bank of Jiujiang Co., Ltd., Measures for the Information Disclosure of Bank of Jiujiang Co., Ltd., Administrative Measures for Equity of Bank of Jiujiang Co., Ltd. and Administrative Measures for Related Party Transactions of Bank of Jiujiang Co., Ltd. to refine the guidance on various corporate governance work, links and processes; Thirdly, the Bank strengthened the performance of duties of directors, kept laying a solid foundation of the "four-in-one" job fulfillment structure of directors and Supervisors, namely meetings, opinions, trainings and surveys, enriched the job fulfillment forms of directors and Supervisors, paid close attention to the transmission of directors' and Supervisors' opinions and suggestions on performance of duties, so as to ensure the implementation of directors' opinions and suggestions, and improved the performance quality and ability of directors and Supervisors.

The Bank adopts the Corporate Governance Code as our corporate governance code.

During the reporting period, the Bank convened Shareholders' General Meetings, in accordance with the laws. The Board of Directors and Board of Supervisors fully performed their functions of strategic decision-making and supervision. Meanwhile, directors and Supervisors performed their duties in an earnest manner, and the management actively implemented the decisions made at Shareholders' General Meetings and by Board of Directors and Board of Supervisors. The Bank achieved steady progress in various undertakings with good quality, effectively safeguarding the interests of all shareholders and stakeholders.

Corporate Governance Report

During the reporting period, the Bank strictly complied with the provisions in the Corporate Governance Code in Appendix 14 to the Listing Rules and, where appropriate, adopted the proposed best practices. To the knowledge of our directors, there is no information showing that the Bank failed to comply with the provisions contained in the Corporate Governance Code during the reporting period.

3. Holding of Shareholders' General Meetings during the Reporting Period

During the reporting period, the Bank held a total of three shareholders' general meetings, including two shareholders class meetings. Details are set out as follows:

On May 22, 2020, the Bank convened the 2019 annual general meeting, the first domestic shareholders class meeting of 2020 and the first H shareholders class meeting of 2020 sequentially at Bank of Jiujiang Mansion.

A total of 37 shareholders and authorized proxies holding a total of 1,668,734,261 shares with voting rights, representing 88.72% of the total number of shares with voting rights of the Bank, were present at the annual general meeting of 2019. The meeting deliberated on and adopted 27 proposals, including the "Proposal in Relation to the Deliberation of the 2019 Annual Directors' Report of Bank of Jiujiang Co., Ltd.", "Proposal on Deliberating on the 2019 Annual Supervisors' Report of Bank of Jiujiang Co., Ltd.", "Proposal in Relation to the Deliberation of the 2019 Annual Report of Bank of Jiujiang Co., Ltd." and "Proposal in Relation to the Deliberation of the 2019 Annual Evaluation Report of Directors and Senior Executives from the Board of Directors of Bank of Jiujiang Co., Ltd.".

A total of 36 shareholders and authorized proxies holding a total of 1,428,935,461 Domestic Shares with voting rights, representing 96.97% of the total number of Domestic Shares with voting rights of the Bank, were present at the first domestic shareholders class meeting of 2020. The meeting deliberated on and adopted a total of 2 proposals, including the "Deliberation and Approval of the Proposal in Relation to the Proposed Adjustments to the Plan for Non-public Issuance of Offshore Preference Shares of the Bank" and "Deliberation and Approval of Proposed Extension of Validity Period of the Resolution on the Delegation of Authority to the Board and its Authorized Persons to Exercise Full Power to Deal with the Matters Relating to the Non-public Issuance of Offshore Preference Shares".

An authorized proxy holding of 219,798,800 H shares with voting rights, representing 53.96% of the total number of H shares with voting rights of the Bank, were present at the first H shareholders class meeting of 2020. The meeting deliberated on and adopted a total of 2 proposals, including the "Deliberation and Approval of the Proposal in Relation to the Proposed Adjustments to the Plan for Non-public Issuance of Offshore Preference Shares

of the Bank” and “Deliberation and Approval of Proposed Extension of Validity Period of the Resolution on the Delegation of Authority to the Board and its Authorized Persons to Exercise Full Power to Deal with the Matters Relating to the Non-public Issuance of Offshore Preference Shares”.

The assembling, notifying, convening and voting procedures concerning the above general meeting all complied with relevant laws and regulations as well as the relevant provisions of the Articles of Association of the Bank. The relevant announcements on resolutions of the above general meetings were published on the official websites of the Hong Kong Stock Exchange and the Bank on the date of the meetings. For details, please refer to the following table:

Meeting	Type of meeting	Participation ratio of investors	Convening date	Disclosure date	Disclosure index
2019 Annual General Meeting	Annual general meeting	88.72%	May 22, 2020	May 22, 2020	Official websites of the Hong Kong Stock Exchange and the Bank
First Domestic Shareholders Class Meeting of 2020	Extraordinary general meeting	96.97%	May 22, 2020	May 22, 2020	Official websites of the Hong Kong Stock Exchange and the Bank
First H Shareholders Class Meeting of 2020	Extraordinary general meeting	53.96%	May 22, 2020	May 22, 2020	Official websites of the Hong Kong Stock Exchange and the Bank

Note: The first domestic shareholders class meeting of 2020 and the first H Shareholders class meeting of 2020 of the Bank were held immediately after the 2019 Annual General Meeting.

Corporate Governance Report

4. Board of Directors

4.1 Operation of Board of Directors

The Board meetings of the Bank can be divided into regular meetings and interim meetings and take the forms of on-site meetings and written countersignature. Meetings such as conference calls and video conferences that feature real-time discussions and full exchanges are deemed as on-site meetings. The Board holds at least one regular meeting every quarter and at least four regular meetings every year as convened by the chairman of the Board. Pursuant to the Bank's Articles of Association, the Bank would notify all directors and supervisors in writing 14 days before the meeting. For interim Board meetings, the Bank would notify all directors and supervisors 5 days before the meeting. All directors would maintain communications with the office of the Board to ensure compliance with the procedures for the Board and all applicable rules and regulations, and that all directors have the opportunity to contribute topics for discussion to the agenda of regular Board meetings.

A sound communication and reporting mechanism has been set up between directors and the senior management. The senior management is responsible for providing sufficient, complete and reliable data in a timely manner to the Board and each special committee. All directors have the right to access the documents and relevant data regarding the Board. Directors can seek independent professional advice where appropriate based on reasonable requests at the expense of the Bank. At Board meetings, all directors are free to voice their opinions and important decisions shall be made after in-depth discussions. If a director has a material interest in proposed matters for discussion by the Board, he or she shall abstain from voting on the relevant proposal(s), and such director will not be counted in the quorum of voting for such proposal(s).

Detailed minutes are kept for Board meetings, and provided to all participating directors for review after the conclusion of meetings. Finalized meeting minutes will be sent to all directors in the soonest possible manner. Minutes of Board meetings are kept in accordance with the Bank's regulations on record management for directors' access at any time.

An office of the Board is set up under the Board for handling day-to-day affairs, which is responsible for the preparation for Shareholders' General Meetings, Board meetings, and special committee meetings of the Board, information disclosure as well as other daily matters of the Board and its special committees.

The Board is also responsible for formulating corporate governance policies of the Company, and performing its duties in accordance with Code D.3.1 of the Corporate Governance Code, formulating and reviewing the Bank's policies and corporate governance practices, reviewing and monitoring training and continuous professional development of directors, supervisors and the senior management, reviewing and monitoring the Bank's compliance with the policies and practices as stipulated in laws and regulatory provisions, and reviewing the Bank's compliance with the Code and disclosures within the Corporate Governance Report.

4.2 Members of Board of Directors

As at the end of the reporting period, the Board consisted of 9 directors, including 2 executive Directors, namely Mr. LIU Xianting (chairman) and Mr. PAN Ming (deputy chairman and president), 3 non-executive Directors, namely Mr. ZENG Huasheng, Mr. ZHANG Jianyong and Mr. LI Jianbao, as well as 4 independent non-executive Directors, namely Mr. CHUA Alvin Cheng-Hock, Ms. GAO Yuhui, Mr. YANG Tao and Mr. QUAN Ze. In addition, at the first extraordinary general meeting of 2021 held on February 1, 2021, the Bank appointed Mr. YUAN Delei as an executive Director of the Bank and Mr. LIU Yinan as a non-executive Director of the Bank, both of whom will perform their duties upon the approval of their directorship from the China banking and insurance regulatory authority. The number and composition of the Board of the Bank comply with the requirements of laws and regulations.

Directors of the Bank (including non-executive Directors) are elected for a three-year term and can be re-elected upon expiry of term. Independent non-executive Directors are elected for a three-year term and appointed in accordance with the opinions of regulatory authorities upon expiry of the three-year term. Independent non-executive Directors can serve for a term of not more than six years on an accumulative basis in the same commercial bank.

4.3 Changes in and Remuneration of Members of Board of Directors

Please refer to the section headed "Information on Directors, Supervisors, Senior Management, Staff and Institution – 2. Changes in Directors, Supervisors and Senior Management During the Reporting Period", and "Note 14 to the Financial Statements" of this annual report for changes in and remuneration of Directors.

4.4 Board Diversity Policy

The Bank believes that the diversity of Board members can positively bolster the Bank's performance. The Bank treats the increasing diversity at the Board level as a key contributor to sustainable development and fulfillment of our strategic goals as well as maintaining a sound corporate governance level.

Corporate Governance Report

The Bank seeks diversity of members from multiple perspectives during establishment of the Board, the specific policy includes but not limited to gender, location, expertise, skill, knowledge and education background. We put equal stress on integrity and ability for all appointments by the Board and fully take into account the benefits of member diversity during candidate selection under objective conditions. Selecting the members of the Board is based on a diversity of criteria, including but not limited to gender, location, expertise, skill, knowledge and education background.

The Nomination and Remuneration Committee of the Bank will review this policy when appropriate to ensure its effectiveness. The Nomination and Remuneration Committee will discuss any required revisions and then put forward the opinions on revisions to the Board for approval.

The Bank seeks diversity of members from multiple perspectives in designing the composition of the Board, including gender, age, cultural and education background, as well as professional experience. As at the publish date of this annual report, the Board consists of 9 directors, of whom one is female; five are aged 40 to 49, two are aged 50 to 59, and two are aged 60 and above. Directors are with an extensive background in fields such as finance, accounting, audit, economics, management and law, while some of them have multiple professional backgrounds.

In addition, the Bank intends to appoint 1 executive Director and 1 non-executive Director, and both of the two newly-appointed directors have relevant experience in financial and management. For details, please refer to the “Information on Directors, Supervisors, Senior Management, Staff and Institution – 3.1 Directors” in the annual report.

4.5 Duties and Powers of the Board of Directors

As the Bank’s decision-making body, the Board is accountable to the Shareholders’ General Meetings and shall perform the following duties and powers:

- (1) to convene Shareholders’ General Meetings and to report on its duty performance to shareholders at the shareholders’ general meetings;
- (2) to implement the resolutions of the Shareholders’ General Meetings;
- (3) to review and consider the work reports of our president;
- (4) to decide on our operational plans and investment plans;
- (5) to formulate our annual financial budgets, final accounts, profit distribution plans and plans for recovery of losses;
- (6) to formulate plans for merger, separation, dissolution, liquidation or change in corporate structure;

- (7) to formulate proposals on increases or reductions of our registered capital, proposals on issuance of bonds or other securities, listing plans as well as investment plan for funds raised, and to supervise the implementation thereof;
- (8) to decide on the establishment of our internal management departments;
- (9) to appoint or dismiss the Bank's president and Board of Directors secretaries and determine their remuneration, appoint or dismiss senior executives, such as the vice presidents and finance chief based on the nominations by the president and decide on matters relating to their remuneration, rewards and imposition of any disciplinary measures;
- (10) to establish our basic management system;
- (11) to consider and approve our compliance policies and supervise their implementation, and take ultimate responsibility for the compliance of our operating activities;
- (12) to formulate measures for increasing our capital adequacy ratio when it is lower than the statutory standard;
- (13) to decide on matters such as external investment, purchase and disposal of assets, pledge of assets, external guarantees, entrusted wealth management and related party transactions within the scope of authorization granted by the Shareholders' General Meetings;
- (14) to disclose information of the Bank and take ultimate responsibility for the completeness and accuracy of our systems of accounting and financial reporting, and formulate relevant procedures and systems to ensure our statistics continue to conform with the regulatory requirements;
- (15) to propose to the Shareholders' General Meetings the appointment or change of appointment of the accounting firms auditing the Bank, and to give an explanation to the Shareholders' General Meetings on the non-standard audit opinions of certified public accountant on our financial report;
- (16) to exercise any other power and duties prescribed by the applicable laws, administrative requirements, regulations and rules governing securities of the place where the shares of the Bank are listed and our Articles of Association as well as any other power and duties conferred by our Shareholders' General Meetings.

Corporate Governance Report

4.6 Responsibilities of Directors

During the reporting period, all directors were able to attend relevant meetings in a prudent, conscientious and diligent manner in accordance with relevant laws and regulations and the Articles of Association, and effectively exercise their powers in accordance with the prescribed operation procedures for the Board and in respect of various proposals of the Board. They made careful deliberation and voting, and actively voiced opinions and tabled proposals, which has promoted the healthy, stable and sustainable development of the Bank, accomplishing the tasks and objectives of the Board. Meanwhile, they also fulfilled the obligations as directors, fully protecting the rights of shareholders. Independent non-executive directors and other non-executive directors made positive contributions to the Bank in terms of strategy and policy formulation by offering independent and well-founded advice.

Directors have confirmed that they are responsible for the Bank's financial statements for the year ended December 31, 2020. Directors are responsible for overseeing the financial reports for each accounting period so that the financial reports truly and fairly reflect the Bank's operation conditions. In preparing the financial statements for the year ended December 31, 2020, directors have selected the applicable accounting policies and applied them consistently, and have made prudent and reasonable judgments. With the assistance of accounting and finance personnel, directors ensure that the Bank prepares financial statements in accordance with statutory requirements and applicable financial reporting standards.

4.7 Board Meetings and Attendance of Directors

During the reporting period, the Bank held a total of 9 Board meetings which considered and approved 96 resolutions.

Particulars of convening of board meetings during the reporting period are set out below:

Meeting	Date	Form
The 16th Meeting of the 5th session of the Board	March 30, 2020	Video meeting
The 17th Meeting of the 5th session of the Board	April 22, 2020	Correspondence meeting
The 18th Meeting of the 5th session of the Board	May 19, 2020	Conference call
The First Meeting of the 6th session of the Board	June 18, 2020	Video meeting
The Second Meeting of the 6th session of the Board	July 27, 2020	Correspondence meeting
The Third Meeting of the 6th session of the Board	August 28, 2020	On-site meeting
The 4th Meeting of the 6th session of the Board	November 10, 2020	Video meeting
The 5th Meeting of the 6th session of the Board	December 22, 2020	Video meeting
The 6th Meeting of the 6th session of the Board	December 31, 2020	Video meeting

Note: At the 2019 Annual General Meeting of of the Bank held on May 22, 2020, the Bank worked on the re-election of the Board of Directors.

Corporate Governance Report

Particulars of attendance of directors at board meetings during the reporting period are set out below:

The 5th session of the Board	Expected Attendance	Attendance in Person	Attendance by Proxy	Rate of Attendance in Person of Board Meetings¹	Rate of Attendance of Board Meetings
LIU Xianting	3	3	0	100%	100%
PAN Ming	3	3	0	100%	100%
CAI Liping ²	3	3	0	100%	100%
ZENG Huasheng	3	3	0	100%	100%
ZHANG Jianyong	3	3	0	100%	100%
LI Jianbao	3	3	0	100%	100%
YI Zhiqiang	3	3	0	100%	100%
CHUA Alvin Cheng-Hock	3	3	0	100%	100%
GAO Yuhui	3	3	0	100%	100%
QUAN Ze	3	3	0	100%	100%
YANG Tao	3	3	0	100%	100%

The 6th session of the Board	Expected Attendance	Attendance in Person	Attendance by Proxy	Rate of Attendance in Person of Board Meetings¹	Rate of Attendance of Board Meetings
LIU Xianting	6	5	1	83.33%	100%
PAN Ming	6	6	0	100%	100%
CAI Liping ²	3	3	0	100%	100%
ZENG Huasheng	6	6	0	100%	100%
ZHANG Jianyong	6	6	0	100%	100%
LI Jianbao	6	6	0	100%	100%
CHUA Alvin Cheng-Hock	6	6	0	100%	100%
GAO Yuhui	6	6	0	100%	100%
QUAN Ze	6	6	0	100%	100%
YANG Tao	6	6	0	100%	100%

Notes:

1. In the case where the attendance in person is less than the expected attendance, it means that the director did not attend the meeting in person but entrusted another director to attend on his/her behalf.
2. On October 26, 2020, the Bank has received the written resignation report from Ms. CAI Liping, pursuant to which she has resigned as the executive Director of the Bank and the chairman of the Consumer Rights Protection Committee of the Board. For details, please refer to the announcement published by the Bank on October 27, 2020.

4.8 Attendance at General Meetings during the Reporting Period

During the reporting period, the Bank held a total of three general meetings. Our executive Director, Mr. PAN Ming, and non-executive director, Mr. LI Jianbao, attended all the meetings. The remaining directors were unable to attend the general meeting personally due to the work or the Pandemic.

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4.9 Performance of Independent Non-executive Directors

The Board currently has four independent non-executive Directors, and the qualification, number and proportion of independent non-executive directors comply with the relevant provisions set forth by the CBIRC and the CSRC and the Listing Rules. None of our independent non-executive Directors are involved in any circumstances incurring questionable independence as stipulated in Rule 3.13 of the Listing Rules. The Bank has received the annual letters of confirmation from each independent non-executive Director with regard to their independence as stipulated in Rule 3.13 of the Listing Rules. Therefore, the Bank considered that all independent non-executive Directors are in compliance with the independence requirements as set out in the Listing Rules. Independent non-executive Directors are dominant in number and act as chairpersons in the Audit Committee, Risk Management Committee, Related Party Transactions Control Committee and Nomination and Remuneration Committee under the Board of the Bank.

During the reporting period, all independent non-executive Directors maintained communication with the Bank through joining meetings and trainings or in other forms and took part in meetings of the Board and various special committees in an earnest manner. They gave full play to their roles by putting forward opinions and paying attention to safeguarding the rights and interests of depositors and medium and small shareholders.

During the reporting period, independent non-executive directors voiced their independent opinions with regard to the Bank's appointment and dismissal of senior management personnel, remuneration of directors and senior management personnel, legality and fairness of substantial related transactions, profit distribution plans, appointment of external auditors and other major issues, with no objections against the proposals of the Board and other non-Board proposals during the reporting period.

5. Special Committees under the Board of Directors

There were six special committees under the Board of the Bank, namely Audit Committee, Related Party Transactions Control Committee, Risk Management Committee, Nomination and Remuneration Committee, Strategy Committee and Consumer Rights Protection Committee.

The special committees are accountable to the Board. They played the roles to conduct specialized discussions and effectively support and improve the level of scientific, well-founded decision-making by the Board. Each special committee has full access to the sufficient resources provided by the Bank for duty performance purposes. Detailed minutes were kept for each special committee meeting, the minutes were sent to all participating members for review after the conclusion of meetings. Finalized meeting minutes were sent to all members in the soonest possible manner. Minutes of each special committee meeting were kept in accordance with our Bank's regulations on archives administration for members' access at any time.

5.1 Audit Committee

During the reporting period, the Audit Committee under the Board of the Bank was composed of one non-executive Director and two independent non-executive Directors, the details of the composition is set out below.

Member of the Audit Committee under the Board	Chairperson	Member
The 5th Session/The 6th Session	CHUA Alvin Cheng-Hock	LI Jianbao GAO Yuhui

The primary responsibilities of the Audit Committee include:

- (1) to review the accounting policy, financial position and financial reporting procedures of the Bank;
- (2) to examine the risks and compliance of the Bank, to review the policy and its implementation in respect of the assessment of capital adequacy of the Bank, the implementation of the capital plan, implementation of capital replenishment plan, audit reports on liquidity risk management, market risk management, operational risk management and technology risk management at least once a year, and to produce a report of the same;

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- (3) to supervise the internal audit of the Bank and to produce quarterly audit reports to the Board;
- (4) to be responsible for the annual audit of the Bank and to produce a conclusive report on the truthfulness, completeness and accuracy of information on the audited financial report to the Board for review;
- (5) to inspect the internal control systems and to audit the major related party transactions of the Bank;
- (6) to review the special audit report on the formulation and implementation of the remuneration mechanism and report the same to the Board;
- (7) to review the audit of projects in a timely manner and report to the Board in a timely manner;
- (8) to review special audit of ongoing operational management of the Bank and report to the Board;

- (9) to deal with all matters in relation to external auditors:
- (i) to comment on the appointment, reappointment and removal of external auditors to the Board, approve the remuneration and terms of appointment for external auditors, and handle any issues pertaining to the resignation or dismissal of the auditor;
 - (ii) the Audit Committee shall discuss with auditors the nature and scope of auditing and related responsibilities for declaration prior to the commencement of auditing, as well as review and monitor the independence and objectivity of external auditors and the effectiveness of auditing procedures in accordance with applicable standards;
 - (iii) to formulate and implement policies with regard to external auditors' provision of non-auditing services. For the purpose of such provisions, "external auditors" include any organization under the same control, ownership or administration rights as the company in charge of auditing, or any organization that enables any third party with reasonable access to all related information to conclude, under reasonable circumstances, that the organization is a part of the company in charge of auditing, either in the local or international business. The Audit Committee shall report any issues requiring actions or improvements to the Board and table proposals; and
 - (iv) to act as the chief representative between the Bank and external auditors and be responsible for supervising the relationship between the two.

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(10) to supervise the completeness of the financial statements, annual reports and accounts, interim reports and (if issued) quarterly reports, and to review the key opinions on financial reporting contained therein. The Audit Committee shall review the following items prior to submitting related statements and reports to the Board:

- (i) any modifications to the accounting policies and practices;
- (ii) any information involving important judgments;
- (iii) major adjustments arising from auditing;
- (iv) assumptions and any qualified opinions on corporate continuing operations;
- (v) compliance with accounting principles; and
- (vi) compliance with listing rules, laws and regulations in relation to financial reporting;

The Audit Committee shall consider the major issues or irregularities which are reflected or need to be reflected in such reports and financial statements and the matters raised by staff responsible for accounting and financial reporting, supervisors and auditors of the Bank;

(11) to review the financial control of the Bank and to review the risk management and internal controls of the Bank, including:

- (i) to exchange ideas with the management with regard to risk management and internal control system to ensure that the management has fulfilled their duties in setting up an effective system. Such exchanges should cover the resources available for accounting and financial reporting of the Bank, the competence of employees in terms of qualification and experience, and the sufficiency of training courses received by employees and related budget;
- (ii) to initiate or as appointed by the Board to conduct research on the key findings in relation to the risk management and internal control matters as well as the management's response to the findings;
- (iii) to ensure the coordination between internal and external auditors if the Bank has an internal auditing process in place, as well as the resources availability for and the appropriateness of the internal auditing process, and review and supervise its effectiveness;
- (iv) to review the financial and accounting policies and practices of the Bank;
- (v) to examine the Auditing Description Letter submitted by external auditors to the management, and auditors' responses to any significant doubts raised by the management regarding accounting records, financial accounts or control system;
- (vi) to ensure the Board timely respond to the issues highlighted in the Auditing Description Letter submitted by external auditors to the management;
- (vii) to report to the Board;
- (viii) to review the following arrangements set by the Bank: the employees of the Bank can secretly raise concerns regarding possible misconduct in financial reporting, internal control or other aspects. The Audit Committee shall make appropriate arrangements to allow the Bank to conduct independent and fair investigations on such issues and take proper actions; and

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(12) to deal with other matters authorized by the Board.

During the reporting period, the Audit Committee convened a total of five meetings and deliberated on and adopted the “Proposal on Engagement of 2020 Accounting Firms”, “Proposal on Deliberating on 2019 Internal Auditing Work Report and 2020 Internal Auditing Work Plan of Bank of Jiujiang Co., Ltd. ” and the others. In addition, the Audit Committee organized two meetings with auditors of our Bank to discuss audit issues.

Particulars of attendance of members at the audit committee meetings during the reporting period are set out below:

Member of Audit committee of the Board		Expected Attendance	Attendance in Person	Attendance by Proxy	Rate of Attendance in Person
The 5th session	CHUA Alvin Cheng-Hock	2	2	0	100%
	GAO Yuhui	2	2	0	100%
	LI Jianbao	2	2	0	100%
The 6th session	CHUA Alvin Cheng-Hock	3	3	0	100%
	GAO Yuhui	3	3	0	100%
	LI Jianbao	3	3	0	100%

5.2 Related Party Transactions Control Committee

During the reporting period, the Related Party Transactions Control Committee under the Board of the Bank was composed of one executive Director and two independent non-executive Directors, the details of the composition is set out below.

Member of the Related Party Transactions Control Committee under the Board	Chairperson	Member
The 5th Session	YANG Tao	LIU Xianting QUAN Ze
The 6th Session	GAO Yuhui	PAN Ming CHUA Alvin Cheng-Hock

The primary responsibilities of the Related Party Transactions Control Committee include but not limited to:

- (1) to review and approve the related party transactions within the authority of the Board;
- (2) to review major related party transactions required to be submitted to the Board and Shareholders' General Meetings and to report the same to the Board of Supervisors and CBIRC;
- (3) to collect information about and compile a list of the Bank's related parties and report the same to the Board and Board of Supervisors, and to inform relevant staffs of the information of related parties identified by them;
- (4) to investigate and supervise the control of related party transactions of the Bank and the execution of the related party transaction control system by Directors, senior officers and related parties of the Bank, and to report the same to the Board;
- (5) to formulate the related party transaction control system of the Bank;
- (6) to conclude a general review of all related party transactions of the Bank for the year following the year end and report the same to the Board; and
- (7) to deal with other matters authorized by the Board.

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During the reporting period, the Related Party Transactions Control Committee convened a total of seven meetings, and deliberated on and adopted the “Proposal of Deliberating on the 2019 Related Party Transactions Special Report of Bank of Jiujiang Co., Ltd.”, “Proposal of Extending the Basic Credit Facilities to County Banks in 2020” and the others.

Particulars of attendance of members at the related party transactions control committee meetings during the reporting period are set out below:

Member of the Related Party Transactions Control Committee under the Board		Expected Attendance	Attendance in Person	Attendance by Proxy	Rate of Attendance in Person
The 5th Session	YANG Tao	2	2	0	100%
	QUAN Ze	2	2	0	100%
	LIU Xianting	2	2	0	100%
The 6th Session	GAO Yuhui	5	5	0	100%
	CHUA Alvin				
	Cheng-Hock	5	5	0	100%
	PAN Ming	5	5	0	100%

5.3 Risk Management Committee

During the reporting period, the Risk Management Committee under the Board was composed of one executive Director and two independent non-executive Directors, the details of the composition is set out below.

Member of the Risk Management Committee under the Board	Chairperson	Member
The 5th Session	GAO Yuhui	CAI Liping CHUA Alvin Cheng-Hock
The 6th Session	PAN Ming	GAO Yuhui CHUA Alvin Cheng-Hock

The primary responsibilities of the Risk Management Committee include but not limited to:

- (1) to review and approve bank-wide risk management policies based on our overall strategies, and to supervise and evaluate the control of, and implementation of measures against capital and credit risk, liquidity risk, market risk, operational risk, compliance risk, technology risk, reputational risk, money laundering risk, country risk and other risks, so as to ensure the effective execution of the risk management system and procedures. The results shall be reported to the Board, which shall specifically contain the strategy of information technology risk management proved to be effective in identifying such risk;
- (2) to review our risk reports, to conduct regular assessment on our risk policies, management and risk tolerance and to give advice on the improvement of risk management and internal control;
- (3) to review the examination and assessment results for the system, procedures and implementation of credit assets classification at least once a year;
- (4) to determine the overall risk management strategy and overall risk limit;
- (5) to supervise and to evaluate the structure, organization, working procedures and efficiency of the risk management department, and to provide suggestions for improvement;
- (6) to review the compliance of the country risk limit identified on a monthly basis;
- (7) to review the annual report on information systems risk management;
- (8) to review and approve the general policy for the prevention of incidents, to issue the general requirements for case prevention, to review the working report on case prevention and to promote the establishment of incident prevention systems;
- (9) to specify the duties and scope of authorization of senior management regarding incident prevention, so as to ensure that senior management has adopted necessary measures for the effective monitoring, alert and handling of crises;

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(10) to assess the effectiveness of our incident prevention, and to ensure the effective review and supervision of incident prevention by the internal audit functions;

(11) to establish the goal of building a culture of money laundering risk management, to review the money laundering risk management strategy, to approve the policies and procedures for money laundering risk management, to authorize senior management to take the lead in money laundering risk management, to review anti-money laundering work reports regularly, to understand the incidents and handling of major money laundering risk in a timely manner, and to provide professional advice on money laundering risk management to the Board; and

(12) to deal with other matters authorized by the Board.

During the reporting period, the Risk Management Committee convened a total of six meetings, and deliberated on and adopted the “Proposal of Deliberating on the 2019 Risk Management Report of Bank of Jiujiang Co., Ltd.”, “Proposal of Deliberating on the 2019 Anti-Money Laundering Work Report and 2020 Work Plan of Bank of Jiujiang Co., Ltd.” and the others.

Particulars of attendance of members at the risk management committee meetings during the reporting period are set out below:

Member of the Risk Management Committee under the Board		Expected Attendance	Attendance in Person	Attendance by Proxy	Rate of Attendance in Person
The 5th Session	GAO Yuhui	2	2	0	100%
	CHUA Alvin				
	Cheng-Hock	2	2	0	100%
	CAI Liping	2	2	0	100%
The 6th Session	PAN Ming	4	4	0	100%
	GAO Yuhui	4	4	0	100%
	CHUA Alvin				
	Cheng-Hock	4	4	0	100%

5.4 Nomination and Remuneration Committee

During the reporting period, the Nomination and Remuneration Committee under the Board of our Bank was composed of one executive Director and two independent non-executive Directors, the details of the composition is set out below.

Member of the Nomination and Remuneration Committee under the Board	Chairperson	Member
The 5th Session	QUAN Ze	PAN Ming YANG Tao
The 6th Session	YANG Tao	LIU Xianting QUAN Ze

The primary responsibilities of the Nomination and Remuneration Committee include:

- (1) to determine the procedures and standards for selection of Directors and senior management;
- (2) to conduct a preliminary assessment of the qualifications of Directors and senior management, and to make recommendations thereon to the Board;
- (3) to review the general remuneration management system and policies of the Bank;
- (4) to formulate remuneration plans for Directors and the senior management, and to provide suggestions to the Board on remuneration plans;
- (5) to supervise the implementation of remuneration plans, and to review the performance appraisal system and indicator system formulated and revised by the relevant departments once each year;
- (6) to review the structure, size and composition (including education background, skills, knowledge and experience) of the Board at least once each year, and to make recommendations on any proposed changes to the Board to complement the corporate strategy of the issuer;
- (7) to identify qualified candidates for Directors and to propose the appointment of such candidates as Directors, or to make recommendations thereon to the Board;

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- (8) to assess the independence of independent non-executive Directors;
- (9) to make recommendations to the Board on the appointment and reappointment of Directors and the succession plans for Directors, in particular the chairman and the chief executive officer;
- (10) to study and determine the standards and procedures for selecting members of Board committees and to make recommendations to the Board;
- (11) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- (12) to review and approve the management's remuneration proposals with reference to the corporate objectives determined by the Board;
- (13) to review the salaries paid by comparable companies, and the time commitment and responsibilities and employment conditions elsewhere in the Group;
- (14) to review and approve the compensation payable to executive Directors and the senior management on loss or termination of office or appointment in order to ensure that such compensation is consistent with their contractual terms or are otherwise fair, reasonable and not excessive;
- (15) to review and approve the compensation package for the dismissal or removal of Directors due to misconduct in order to ensure that the packages are consistent with the contractual terms, or are otherwise reasonable and appropriate;
- (16) to ensure that no Directors or any of their associates are involved in the determination of their own remuneration;
- (17) to prepare for re-election of Directors before the expiration of their term of office, so as to ensure that the term of office of Directors shall comply with the requirements of the relevant laws and regulations and the Articles of Association of the Bank, the term of office shall be 3 years; and
- (18) to deal with other matters authorized by the Board.

Director Nomination Policy:

The appointment and election of Directors and Supervisors of the Bank shall follow the ways and procedures below:

- (1) Candidates for Directors and Supervisors who are not staff representatives shall be nominated by the Nomination and Remuneration Committee of the Board or Nomination Committee of the Board of Supervisors respectively, and the number of such persons to be elected shall be within the number of persons of the Board of Directors and the Board of Supervisors stipulated in these Articles. Shareholders individually or in aggregate holding 3% or more of the Bank's total voting shares may propose candidates for Directors to the Board or candidates for Supervisors to the Board of Supervisors; The same shareholder and his/her/its associates shall not nominate a candidate for a Director and another candidate for a Supervisor at the shareholders' general meeting; if the candidate for a Director (or Supervisor) nominated by such shareholder and his/her/its associates is appointed as a Director (or Supervisor), the shareholder shall not nominate any candidate for Supervisor (or Director) prior to the expiry of the term of office or change of such person. The number of Directors (or Supervisors) nominated by any same shareholder and his/her/its associates in principle shall not exceed one third of the total number of the members of the Board (or Board of Supervisors). Such shareholder and his/her/its associates shall only nominate one candidate for independent Director or external Supervisor, and shall not nominate candidates for both independent Director and external Supervisor;
- (2) The Nomination and Remuneration Committee of the Board shall conduct preliminary assessment of the qualifications and conditions of the candidates for directors and supervisors respectively and/or propose the candidates passing such assessment to the Board, Board of Supervisors for consideration respectively; and propose them to the shareholders' general meeting by way of written resolutions after they are considered and approved by the Board and/or Board of Supervisors;
- (3) The candidates for Directors and Supervisors shall, before the convening of the shareholders' general meeting, make written undertakings, express their consent to their nomination, confirm the truthfulness and completeness of their publicly disclosed information and undertake that they will duly perform their duties upon election;
- (4) The Board shall disclose the details of the Director candidates to the shareholders in accordance with the laws, administrative regulations and the Articles of Association before the shareholders' general meeting to ensure that shareholders will have adequate understanding of the candidates when they cast their votes;

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- (5) Voting on each candidate for Directors and Supervisors shall be carried out at the shareholders' general meeting separately; and
- (6) When an additional Director or Supervisor is temporarily nominated, the Nomination and Remuneration Committee of the Board or the Board of Supervisors or the shareholders satisfying the conditions for making such nomination may propose a candidate to the Board or the Board of Supervisors for consideration, and to the shareholders' general meeting for election or replacement.

Procedures for selection of Directors and senior management of the Bank:

- (1) the Human Resources Department shall submit to the Nomination and Remuneration Committee related information for studying the Bank's demand for new directors and senior management and form written materials;
- (2) collect information concerning primary candidates' occupations, education background, titles, detailed working experience and part-time jobs and form written materials;
- (3) consider the nominees as candidates for Directors and senior management upon their consent;
- (4) conduct qualification review on the primary candidates in accordance with qualifications for Directors and senior management;
- (5) make recommendations and provide related materials to the Board within ten working days prior to formal nomination of new directors and engagement of new senior management; and
- (6) carry out other follow-up work based on resolutions and feedbacks of the Board.

The Bank seeks diversity of members from multiple perspectives during establishment of the Board, including but not limited to gender, location, expertise, skill, knowledge and education background. We put equal stress on integrity and ability for all appointments by the Board and fully take into account the benefits of member diversity during candidate selection under objective conditions. The Nomination and Remuneration Committee of the Board is responsible for reviewing the structure, number and composition of the Board, making recommendations to the Board on the size and composition of the Board in accordance with the Bank's strategic planning, business development and shareholding structure, studying and reviewing the selection criteria, nomination and appointment procedures of Directors, and making proposals to the Board for consideration and approval by the Directors.

During the reporting period, the Nomination and Remuneration Committee convened a total of six meetings, and deliberated on and adopted the “Proposal of Election of the Directors of the 6th Session of the Board” as well as the proposals on appointing and removing senior executives. The Nomination and Remuneration Committee shall, as required, seek professional advice for duty performance purposes at the expense of our Bank.

Particulars of attendance of members at the nomination and remuneration committee meetings during the reporting period are set out below:

Member of the Nomination and Remuneration Committee under the Board	Expected Attendance	Attendance in Person	Attendance by Proxy	Rate of Attendance in Person	
The 5th Session	QUAN Ze	2	2	0	100%
	YANG Tao	2	2	0	100%
	PAN Ming	2	2	0	100%
The 6th Session	YANG Tao	4	4	0	100%
	QUAN Ze	4	4	0	100%
	LIU Xianting	4	4	0	100%

5.5 Strategy Committee

During the reporting period, the Strategy Committee under the Board was composed of one executive Director and two non-executive Directors, the details of the composition is set out below.

Member of the Strategy Committee under the Board	Chairperson	Member
The 5th Session	PAN Ming	ZENG Huasheng ZHANG Jianyong
The 6th Session	LIU Xianting	ZENG Huasheng ZHANG Jianyong

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The primary responsibilities of the Strategy Committee include:

- (1) to determine the objectives and long-term development strategies of the Bank and its listing plan;
- (2) to supervise and review the implementation of our annual business plans and investment plans;
- (3) to conduct research and to provide suggestions on major capital activities and asset management projects which are subject to the approval of the Board;
- (4) to review the strategic development of human resources and to provide suggestions to the Board;
- (5) to review the annual financial budgets and final accounts, and to provide advice to the Board;
- (6) to review major corporate restructuring and adjustment plans and to provide advice to the Board;
- (7) to review scientific information technology development and other special strategic development plans, and to provide advice to the Board;
- (8) to review and assess the effectiveness of the corporate governance structure in order to ensure that the financial reporting, risk management and internal controls comply with our corporate governance standards;
- (9) to approve and implement green credit development strategies and objectives; to approve and support green, low-carbon, and circular economy, and strengthen environmental and social risk management; to supervise the implementation and compliance of green credit strategies;
- (10) to conduct research and to provide suggestions on other major matters significant to our development; and
- (11) to deal with other matters authorized by the Board.

During the reporting period, the Strategy Committee convened a total of five meetings, and deliberated on and adopted the “Proposal of Deliberating on the 2019 Work Report of the President of Bank of Jiujiang Co., Ltd.”, “Proposal of Deliberating on 2019 Financial Statement Report of Bank of Jiujiang Co., Ltd.”, “Proposal of Deliberating on the 2020 Financial Budget Plan of Bank of Jiujiang Co., Ltd.” and the others.

Particulars of attendance of members at the strategy committee meetings during the reporting period are set out below:

Member of the Strategy Committee under the Board		Expected Attendance	Attendance in Person	Attendance by Proxy	Rate of Attendance in Person
The 5th Session	PAN Ming	2	2	0	100%
	ZENG Huasheng	2	2	0	100%
	ZHANG Jianyong	2	2	0	100%
The 6th Session	LIU Xianting	3	3	0	100%
	ZENG Huasheng	3	3	0	100%
	ZHANG Jianyong	3	3	0	100%

5.6 Consumer Rights Protection Committee

During the reporting period, the Consumer Rights Protection Committee under the Board was composed of one executive Director and two non-executive Directors, the details of the composition is set out below.

Member of the Consumer Rights Protection Committee	Chairperson	Member
The 5th Session/The 6th Session	CAI Liping ¹	ZENG Huasheng ZHANG Jianyong

Note:

1. On October 26, 2020, the Bank has received the written resignation report from Ms. CAI Liping, pursuant to which she has resigned as the executive Director of the Bank and the chairman of the Consumer Rights Protection Committee of the Board. For details, please refer to the announcement published by the Bank on October 27, 2020.

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The primary responsibilities of the Consumer Rights Protection Committee include:

- (1) to formulate strategies, policies and objectives for the protection of consumer rights and interests related to the Bank, and to urge senior management to effectively perform and implement the relevant work;
- (2) to provide guidance and supervision on the establishment and improvement of the management system for the protection of consumer rights and interests;
- (3) to supervise and evaluate the comprehensiveness, timeliness and effectiveness of the Bank's protection of consumer rights and interests and the relevant performance of the senior management;
- (4) to regularly receive special reports from senior management on the development of protection of consumer rights of the Bank, to review the relevant special reports on protection of consumer rights, to submit the relevant special reports to the Board, and to consider the relevant work as an important part of information disclosure;
- (5) to urge the senior management and the relevant departments to promptly and effectively rectify various issues identified in the audit and to supervise the implementation of such rectification as specified in the report;
- (6) to consider other significant issues related to consumer rights protection; and
- (7) to exercise any other matters prescribed by the law, regulations, rules, regulatory documents, regulations and rules governing securities of the place where the shares of the Bank are listed, our Articles of Association and any other matters authorized by the Board.

During the reporting period, the Consumer Rights Protection Committee convened a total of two meetings, and deliberated on and adopted the “Proposal of Deliberating on 2019 Consumer Rights Protection Report of Bank of Jiujiang Co., Ltd.”, “Proposal of Deliberating on Consumer Rights Protection Report of Bank of Jiujiang Co., Ltd. for the First Half of 2020” and the others.

Particulars of attendance of members at the consumer rights protection committee meetings during the reporting period are set out below:

Member of the Consumer Rights Protection Committee under the Board		Expected Attendance	Attendance in Person	Attendance by Proxy	Rate of Attendance in Person
The 5th Session/The 6th Session	CAI Liping ¹	1	1	0	100%
	ZENG Huasheng	2	2	0	100%
	ZHANG Jianyong	2	2	0	100%

Note:

1. On October 26, 2020, the Bank has received the written resignation report from Ms. CAI Liping, pursuant to which she has resigned as the executive Director of the Bank and the chairman of the Consumer Rights Protection Committee of the Board. For details, please refer to the announcement published by the Bank on October 27, 2020.

6. Board of Supervisors

As the supervisory authority of the Bank, the Board of Supervisors of the Bank is accountable to the Shareholders' General Meetings, overseeing the legality of our Bank's financial activities as well as the duty performance of Directors, presidents and other senior management personnel to safeguard the legitimate rights and interests of our Bank and Shareholder.

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6.1 Composition of the Board of Supervisors

The Board of Supervisors was composed of six Supervisors, including two employee Supervisors, namely Mr. MEI Mengsheng (chairman of the Board of Supervisors) and Ms. WAN Dandan, two external Supervisors, namely Mr. GUO Jiequn and Ms. CHEN Chunxia, as well as two Shareholder Supervisors, namely Mr. LIU Chunmei and Ms. LIAO Jingwen. The structure of the members of the Board of Supervisors is reasonable, with sufficient expertise and independence, which is able to ensure that the Board of Supervisors exert the supervisory functions effectively.

Supervisors of our Bank are elected for a three-year term and can be re-elected upon expiry of the said term. External Supervisors are elected for a three-year term and can serve as an external Supervisor of the Bank for consecutive terms, but not more than 6 years on an accumulative basis.

During the reporting period, the Board of Supervisors performed duties in an earnest manner, oversaw the conduct of our Directors and senior management in performing their duties, reviewed and supervised our financial activities, risk management and internal control, and investigated unusual business circumstances.

6.2 Changes in Supervisors

Please refer to the section headed “Information on Directors, Supervisors, Senior Management, Staff and Institution – 2.2 Changes in Supervisors” of this annual report for changes in Supervisors.

6.3 Duties and Powers of the Board of Supervisors

The Board of Supervisors shall perform the following duties and powers:

- (1) to carry out review and give written review opinions on the regular reports on our Bank prepared by the Board;
- (2) to oversee the conduct of our Directors and senior management in performing their duties and propose removal of our Directors and senior management in the event of their non-compliance with the laws, administrative regulations, our Articles of Association or resolutions passed by the Shareholders' General Meetings;
- (3) to be responsible for the supervision of comprehensive risk management; supervise and review the performance of duties of the Board and senior management in respect of risk management and urge for rectification; and include supervision and inspection results in the work report of the Board of Supervisors;
- (4) to be responsible for supervision of internal control and management; supervise the efforts of the Board and senior management in improving the internal control mechanism; supervise the performance of internal control duties by the Board and the senior management;
- (5) to order rectification of the conducts of the Directors and the senior management which are prejudicial to the interests of our Bank;
- (6) to propose the convening of extraordinary Shareholders' General Meetings and to convene and preside over Shareholders' General Meetings when the Board fails to perform the duty of convening and presiding over Shareholders' General Meetings under the Company Law of the PRC;
- (7) to submit proposals to the Shareholders' General Meetings;
- (8) to file legal proceeding against our Directors and senior management in accordance with the regulation of the Article 151 of the Company Law of the PRC;
- (9) to verify financial information including financial reports, operation reports and profit distribution plans to be proposed by the Board to the Shareholders' General Meetings, and engage certified accountants or practicing auditors to assist in the re-examination in the name of our Bank if problems are identified;

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- (10) to perform off-office audit of our Directors and senior management, and give guidance to our internal audit department;
- (11) to review and supervise our financial activities;
- (12) to make enquiries to our Directors, chairman of the Board and senior management; and
- (13) to exercise other powers stipulated by applicable laws, administrative requirements, regulations and rules governing securities of the place where the shares of our Bank are listed or our Articles of Association.

6.4 Operation of the Board of Supervisors

Through various means such as convening meetings of the Board of Supervisors and the Special Committees to consider and approve resolutions and listen to reports, conducting regular business investigation and research and proposing suggestions, attending general meetings, and being present at Board meetings and important meetings of the Bank, the Board of Supervisors supervised and appraised the discharge of duties by the Board and senior management and its members, oversaw the financial activities, risk management and internal controls of the Bank, gave their recommendations after supervising and continuously monitored the implementation of various recommendations by the Bank.

During the reporting period, the Board of Supervisors arranged and implemented the 2019 duty performance appraisal for the Board, Directors, senior management and its members, and Supervisors, and provided feedback to the Board and the senior management.

6.5 Meetings of Board of Supervisors and Attendance of Supervisors

During the reporting period, our Bank held a total of 5 meetings of Board of Supervisors at which 60 proposals were deliberated on and approved and 10 special reports were listened to.

Particulars of convening of Board of Supervisors meetings during the reporting period are set out below:

Meeting	Date	Form
The 16th meeting of the 5th Session of the Board of Supervisors	March 30, 2020	Correspondence meeting
The 17th meeting of the 5th Session of the Board of Supervisors	April 21, 2020	Correspondence meeting
The first meeting of the 6th Session of the Board of Supervisors	June 2, 2020	On-site meeting
The second meeting of the 6th Session of the Board of Supervisors	August 28, 2020	On-site meeting
The third meeting of the 6th Session of the Board of Supervisors	December 25, 2020	On-site meeting

Particulars of attendance of supervisors at the Board of Supervisors and its sub-committees during the reporting period are set out below:

The 5th Session	Attendance of Board of Supervisors and its Sub-committees				
	Expected Attendance	Attendance in Person	Attendance by Proxy	Rate of Attendance in Person	Rate of Attendance
Board of Supervisors					
LUO Xinhua	2	2	0	100%	100%
GUO Jiequn	2	2	0	100%	100%
CHEN Chunxia	2	2	0	100%	100%
LU Tingfu	2	2	0	100%	100%
LIAO Jingwen	2	2	0	100%	100%
WANG Xinyan	2	2	0	100%	100%
Supervisory Committee					
GUO Jiequn	1	1	0	100%	100%
LIAO Jingwen	1	1	0	100%	100%
WANG Xinyan	1	1	0	100%	100%
Nomination Committee					
CHEN Chunxia	3	3	0	100%	100%
LU Tingfu	3	3	0	100%	100%
WANG Xinyan	3	3	0	100%	100%

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Attendance of Board of Supervisors and its Sub-committees

The 6th Session	Expected Attendance	Attendance in Person	Attendance by Proxy	Rate of Attendance	
				Attendance in Person	Rate of Attendance
Board of Supervisors					
MEI Mengsheng	3	3	0	100%	100%
GUO Jiequn	3	3	0	100%	100%
CHEN Chunxia	3	3	0	100%	100%
LIU Chunmei	3	3	0	100%	100%
LIAO Jingwen	3	3	0	100%	100%
WAN Dandan	3	3	0	100%	100%
Supervisory Committee					
GUO Jiequn	4	4	0	100%	100%
LIAO Jingwen	4	4	0	100%	100%
WAN Dandan	4	4	0	100%	100%
Nomination Committee					
CHEN Chunxia	3	3	0	100%	100%
LIU Chunmei	3	3	0	100%	100%
WAN Dandan	3	3	0	100%	100%

6.6 Attendance at Shareholders' General Meetings during the Reporting Period

During the reporting period, our Bank held a total of three Shareholders' General Meeting. The Board of Supervisors designated representatives to attend the meeting who oversaw on the spot the compliance and legality of the reviewed proposals, meeting procedures and voting process.

6.7 Attendance at the Board Meetings and Senior Management Meetings during the Reporting Period

During the reporting period, the Board of Supervisors designated representatives to be present at on-site meetings of the Board held by the Bank, and supervised the legality and compliance of procedures of convening the Board meeting and voting, as well as the attendance, speech and voting of Directors. The Board of Supervisors also sent representatives to be present at related senior management meetings and oversaw senior management's execution of resolutions by the Board and the launch of operational management activities.

6.8 Special Committees under the Board of Supervisors

6.8.1 Nomination Committee

Details of the composition of the nomination committee under the Board of Supervisors of the Bank during the reporting period is set out below.

Nomination Committees under the Board of Supervisors	Chairperson	Member
The 5th Session	CHEN Chunxia	LU Tingfu WANG Xinyan
The 6th Session	CHEN Chunxia	LIU Chunmei WAN Dandan

The primary responsibilities of the Nomination Committee include:

- (1) to study the selection standards and procedures of Supervisors;
- (2) to conduct preliminary reviews on qualification of Supervisors;
- (3) to draw up the size and composition of the Board of Supervisors;
- (4) to nominate and recommend members for the special committees under the Board of Supervisors;
- (5) to supervise the election and appointment procedures of directors;
- (6) to conduct comprehensive evaluation on the performance of duties of directors, supervisors and senior management;
- (7) to appraise the scientificity and rationality of the remuneration system and policy of the whole Bank as well as the remuneration scheme of senior management;
- (8) to deal with other matters authorized by the Board of Supervisors.

During the reporting period, the Nomination Committee convened a total of six meetings, and deliberated on and adopted the “2019 Evaluation Report on the Performance of Duties of Supervisors of Bank of Jiujiang Co., Ltd.”, “2019 Evaluation Report on the Performance of Duties of Directors and Senior Management of Bank of Jiujiang Co., Ltd.”, “Proposal on Candidates for Non-employee Supervisors of the 6th Session Board of Supervisors of Bank of Jiujiang Co., Ltd.”, “Remuneration Management Special Audit Report of Bank of Jiujiang Co., Ltd.” and the others.

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6.8.2 Supervisory Committee

Details of the composition of the supervisory committee under the Board of Supervisors of the Bank during the reporting period is set out below.

Supervisory Committee under the Board of Supervisors	Chairperson	Member
The 5th Session	GUO Jiequn	LIAO Jingwen WANG Xinyan
The 6th Session	GUO Jiequn	LIAO Jingwen WAN Dandan

The primary responsibilities of the Supervisory Committee include:

- (1) to draw up supervisory plans for our financial activities;
- (2) to launch relevant inspections and oversee implementation of supervisory plans;
- (3) to examine and discuss our operation philosophies, value criteria and development strategies, and raise relevant opinions through the Board of Supervisors;
- (4) to supervise our Board of Directors to establish steady business philosophies, value criteria and to formulate development strategies in line with the actual situations of the Bank;
- (5) to supervise and examine the operation strategy, risk management and internal control of the Bank; and
- (6) to deal with other matters authorized by the Board of Supervisors.

During the reporting period, the Supervisory Committee convened a total of five meetings, and deliberated on and adopted the “Proposal of Deliberating on 2019 Various Risk Management Report of Bank of Jiujiang Co., Ltd.”, “Proposal of Deliberating on the 2019 Capital Management Report of Bank of Jiujiang Co., Ltd.”, and “Proposal of Deliberating on the Internal Control Management Report of Bank of Jiujiang Co., Ltd. for the first half of 2020” and the others.

7. Training and Studies Undertaken by Directors and Supervisors during the Reporting Period

During the reporting period, with the support of extensive performance of duties, the directors' meetings, opinions, trainings and research were pushed forward and went into practice. Since 2020, the Directors have conducted five training sessions for the staff of the Bank, some of whom have visited the Jingdezhen Branch and Wuyuan Sub-branch of Shangrao Branch of the Bank to conduct on-site investigation, and some of whom gave lectures on global financial market trends, financial technology, digital currency and other professional fields, and provided professional guidance on different aspects, for instance, the Bank's internal control, risk management, market value management, and talent cultivation. The Bank has done a good job of retaining the performance files of each of the Directors to ensure that the performance files of the Directors are complete.

During the reporting period, the Board of Supervisors organized and conducted tutorials and trainings for all Supervisors on a quarterly basis. The content covered the common external supervision system and the latest developments of the regulatory authorities, helped Supervisors to familiarise themselves with and comprehend regulatory requirements as well as dynamics, which effectively improved Supervisors' awareness to perform their duties and supervisory ability. During the reporting period, the Board of Supervisors conducted a survey on the operation of Jingdezhen Branch and Jingdezhen Changjiang Jiuyin County Bank. External supervisors utilize their professional expertise to give lectures on supply chain finance topics to employees of the whole bank.

Particulars of the training and studies undertaken by directors and supervisors during the reporting period are set out below:

Directors	Participated training/studies
Executive Directors	
LIU Xianting	1,2,3,4,5,9
PAN Ming	1,2,3,4,5,7,9
CAI Liping	1,2,3,4,5,9
Non-executive Directors	
ZENG Huasheng	1,2,3,4,5,9
ZHANG Jianyong	1,2,3,4,5,9
LI Jianbao	1,2,3,4,5,9
YI Zhiqiang	1,2,3,9
Independent Non-executive Directors	
CHUA Alvin Cheng-Hock	1,2,3,4,5,7,8,9
GAO Yuhui	1,2,3,4,5,6,7,9
QUAN Ze	1,2,3,4,5,7,8,9
YANG Tao	1,2,3,4,5,7,9

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Notes:

1. Report on audit of the financial statement for 2019
2. Regulatory advice, examination advice and the implementation of such advices by our Bank
3. Report on risk straightening work relating to the business continuity of our Bank
4. Interim review work report for 2020
5. Study in Jingdezhen Branch and Jingdezhen Changjiang Jiuyin County Bank
6. Study in Shangrao Branch
7. Study in risk management
8. Off-site research in market value management
9. Responsibilities and obligations of directors and supervisors of Hong Kong listed companies and daily compliance

Supervisor	Participated training/studies
LUO Xinhua	1, 6
GUO Jiequn	1, 2, 3, 4, 5, 6
CHEN Chunxia	1, 2, 3, 4, 5, 6
LU Tingfu	1, 6
LIAO Jingwen	1, 2, 4, 5, 6
WANG Xinyan	1, 6
MEI Mengsheng	2, 4, 5, 6
LIU Chunmei	2, 4, 5, 6
WAN Dandan	2, 4, 5, 6

Notes:

1. The Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders and the Measures for Case Prevention and Control of Financial Institutions in Banking Sector (《銀行業金融機構案防工作辦法》)
2. Guidelines on the Functioning of Supervisory Board of Commercial Banks and Guidelines on Corporate Governance of Commercial Banks
3. Studies in Jingdezhen Branch
4. The Guidelines for the Comprehensive Risk Management of Banking Financial Institutions and Internal Control Guidelines for Commercial Banks
5. Special study on the corporate governance
6. Responsibilities and obligations of directors and supervisors of Hong Kong listed companies and daily compliance

8. Senior Management

Serving as the executive body of the Bank, the senior management is accountable for the Board and is subject to the supervision of the Board of Supervisors. Powers and authorities of the senior management and the Board of Directors are divided in strict compliance with the Articles of Association. Our Bank practices a president accountability system under the leadership of the Board. Our Bank has one president and several vice presidents. Directors can hold concurrent posts as president or vice president. Such appointments shall be made by the Board after the candidates pass the qualification reviews by the China banking and insurance regulatory authorities.

The president of the Bank shall be accountable to the Board and exercise the following powers:

- (1) to be in charge of the operation and management of our Bank, organize and implement the resolutions of the Board and report his/her work to the Board;
- (2) to submit the operation plans and investment proposals to the Board and organize and implement the same upon approval of the Board;
- (3) to draft the plans for the establishment of the internal management departments of our Bank and decide on matters in accordance with the authorization of the Board, other than those which shall be determined by the Shareholders' General Meetings or the Board, in respect of the establishment of internal management departments and branches and sub-branches of our Bank;

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- (4) to propose the annual financial budget, final account and profit distribution plan of our Bank;
- (5) to formulate the basic management system of our Bank;
- (6) to formulate the specific management system of our Bank;
- (7) to propose to convene extraordinary Board meetings;
- (8) to recommend to the Board the appointment or dismissal of the vice president, chief financial officer and other senior management of our Bank;
- (9) to determine the appointment or dismissal of persons in charge of all of our internal functional departments and branches and sub-branches other than those required to be appointed or dismissed by the Board;
- (10) to be responsible for the operation of comprehensive risk management and execute relevant resolutions of the Board; establish operational management system in line with the comprehensive risk management; specify risk management responsibilities among functional departments in charge of comprehensive risk management, business departments and other departments; and establish an operation mechanism that facilitates coordination and maintains balance effectively among departments;

- (11) to establish a system of mechanisms, procedures and methods in accordance with the acceptable risk level determined by the Board and take relevant risk control measures; be responsible for establishing and improving internal organizational structure to ensure that all internal control functions are performed effectively; carry out tests and assessments regarding the adequacy and effectiveness of the internal control mechanism;
- (12) to formulate clear execution and accountability mechanism to ensure full conveyance and effective implementation of risk management strategies, risk appetite and risk limits; formulate risk management policies and procedures and carry out regular assessment and report assessment results of our comprehensive risks and different major risk management conditions to the Board; monitor the non-compliance issues in respect of risk appetite and risk limits as well as violation of risk management policies and procedures and carry out corresponding rectification based on the authorization of the Board;
- (13) to authorize other senior management, different internal functional department and persons in charge of branches and sub-branches to carry out operation and management activities;
- (14) in the event of major emergencies including a run on the Bank, to perform contingency measure and report to the banking regulatory authorities of the State Council, the Board and the Board of Supervisors immediately; and
- (15) to exercise other powers granted by the applicable laws, administrative requirements, regulations and our Articles of Association or the Board.

In addition, the senior management is also responsible for offering full explanations and documents for financial and other materials submitted to the Board, providing updates to the members of the Board on a monthly basis, listing fair and eligible assessment on the performance, financial status and prospect of the Bank, with content enough to enable Directors to perform their functions and powers as stipulated in Rule 3.08 and Chapter 13 of the Listing Rules.

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8.1 Chairman and President

In line with the recommendations under the Hong Kong Listing Rules, the roles and responsibilities of the Chairman and President of the Bank are taken up by different persons, and their respective responsibilities are clearly defined in the Articles of Association.

Mr. LIU Xianting acts as the chairman of the Bank, in charge of organizing Board meetings to timely review and discuss our major issues, ensuring that all Directors at the Board meetings are properly aware of the current issues; ensuring that all Directors timely receive adequate information which is accurate, clear, complete and authentic; ensuring that the Bank formulates sound corporate governance practices and procedures; encouraging Directors to express different ideas and ensuring that the decisions from the Board can fairly represent the consensus of the Board; maintaining effective connections with shareholders and ensuring that shareholders' opinions can reach the entire Board; facilitating the Directors to make effective contribution to the Board and ensuring a constructive relationship between executive Directors and non-executive Directors; ensuring sound operation of the Board and effective execution of its decisions. Mr. LIU Xianting conducted a discussion with non-executive Directors without the presence of executive Directors about the business performance of the Bank in 2020.

Mr. PAN Ming acts as our President, in charge of our operational management in accordance with the laws and regulations as well as the Articles of Association.

9. Securities Transactions by Directors, Supervisors and Relevant Employees

The Bank has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct governing securities transactions by the Directors, Supervisors and related employees of the Bank. After having made inquiries to all Directors and Supervisors, they confirmed that they had complied with the above Model Code during the reporting period. The Bank was not aware that any relevant employee had breached the code.

10. Financial, Business and Family Relationships among Directors, Supervisors and Senior Management

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

The Bank has purchased insurance for our Directors, Supervisors and senior management against the legal liabilities arising from duty performance, and such insurance policies are governed by PRC laws.

11. Company Secretaries

On August 28, 2020, Ms. Fok Po Yi was appointed as the authorized representative and the sole company secretary of the Bank in accordance with the requirements in Rule 3.05 of the Listing Rules. Mr. Tong Faping has ceased to act as the joint company secretary and the authorized representative of the Bank. For details of changes of the company secretary and Authorized Representative, please refer to the announcement published by the Bank on August 28, 2020.

On February 5, 2021, Mr. Wong Wai Chiu was appointed as the company secretary, authorized representative and service of process agent of the Bank, and Ms. Fok Po Yi has ceased to act as the company secretary, authorized representative and service of process agent of the Bank. For details of changes of company secretary, authorized representative and service of process agent, please refer to the announcement published by the Bank on February 5, 2021.

During the reporting period, Ms. Fok Po Yi, the former company secretary of the Bank, has received not less than 15 hours of related professional training in accordance with the requirements in Rule 3.29 of the Listing Rules.

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12. Communications with Shareholders

12.1 Investor Relations

The Bank values communications and connections with shareholders. We have launched a diversity of activities for shareholders to strengthen contacts with shareholders and enhance mutual understanding and exchanges, as well as actively provide feedback to shareholders' requests. For enquiries to the Board, shareholders may contact our Office of the Board, the contact information is as follows:

Address: No. 619 Changhong Avenue, Jiujiang, Jiangxi Province, China

Tel: +86(792)7783000-1101

Fax: +86(792)8325019

Email: lushan2@jjccb.com

12.2 Information Disclosure

The Board and the senior management of the Bank place great importance on information disclosure. They rely on good corporate governance and internal controls to ensure investors obtain information in a timely, accurate and fair manner.

In accordance with the requirements of the Listing Rules, "Guidelines on Corporate Governance of Commercial Banks", "Measures for the Information Disclosure of Commercial Banks" and "Measures for the Information Disclosure of Bank of Jiujiang Co., Ltd.", the Bank continuously improved the timeliness, accuracy and completeness of the information to be disclosed. During the reporting period, the Bank published related announcements from time to time on the website of Hong Kong Stock Exchange in accordance with the Listing Rules and provided full version of the relevant reports on our website for review by the investors and stakeholders.

13. Amendments to the Articles of Associations

According to the latest requirements of relevant laws and regulations and other regulatory documents, based on the actual condition of the Bank, the Bank made amendments to certain articles of the Articles of Association twice during the reporting period.

On May 22, 2020, the Bank considered and approved the proposed amendments to the Articles of Associations at the 2019 Annual General Meeting of the Bank. The amendments are subject to the approval by the China banking and insurance regulatory authorities. For details of the amendments to the Articles of Associations, please refer to the announcements published by the Bank on March 30, 2020 and May 22, 2020.

On November 10, 2020, the Bank considered and approved the proposed amendments to the Articles of Associations at the meeting of the Board. The amendments were considered and approved by the Bank at the first extraordinary general meeting of 2020, subject to the approval by the China banking and insurance regulatory authorities. Before the effective date of the revised Articles of Association, the current effective Articles of Association of the Bank shall apply. For details of the amendments to the Articles of Associations, please refer to the announcements published by the Bank on November 10, 2020 and February 1, 2021.

14. Establishment of Compliance Management Committee

In order to further strengthen the Board's management and decision-making regarding the compliance of the Bank and to improve the governance structure of the Bank, the Bank intends to establish a Compliance Management Committee in accordance with relevant laws and regulations and the Articles of Association. The Compliance Management Committee is mainly responsible for carrying out compliance management work under the authorization of the Board of Directors. These have been deliberated and passed by the Board of Directors of the Bank and the general meetings of shareholders, and will be established upon the date of China banking and insurance regulation authorities approving the Bank's proposed amendments to the Articles of Association. Details of the establishment of the Compliance Management Committee, please refer to the announcement published by the Bank on March 30, 2020.

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15. Shareholders' Rights

15.1 Convening of Shareholders' General Meetings

In accordance with related laws, regulations and the Articles of Association of the Bank, Shareholders individually or in aggregate holding 10% or more of the Bank's shares shall have the right to request the Board to convene an extraordinary general meeting or a class shareholders' general meeting, which shall follow the procedures as below:

- (1) Two or more Shareholders holding an aggregate of 10% or more of shares carrying voting rights at such meetings to be convened can sign one or several written requests in the same format and content requesting the Board to convene an extraordinary general meeting or a class shareholders' general meeting, which specify the matters to be discussed at the meeting. Upon receipt of the said written requests, the Board shall convene an extraordinary general meeting or a class shareholders' general meeting as soon as possible. The aforementioned share holdings shall be calculated based on the number of shares held at the close of the date of written requests or on the previous trading day (where the date of written requests is not a trading day).
- (2) Where the Board fails to give the notice to convene the meeting within 30 days upon the receipt of the said written requests, the Shareholders making such requests may convene a meeting within four months upon the receipt of the said requests by the Board. Such meeting shall be convened in the same manner, as nearly as possible, as the meetings convened by the Board.

15.2 Submitting Proposals to the Shareholders' General Meetings

Shareholder(s) holding individually or in aggregate 3% or more of our Bank's voting shares may submit proposals to the Bank. Our Bank shall place on the agenda those matters in the proposed resolutions that are within the scope of functions and powers of the Shareholders' General Meetings.

Shareholder(s) holding individually or in aggregate 3% or more of our Bank's voting shares may prepare interim proposals in written form to the convener 10 days prior to the Shareholders' General Meetings. The convener shall dispatch a supplementary notice of the Shareholders' General Meetings to announce the content of interim proposals within two days upon receipt of the proposals.

16. Profit Distribution Policies

The profit distribution policy of the Bank shall focus on generating reasonable returns on investment made by investors. Continuity and stability shall be maintained with the profit distribution policy, which is conducive to the long-term development of the Bank. The Bank shall distribute dividends in the profit-making year. The Bank's profit distribution shall neither exceed the range of the accumulated distributable profits nor harm the sustainable operation capability of the Bank. The Board, the Board of Supervisors and the shareholders' general meeting of the Bank shall fully consider the opinions of independent Directors and public investors in the decision-making and demonstration process of the profit distribution policy.

- (1) the Bank distributes dividends in cash or shares, or cash-and-shares, but mainly in cash;
- (2) if the net cash flow from operating activities in the current year is negative, the Bank may pay no cash dividends;
- (3) generally, dividends are paid annually, and the Board of the Bank may also propose interim dividend distribution based on the company's demand for fund;
- (4) if the Bank needs to adjust its profit distribution policy according to its production & operation conditions, investment plans and long-term development needs, it shall seek consent of more than two thirds of all independent Directors and submit such adjustment to the shareholders' general meeting for deliberation after consideration by the Board and the Board of Supervisors of the Bank;
- (5) the Bank shall formulate or adjust the plan of dividend returns to shareholders within the scope of the aforesaid profit distribution policy based on its own actual conditions;
- (6) the profit distribution plan of the Bank shall be submitted to the shareholders' general meeting for deliberation and approval after deliberation by the Board and the Board of Supervisors; the Bank shall listen to the opinion of public investors when deliberating on the proposals for profit distribution policies and profit distribution plans at the shareholders' general meeting.

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17. External Auditors and Auditor Emoluments

In accordance with relevant requirements of “Administrative Measures for the Selection and Appointment of Accounting Firms by State-owned Financial Enterprises” (國有金融企業選聘會計師事務所管理辦法) (Caijin [2020] No. 6) issued by the MOF, “the term of appointment of an accounting firm by a financial enterprise shall not exceed eight years”. As of 2019, Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu (collectively referred to “Deloitte”) have been appointed as audit institutions of the Bank’s financial statements for eight consecutive years. In order to comply with the above relevant requirements, the Bank has reached a mutual understanding with Deloitte on the non-renewal of its appointment.

Pursuant to the resolution considered and approved by the Bank on the Board Meeting held on April 22, 2020 and the 2019 Annual General Meeting held on May 22, 2020, the Bank has resolved to appoint KPMG Huazhen LLP and KPMG (collectively referred to “KPMG”) as the newly appointed domestic and overseas auditors of the Bank. Details of the appointment and removal of auditor, please refer to the announcement of the Bank dated April 22, 2020.

In 2020, the Bank paid a total of RMB4.836 million to KPMG and its member organization, including the auditing fees of RMB2.95 million and the non-audit fees of RMB1.886 million.

The Board and the Audit Committee under the Board are unanimously in agreement with regard to the selection and appointment of external auditors of the Bank.

18. Risk Management and Internal Control

During the reporting period, we gradually strengthened our risk management and established an integrated and comprehensive risk management system, through which we successfully met increasingly strict regulatory and other relevant requirements, mitigating risks associated with uncertain external economic conditions, and achieved the sustainable development of our business. In our daily operations, we have been continuously improving our risk management standards through various measures, including setting up a risk management structure to ensure integration of efficient management and all-round support. We have been formulating and implementing effective risk management plans, improving our risk management mechanism and the risk identification and control technical competency. With the help of an effective incentive and accountability system, we have improved our assessment and supervision efficiency, while strengthening and refining our risk management methodologies and measures.

The Bank conducts risk identification for the nine major risks under the comprehensive risk management including credit, market, operational and liquidity from three perspectives of the likelihood, financial impacts and non-financial impacts incurred in relation to risk occurrences every year in order to distinguish the principal risks and non-principal risks faced by the Bank. The nine major risks are assessed from the two dimensions of risk status and risk management standards. According to the assessment results, risk vulnerability is improved and management is strengthened, and the risk tolerance capability is enhanced by increasing additional second pillar capital.

In accordance with the PRC Commercial Banking Law, the Basic Standard for Enterprise Internal Control, Internal Control Guidelines for Commercial Banks and other external laws and regulations and regulatory rules as well as the Basic Internal Control System of Bank of Jiujiang Co., Ltd. and other requirements within the Bank's system, the Bank set up a scientific, complete and reasonable internal control system for the purpose of enhancing the ability of risk management and control, improving customer services and promoting sustainable development, steadily pushing forward internal control assessment as devised in annual work plans. Our internal control covers almost all management and business processes, with an internal control mechanism featuring beforehand risk prevention, in-progress control and post-event supervision and correction in place. The review procedures of the effectiveness of internal control mainly serve the commencement of internal control evaluation. The compliance department of the Head Office leads all branches to conduct self-evaluation on the effectiveness of internal control, and conduct self-evaluation on five aspects including internal environment, risk assessment, control activities, information and communication, and internal supervision. The compliance department of the Head Office conducts spot check and reassessment according to the internal control self-evaluation of each institution, prepares the internal control self-evaluation reports, and reports to the Board.

The Board of the Bank assumes ultimate responsibilities of comprehensive risk management, including the establishment of risk culture, the formulation of risk management policies, and the setting of risk appetite, risk tolerance and risk limit. It also formulates risk management and internal control policies, as well as and reviews the effectiveness of annual risk management and internal control at least once a year. The Board ensures the establishment and implementation of a fully effective internal control system, which guarantees the Bank operates prudently within the legal and policy framework. It assumes responsibilities regarding the risk management and internal control system of the Bank, which aims to manage rather than eliminate the risk of failing to achieve business goals, and can only provide reasonable and not absolute assurance against material misstatements or losses.

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The Board of Supervisors is responsible for the supervision of risk management and internal control, supervising and reviewing the performance of duties of the Board and senior management in respect of risk management and urge for rectification; supervising the efforts of the Board and senior management in improving the internal control mechanism; and supervising the performance of internal control duties by the Board and the senior management.

For the year ended December 31, 2020, the Board completed the annual review and evaluation of the effectiveness of the Bank's internal control and risk management system. The evaluation covers all of the Group's key internal control environment, including financial, operational and compliance as well as risk management function. The Board also considered that the operations of the Bank's risk management and internal control systems, including resources, staff qualifications and experience, training programs and budgets for accounting, internal audit and financial reporting functions, were adequate and effective on the whole. There were no material matters to be brought to attention during the year.

19. Internal Audit

Effective internal audit is of vital importance for ensuring sustainable development of the Bank's business operation. The objectives of our internal audit are the review, evaluation and improvement of our business operations, risk management, internal control and compliance and corporate governance through independent and objective supervision, evaluation and advisory activities in a systematic and standardized manner, so as to promote our steady operation and value enhancement. Our audit covers a comprehensive range of areas including our business operations, risk management, internal control and corporate governance. The Bank sticks to the principles of independence and objectivity throughout the internal audit work.

The Bank has established a vertical and independent internal audit organizational structure which is led by its Board of Directors and comprises the Audit Committee and the audit department of the Head Office. The Board of Directors of the Bank has an Audit Committee responsible for reviewing and approving the important regulations and reports related to internal audit and more, as well as approving medium-to long-term audit plans and annual audit plans and providing guidance, assessment and evaluation for internal auditing. The Audit Committee is supervised by the Board of Directors and reports to it when appropriate. The audit department of the Head Office is an internal audit department of the Bank. The audit department reports audit work to the Audit Committee on a regular basis. Pursuant to the internal and external requirements, it assumes responsibilities dominated by formulating and implementing medium- to long-term plans as well as annual audit plans, organizing and performing subsequent audit work, evaluating the rectifications and being responsible for the quality of the audit project.

According to the requirements of the Board of Directors, the Board of Supervisors and regulatory departments, the audit department makes annual internal audit plans taking nature of business, risk profile, management requirements and the allocation of audit resources into consideration, reports them to the Audit Committee for approval, and implements the plans upon approval. The Bank conducts special audits centering on various risks such as credit risk, market risk, operational risk and information technology risk, engages professor companies to conduct overall audit on information technology risk of the Bank and also conducts audits on commission upon our senior and middle-level managerial staff's economic responsibilities during their tenure.

The Bank usually carries out internal audit in the combination forms of site audit and off-site audit. The audit procedure is made up of the preparatory stage, the implementation stage, the reporting and opposition processing stage, the rectification and follow-up audit stage as well as the archiving stage. The audit report covers various contents such as the objective, scope, basis, findings, conclusions and recommendation of audit. In order to ensure and improve the audit effectiveness, the audit department established the auditing result utilization mechanism to regularly sent audit findings to the audited institutions, the competent business department of the head office and the leaders of the branches, followed up on the "account cancellation" rectification of audited units, urges the competent business department to take measures to standardize and strengthen management, as well as to establish comprehensive internal control measures. For major irregularities and uncorrected audit findings, the audit department shall promptly submit to the relevant departments for accountability according to the work flow.

Corporate Governance Report

20. Inside Information Management

The Board is responsible for disclosing information of the Bank, and ensuring the authenticity, accuracy and integrity of the disclosed information in all material respects without misleading statements or material misstatement and bears individual and joint responsibilities for the authenticity, accuracy and integrity of the disclosed information. The Chairman of the Board is the primary person responsible for implementing the management measures for information disclosure. The Secretary of the Board is in charge of the execution of information disclosure of the Bank and the Office of the Board deals with the daily work thereof.

To ensure confidentiality of the inside information, safeguard the fairness in information disclosure and protect the legal rights of investors, the Bank enacted the “Measures for Information Disclosure Management in Bank of Jiujiang Co., Ltd.” and “Management Measures on Information Insiders of Bank of Jiujiang Co., Ltd.” based on domestic and overseas laws, regulations and other regulatory documents such as the Company Law of the PRC, the Securities Law of the PRC, Measures for the Information Disclosure of Commercial Banks, and the Listing Rules.

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 “Measures for Information Disclosure Management in Bank of Jiujiang Co., Ltd.” and “Management Measures on Information Insiders of Bank of Jiujiang Co., Ltd.”, which also provide specific regulations for the coverage, insider limits 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 disclosed relevant information timely according to requirements.

Report of the Board of Directors

1. Principal Activities and Business Review

The Bank is principally engaged in absorbing public deposit; granting short-term, medium-term and long-term loans; handling domestic and overseas settlements; handling bill acceptance, settlement and discounting; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds; trading of government bonds and financial bonds; inter-bank placement; providing letters of credit services and guarantee; acting as agent on inward and outward payments, acting as insurance agent; providing safe-box service; selling of securities investment funds and other business approved by the authorities (save as the above items as specified by the government, a licence is required for operation in the event of an administrative permit involved).

During the reporting period, the Bank operated in accordance with law and the decision-making procedures were in compliance with relevant laws, regulations as well as the Articles of Association.

Further discussion and analysis of the business review required by the Fifth Schedule of the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) is set out in “Accounting Data and Financial Highlights” and “Management Discussion and Analysis” of this annual report. The principle risks faced by the Bank are set out in the section headed “Management Discussion and Analysis 11. Risk Management”. This discussion forms part of the “Report of the Board of Directors”.

Report of the Board of Directors

2. Dividends

Shareholders of the Bank have considered and approved the 2019 Profit Distribution Plan of the Bank at the 2019 Annual General Meeting held on May 22, 2020. The final dividend for 2019 RMB1.2 (tax inclusive) per ten shares, totalling RMB288.88 million (tax inclusive). The dividend was paid to the Domestic Shareholders and the H Shareholders whose names appear on the register of members of the Bank on June 3, 2020. The above dividends paid were denominated in Renminbi, and will be paid to Domestic Shareholders in Renminbi and H Shareholders in Hong Kong dollars. Calculation of the exchange rate for dividends payable in Hong Kong dollars was based on the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars, i.e. HK\$1.00 = RMB0.91517, as announced by the People's Bank of China on the five working days prior to May 22, 2020, the date of declaration of the dividend at the 2019 annual general meeting (inclusive). The above dividend was paid to holders of the Domestic Shareholders and H Shareholders of the Bank on July 10, 2020.

The Board of Directors of the Bank recommends a cash dividend of RMB1.0 (tax inclusive) per ten shares for the year ended December 31, 2020, totaling approximately RMB240.74 million (tax inclusive). The proposed dividends payable are denominated in Renminbi, and will be paid to Domestic Shareholders in Renminbi and H Shareholders in Hong Kong dollars. Calculation of the exchange rate for dividends payable in Hong Kong dollars will be based on the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on the five working days preceding the date of declaration of the dividend at the 2020 annual general meeting (inclusive). The expected dividend payment date will be before July 20, 2021, subject to the approval by the Shareholders by way of ordinary resolution on the final dividend payment arrangement. Information regarding the record date and book closure date to determine the entitlement to the final dividend and attendance of the 2020 Annual General Meeting will be announced by the Bank in due course.

3. Tax on Dividend Income

Withholding of Enterprise Income Tax for Overseas Non-PRC Resident Enterprise

Pursuant to the applicable provisions of the "Enterprise Income Tax Law of the People's Republic of China" and its implementation regulations and the "Circular of the State Administration of Taxation on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares" (Guo Shui Han [2008] No. 897), when the Bank distributes the final dividend to H share non-PRC resident enterprise shareholders (including H shares registered in the name of HKSCC Nominees Limited), it will withhold and pay enterprise income tax at a rate of 10%. If the relevant non-resident enterprise shareholders are the

actual beneficial owners who meet the requirements of the tax protocol (arrangement), the Bank will apply on behalf of the beneficial owners for enjoying the relevant treatments of the tax agreement in accordance with the Tax Agreement Announcement. Shareholders who meet the requirements shall submit to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, the written entrustment and all the application materials required by the Tax Agreement Announcement in a timely manner. Such materials shall be submitted to the competent tax authority for review by the Bank, and the Bank will then assist in the refund of extra tax withheld upon approval.

Withholding of individual Income tax for overseas non-PRC resident individual shareholders

According to the applicable provisions of the "Individual Income Tax Law of the PRC" and its implementation regulations and the "Announcement of the State Administration of Taxation on the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Agreements (Notice of the State Administration of Taxation ([2015] No. 60) ("Tax Agreement Announcement"), the Bank will withhold and pay individual income tax for H-share shareholders in accordance with the following arrangements:

The Bank will withhold and pay individual income tax at a rate of 10% for H share individual shareholders from Hong Kong or Macau or other countries (regions) with a tax rate of 10% with China as specified by the Tax Agreement when the final dividend is paid;

The Bank will withhold and pay individual income tax at a rate of 10% tentatively for H share individual shareholders from countries (regions) with a tax rate lower than 10% with China as specified by the Tax Agreement. If the relevant H share individual shareholder intends to apply for a refund of the extra withholding tax, the Bank will apply on behalf of the shareholders for enjoying the relevant treatments of the tax agreement in accordance with the Tax Agreement Announcement. Shareholders who meet the requirements shall submit to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, the written entrustment and all the application materials required by the Tax Agreement Announcement in a timely manner. It shall be submitted to the competent tax authority for review by the Bank, and the Bank will then assist in the refund of extra tax withheld upon approval.

The Bank will withhold and pay individual income tax at a rate in accordance with the effective tax rate as stipulated in the relevant tax agreement for H share individual shareholders from countries (regions) with a tax rate higher than 10% but lower than 20% with China as specified by the Tax Agreement when the final dividend is paid.

Report of the Board of Directors

The Bank will withhold and pay individual income tax at a rate of 20% for H share individual shareholders from countries (regions) with a tax rate of 20% or with no tax agreement with China as specified by the Tax Agreement or other circumstances when the final dividend is paid.

The Bank will generally withhold and pay individual income tax for H share shareholders in accordance with the above arrangements. However, the Bank will handle the application in compliance with specific requirements by the taxation authorities.

4. Share capital and Substantial Shareholders

For details of the share capital and the substantial shareholders of the Bank, please see “Changes in Share Capital and Information on Shareholders 1. Changes in Share Capital and 2. Information on Shareholders” in this annual report.

5. Issuance of Bonds

Details of the bonds issued by the Bank for the year ended December 31, 2020 are set out in “Note 31 to the financial statements” of this annual report.

6. Reserves and Distributable Reserves

Details of the changes of the reserves of the Bank for the year ended December 31, 2020 are set out in the consolidated statement of changes in equity within the financial statements of this report.

7. Property and Equipment

Details of the changes of the property and equipment of the Bank for the year ended December 31, 2020 are set out in “Note 23 to the financial statements” of this annual report.

8. Connected Transactions

8.1 Non-Exempt Continuing Connected Transactions

The Group has conducted a number of non-exempt continuing connected transactions during the reporting period. The following table sets forth the status of these continuing connected transactions:

No.	Continuing Connected Transactions	Connected Persons	2020 Annual Caps (RMB million)	Actual Amount for the year ended 2020 (RMB million)
(1)	Provision of investment trust services by CIIT Maximum balance of investment principal of our Bank in trusts managed by CIIT for the year or period Investment interest income received by our Bank from CIIT	Industrial Bank and its associates	nil nil	nil nil
(2)	Provision of Financing to BAIC Group and its associates through an Independent Third Party Trust Company Maximum balance of investments principal of our Bank in trusts managed by an independent third-party trust company for the year or period Investment interest income received by our Bank from an independent third-party trust company	BAIC Group and its associates	nil nil	nil nil
(3)	Provision of financing to BAIC Heshun with funds raised from the issue of wealth management products Maximum balance of investment principal of our Bank with funds raised from the issue of wealth management products in trusts managed by an independent third-party trust company in the year or period Handling fee of wealth management products and handling fee of entrusted loan received by the Bank	BAIC Group and its associates	1,200 1.0	1,200 0.91

Note:

In respect of the above non-exempt continuing connected transactions, the Bank has obtained the approval for these continuing connected transactions and the amount of annual caps of the transactions for the years ended 2018, 2019 and 2020 upon listing. The Bank has also exempted from the compliance with the relevant announcements and independent shareholders' approval requirement within the annual caps of transactions.

Report of the Board of Directors

8.1.1 Provision of investment trust services by CIIT

Our Bank entered into certain investment trust agreements with CIIT in October 2015, October 2016, February 2017, November 2017 and February 2018, where by CIIT acted as the manager of the investment trusts and we received investment returns from the trusts as investor (“CIIT Investment Trusts Agreements”). CIIT is a wholly owned subsidiary of Industrial Bank, and is therefore the Bank’s connected person.

Principal terms

- Our Bank subscribed for certain monetary amounts in the CIIT Investment Trusts Agreements and received investment returns.
- The expected maximum annualized return on investment of certain CIIT Investment Trust Agreements to be received by our Bank ranges from approximately 5.60% to 7.00%. Certain other CIIT Investment Trust Agreements have a floating annualized return.
- The maturity of the investment trusts ranges from 12 months to 36 months.

Hong Kong Listing Rules Implications

The transactions under the CIIT Investment Trust Agreements are conducted in our ordinary and usual course of business on normal commercial terms or better to us. As the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2018, 2019 and 2020 is expected to be less than 5% while more than 0.1% on an annual basis, it is subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

Brief description of the transaction and its purpose

There are 30 trust companies with which our Bank has approved to conduct business, with 21 of which our Bank has an established business relationship. Pursuant to our operation policy that adopts the open market principle, the Bank has conducted sufficient market inquiries (including comparing the quality and return with other products then available in the market) and due diligence on the products and believes that the return of our investment in the trusts managed by CIIT is sizeable, and with controllable investment risk.

8.1.2 Provision of Financing to BAIC Group and its associates through an Independent Third Party Trust Company

The Bank entered into investment trust agreements (“BAIC Related Investment Trust Agreements”) with an independent third-party trust company in March 2017 and August 2017, pursuant to which our Bank provided financing to BAIC Group and its associates (namely BAIC Investment) through such independent third-party trust company.

BAIC Group is a substantial shareholder of the Bank and BAIC Investment is a wholly owned subsidiary of BAIC Group, and is therefore the Bank’s connected persons.

Principal terms

- Our Bank subscribed for certain monetary amounts in the BAIC Related Investment Trust Agreements and received investment returns.
- The expected maximum annualized return on investment to be received by our Bank is approximately 6.7% and 4.4175%.
- The maturity of the investment trusts is 12 months.
- The independent third-party trust company provides financing to BAIC Group and its associates (namely BAIC Investment) by way of capital injection as limited partners or loan agreement.

Hong Kong Listing Rules Implications

The transactions contemplated under the BAIC Related Investment Trust Agreements are conducted in our ordinary and usual course of business on normal commercial terms or better to us. As the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2018, 2019 and 2020 is expected to be less than 5% while more than 0.1% on an annual basis, it is subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

Brief description of the transaction and its purpose

Our Bank has conducted market research (including comparing the quality and return with those of other products then available in the market) and sufficient due diligence on the products and believes that the return of the BAIC Related Investment Trust Agreements is sizeable, and with controllable investment risk.

Report of the Board of Directors

8.1.3 Provision of financing to BAIC Heshun with funds raised from the issue of wealth management products

Our Bank entered into an investment trust agreement (“BAIC Heshun Related Investment Trust Agreement”) with an independent third-party trust company in March 2017, pursuant to which our Bank provided financing to BAIC Heshun through such independent third-party trust company with funds raised from the issue of our Bank’s non-principal guaranteed wealth management products. Our Bank received handling fees as a result of the arrangement.

BAIC Heshun is an indirect wholly owned subsidiary of BAIC Group, and is therefore the Bank’s connected persons.

Principal terms

- The Bank subscribed for certain monetary amounts in the BAIC Heshun Related Investment Trust Agreement and received investment returns.
- The independent third party trust company provides financing to BAIC Heshun by way of a shareholder’s loan as a limited partner through an entrusted loan from our Bank.
- The maturity of the investment trusts is 36 months.
- The handling fee charged by our Bank for the wealth management products shall be the difference between the expected net yield as prescribed under the BAIC Heshun Related Investment Trust Agreement and the cost of each of the relevant non-principal guaranteed wealth management products.
- The handling fee charged by our Bank for the entrusted loan is a one-off payment equal to 0.15% of the loan amount.

Hong Kong Listing Rules Implications

The transactions contemplated under the BAIC Heshun Related Investment Trust Agreements are conducted in our ordinary and usual course of business on normal commercial terms or better to us. As the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2018, 2019 and 2020 is expected to be less than 5% while more than 0.1% on an annual basis, it is subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

Brief description of the transaction and its purpose

Our Bank has conducted market research (including comparing the quality and return with those of other products then available in the market) and sufficient due diligence on the products and believes that the return of the BAIC Related Investment Trust Agreements is sizeable, and with controllable investment risk.

8.2 Confirmation by Independent Non-executive Directors

As at the end of the reporting period, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed the transactions:

1. were entered into the ordinary and usual course of business of the Bank;
2. were conducted on normal commercial terms or better; and
3. were conducted in accordance with relevant terms of the transaction agreement with fair and reasonable terms and in the interests of the shareholders of the Bank as a whole.

8.3 Confirmation by Auditor

According to Rule 14A.56 of the Listing Rules, the Board of Directors engaged the overseas auditor of the Bank, KPMG to undertake a limited assurance engagement in respect of the above continuing connected transactions, in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Board confirmed that the auditor has reported to the Board of Directors the results on executing the procedure that:

- a. nothing has come to the auditor’s attention that causes the auditor to believe that those disclosed continuing connected transactions were not approved by the Bank’s Board of Directors;
- b. for transactions involving the provision of services by the Bank, nothing has come to the auditor’s attention that causes the auditor to believe that the transactions have not been conducted in accordance with the Bank’s pricing policy in all material respects;
- c. nothing has come to the auditor’s attention that causes the auditor to believe that the transactions have not been conducted in all material respects in accordance with the relevant agreements governing such transactions; and
- d. for the total amount of the continuing connected transactions, nothing has come to the auditor’s attention that causes the auditor to believe that the amount of these continuing connected transactions exceeds the total annual cap of the continuing connected transactions of 2020 that the Bank has applied for.

Certain related party transactions disclosed in Note 39 to the Consolidated Financial Statements in this annual report constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules and such transactions have complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules.

Report of the Board of Directors

Except as disclosed in this annual report, during the reporting period, the Bank does not have any other connected transactions or continuing connected transactions that are required to be disclosed in accordance with the disclosure requirements of connected transactions under Chapter 14A of the Hong Kong Listing Rules.

9. Directors, Supervisors and Senior Management

Please refer to the section headed “Information on Directors, Supervisors, Senior Management, Staff and Institution” of this annual report for biographical details of current Directors, Supervisors and senior management and changes in Directors during the reporting period.

10. Confirmation of Their Independence by Independent Non-executive Directors

The Bank has received the confirmation letters from each of the independent non-executive Directors regarding their independence. We consider that all independent non-executive Directors are in compliance with the relevant guidelines set out in Rule 3.13 of the Hong Kong Listing Rules, and that they are independent persons.

11. Interests of Directors’ and Supervisors’ in Competing Businesses with the Bank

During the reporting period, no Directors, Supervisors and their associates have any competing interests in any business that competes, or may compete, directly or indirectly, with the business of the Bank.

12. Directors’, Supervisors’ and Senior Management’s Emoluments

Details of the emoluments of Directors, Supervisors and Senior Management are set out in “Note 14 to the Consolidated Financial Statements” in this annual report.

13. Retirement Benefits

Details of the retirement benefits provided by the Bank to employees are set out in “Note 33(1) to the Consolidated Financial Statements” in this annual report.

14. Directors’ and Supervisors’ Service Contracts

During the reporting period, the Directors and Supervisors did not enter into any service contract with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

15. Permitted Indemnity Provisions

Pursuant to Code Provision A.1.8, the Bank should purchase appropriate insurance covering potential legal proceedings against the Bank's Directors. In order to comply with the code provisions, the Bank has purchased appropriate liability insurance for Directors to provide indemnity for their liability arising in the business in 2020.

Save as disclosed above, at any time during the reporting period and as at the date of this annual report, there was no permitted indemnity provision in favour of Directors or Supervisors (whether by the Bank or by other means) or directors or supervisors from the Bank's associated corporations (if formulated by the Bank) as beneficiaries.

16. Financial, Business and Family Relationships between Directors, Supervisors and Senior Management

There is no financial, business or family relationships between each of the Directors, Supervisors and senior management.

17. Interests and Short Positions of Directors, Supervisors and Chief Executive

As at the end of the reporting period, the Directors, Supervisors and chief executives of the Bank who had interests and short positions in the Shares, underlying Shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank under Section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code are set out in "Information on Directors, Supervisors, Senior Management, Staff and Institution – 7. Interests and Short Positions of Directors, Supervisors and Senior Management in Shares, Underlying Shares and Debentures" of this annual report.

18. Material Interests of Directors and Supervisors in transactions, arrangements or contracts

During the reporting period, the Bank and its subsidiaries did not enter into any transactions, arrangements or material contracts in which the Directors or Supervisors (or their connected entities) directly or indirectly have material interests.

Report of the Board of Directors

19. Arrangements to Purchase Shares or Debentures

During the reporting period, the Bank did not grant any rights, or exercise any of these rights to enable Directors and Supervisors to obtain benefits in the acquisition of shares or bonds of the Bank or any other body corporate.

20. Management Contract

Except for the service contracts with the Bank's management, the Bank did not enter into any other contract with any individual, company or body corporate to manage or deal with the entire part or any significant part of any business of the Bank.

21. Purchase, Sale or Redemption of Listed Securities of the Bank

Redemption of Tier-two Capital Bonds

In December 2015, the Bank issued tier-two capital bonds in an amount of RMB2.0 billion in the national interbank bond market. Such tier-two capital bonds are subject to the redemption option of the issuer, pursuant to which the Bank has redeemed such tier-two capital bonds on December 28, 2020. For details of this redemption of such bonds, please refer to the announcement of the Bank dated December 29, 2020.

Save as disclosed above, during the reporting period, the Bank or any of its subsidiaries did not purchase, sell or redeem any listed securities of the Bank.

22. Pre-emptive Rights and Share Option

There is no relevant laws of mainland China and the provisions in the Articles of Association for granting the Bank's shareholders with the pre-emptive rights and share option. The Articles of Association stipulates that after the resolution of the shareholders' meeting is submitted to the relevant national authorities of the State for approval, the registered capital may be increased by the following means: public issuance of shares; non-public issuance of shares; distribution of bonus shares to its existing shareholders; conversion of funds in the capital reserve to share capital; other means stipulated by law and administrative regulations or by the relevant national authorities.

23. Donation

The Bank made charitable and other donations totaling approximately RMB8.91 million for the year ended December 31, 2020.

24. Equity-linked Agreement

During the reporting period, the Bank did not enter into or continue to keep any other equity-linked Agreement.

25. Major Customers and Suppliers

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 base. The interest income of the top five largest customers of the Bank accounted for no more than 30% of the Bank's interest income. Directors of the Bank and their close associates or any shareholder who, as far as the Directors know, has more than 5% of the issued shares of the Bank, do not own any equity of the above five major customers.

Due to the nature of its business, the Bank doesn't have major suppliers.

26. Public Float

When it applied for the listing of its H Shares, the Bank applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted the Bank a waiver that the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules be reduced and the minimum percentage of the H Shares from time to time held by the public to be the higher of (a) 15.15% of the total issued share capital of the Bank (assuming the over-allotment option is not exercised); or (b) such percentage of H Shares of the Bank to be held by the public after the exercise of the over-allotment option.

Immediately after the partial exercise of the over-allotment option and as of the date of this annual report, the number of H Shares in public hands represents approximately 16.92% of the total issued share capital of the Bank, which satisfies the minimum percentage prescribed in the conditions imposed in the waiver granted by the Hong Kong Stock Exchange from strict compliance with Rule 8.08(1) of the Hong Kong Listing Rules.

27. Corporate Governance

The Bank is committed to maintaining a high level of corporate governance. Please refer to "Corporate Governance Report" of this annual report.

28. Auditors

For information about the auditors of the Bank, please refer to the section headed "Corporate Governance Report 17. External Auditors and its Emoluments" of this annual report.

Report of the Board of Directors

29. Consumer Rights Protection

During the reporting period, the Bank **firstly consolidated its security mechanism**. The Bank revised and improved the Measures for the Administration of Bank of Jiujiang for the Administration of Consumer Rights Protection, the Detailed Rules for the Evaluation of the Protection of Consumer Rights and Interests of Bank of Jiujiang and other systems to further strengthen system management. At the same time, the Bank optimized the members of the Consumer Rights Protection Committee under the senior management, and held a meeting of the Consumer Rights Protection Working Committee to interpret the latest regulatory policies on consumer protection, so as to carry forward the concept of the protection of consumer rights from top to bottom.

Secondly, strengthen the internal training and external publicity. Within the Bank, we strengthened the training and education of consumer rights protection for all bank employees through morning and evening meetings, special meetings, Jiuyin Yi Xue APP, etc., and implemented the examination and assessment mechanism, thus improving the consumer rights protection ability and service level of employees throughout the Bank. Externally, while doing a good job in epidemic prevention and control, the Bank actively organized and carried out a series of publicity activities such as “March 15 World Consumer Rights Day”, “Prevention of Illegal Fund-raising Publicity Month”. In 2020, by relying on branches, online expansion, position concentration, arrangement of specially-assigned persons and other publicity means, the Bank organised a total of more than 900 various types of publicity activities and distributed more than 210,000 publicity materials. It texted more than 230,000 messages, produced more than 180 WeChat articles, more than 30 original short videos, and 13 entries for Tik Tok, had its posts on WeChat shared more than 280,000 times, catered for more than 650,000 audiences and was reported in the media more than 20 times.

Thirdly, strengthen complaint management. In 2020, the Bank revised the “Consumer Complaint Management Measures for Bank of Jiujiang” and further clarified the responsibilities of relevant departments of consumer protection complaints, as well as the time limit and path for handling them, so as to ensure that complaint handling has rules to follow; The Bank actively promotes the use of the financial consumer complaint management system, and ensures the timely and efficient disposal of the Bank’s complaints through online complaint work order circulation; The Bank conducts statistical analysis of complaint work orders throughout the Bank on a quarterly basis, strengthens the guiding role of complaint analysis, and promotes the optimization of the Bank’s products and business models; Through risk warning, daily linkage and on-site communication, the Bank strengthened the source management of complaints from the aspects of system, process and behavior, effectively improved the quality and efficiency of complaint handling, and safeguarded the legitimate rights and interests of financial consumers; The Bank fully cooperates with the consumer protection complaints of the regulatory authorities, properly

handles the complaints transferred from the regulatory authorities, and promptly reports the relevant information on complaint handling to the regulatory authorities; The Bank actively participated in the complaint handling work of the Dispute Mediation Service Center of the regulatory authorities, and made full use of the experience of supervision and peer complaint dispute mediation to properly resolve thorny customer complaints. The Bank accepted 662 complaints and completed 662 complaints (of which 323 were withdrawn) in 2020, with a completion rate of 100% and a satisfaction rate of 90.70%. The complaints mainly focus on RMB savings, loans, bank cards and payment and settlement businesses, including 237 bank card businesses, 163 loan businesses, 64 RMB savings businesses and 82 payment and settlement businesses. The complaints are mainly concentrated in Jiujiang, Nanchang, Ganzhou, Hefei and other regions.

Fourthly, implement supervision and assessment. During the reporting period, the Bank issued Further Standard on the Sales and the Warning on Avoiding Risk of Non-compliance Sales by Agents (《關於進一步規範銷售行為及關於規避違規代理銷售行為的風險提示》), and conducted routine internal inspections on the Bank's financial management and "consignment" behavior, and comprehensively carried out compliance self-inspection, and immediately corrected any problems found; The Bank completed the evaluation of consumer rights protection, promoted training through assessment, and promoted the Bank's consumer rights protection work to further improve the quality and efficiency.

Fifthly, regulate product review. The Bank revised and issued the Measures for the Administration of New Products of Bank of Jiujiang and the Detailed Rules for the Implementation of the Review of Consumer Rights and Interests Protection of New Products and Services of Bank of Jiujiang, explicitly incorporating consumer protection assessment into the online declaration process of new products and new businesses, and comprehensively carrying out the assessment of consumer rights and interests protection at the stage of product and service access approval.

Sixthly, promote the construction of bases. The Bank actively promotes the construction of financial education demonstration bases, sets up special funds, and has submitted application materials for financial education demonstration bases to the People's Bank of China, and is currently sparing every effort to promote the construction of bases.

Report of the Board of Directors

30. Environmental and Social Policy

As the main force of commercial banks in Jiangxi Province, the Bank insists on green finance as the core, seeks progress and development in efforts, continuously provides new ideas and methods for “transforming the advantage of ecological environment into that of economic and social development and turning green hills and clear waters into invaluable assets”, and roots for the idea of ecological civilization construction.

With the policy advantage of Ganjiang New Area in Jiangxi Province, which has been approved as one of the earliest pilot zones for green finance reform and innovation in China, the Bank took the lead in setting up Jiangxi’s first “Green Finance Business Division” on August 9, 2017, set up special posts of green finance in its branches and sub-branches, and pursued all-round development in terms of system construction, business promotion, product innovation and exchanges and cooperation, rooting for the high-quality development of Ganjiang New Area and green finance in Jiangxi.

In 2020, the Bank joined a number of green finance-related organizations one after another in order to constantly strengthen its cooperation and exchanges with external partners. In April 2020, the Bank officially signed the UN’s PRB, joined UNEP FI, and turned itself into China’s first city commercial bank that has signed the PRB. In the same month, the Bank formally joined the Specialized Committee of Green Credit Business of China Banking Association and the Specialized Committee of Climate Investment and Financing of Chinese Society for Environmental Sciences, further strengthening its professional ability of building of green finance, shaping its brand image of “bank of green finance” and continuously expanding its brand influence of green finance.

Centering on the high-quality development guidelines of “adhering to innovation orientation, tackling challenges through reforms, opening up for improvement, pursuing green rise, upholding responsibility and hard work and revitalizing Jiangxi and enriching the people” and the requirement of focusing on Ganjiang New Area and taking innovative development as guide proposed by the CPC Party Committee of Jiangxi Province, the Bank will continue to go deep into green finance, gradually improve the construction of green banking system, and shoulder the responsibility and mission of boosting the sustainable development of global finance.

For details of the environmental policy, social policy and the performance of the Bank, please refer to the publication of Environmental, Social and Governance Report of the Bank after the annual report.

31. Review of Annual Report

The Audit Committee of the Bank has reviewed the Bank's annual results of 2020, and the financial statements for the year ended December 31, 2020 prepared in accordance with International Financial Reporting Standards.

32. Other Matters

As far as the Board of Directors is aware, the Bank has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Bank. At the same time, the Bank is committed to the long-term sustainable development of the environment and community where we operate. The Bank acted in an environmentally responsible manner and tried its best to comply with the laws and regulations concerning environmental protection and took effective measures to make effective use of resources, save energy and reduce waste.

As at the date of this report, the Bank is not aware of any Shareholder who has waived or agreed to waive any arrangement related to dividends.

As at the date of this report, none of our Directors has waived or agreed to waive arrangement related to remuneration.

The Bank will publish the Environmental, Social and Governance Report during the reporting period in accordance with the related requirement of Appendix 27 Environmental, Social and Governance Reporting Guide of the Listing Rules.

Report of the Board of Directors

DIRECTORS

During the reporting period and as at the date of this annual report, the Board of Directors include:

Executive Directors

Mr. LIU Xianting (*Chairman*)
Mr. PAN Ming (*Deputy Chairman*)
Mr. YUAN Delei⁽¹⁾

Non-executive Directors

Mr. ZENG Huasheng
Mr. ZHANG Jianyong⁽²⁾
Mr. LI Jianbao
Mr. LIU Yinan⁽¹⁾

Independent Non-executive Directors

Mr. CHUA Alvin Cheng-Hock
Ms. GAO Yuhui
Mr. QUAN Ze
Mr. YANG Tao

By Order of the Board

Liu Xianting

Chairman

Jiujiang, PRC

March 30, 2021

- (1) Mr. YUAN Delei and Mr. LIU Yinan, the Newly Elected Directors, will be reported to China banking and insurance regulatory authorities for approval of their Director's qualifications. The term of office will be from the effective date of the approval of China banking and insurance regulatory authorities to the expiry of the term of the sixth session of the Board.
- (2) Mr. ZHANG Jianyong resigned as the non-executive Director and members of the Strategic Committee and the Consumer Rights Protection Committee of the Bank due to his work reallocation. The Board of the Bank received the resignation from Mr. ZHANG Jianyong on March 30, 2021, and his resignation shall take effect from the the date of effectiveness of the non-executive Director newly elected by the shareholders' general meeting of the Bank. During this period, Mr. ZHANG Jianyong will continue to perform the duties of non-executive Director of the Bank and members and relevant special committees of the Board.

Report of the Board of Supervisors

In 2020, under the correct leadership of the Shareholders' General Meeting and with the support and cooperation of the Board of Directors and senior management, all Supervisors of Bank of Jiujiang Co., Ltd. (the **"the Board of Supervisors"**) diligently performed their duties, arranged the work based on the Bank's strategic development objectives and annual center, earnestly implemented regulatory requirements, carried out supervisory work in a standardized manner, promoted the sustainable development of the Bank and safeguarded the legitimate rights and interests of the Company, shareholders and employees in accordance with relevant laws, regulations and the Articles of Association.

The Bank hereby reports the main work of the Board of Supervisors in 2020 and the work plan in 2021 as follows:

I. Strictly implement the deliberation system, review and supervise compliance and efficiency

In 2020, the Board of Supervisors followed the two basic principles of promoting the development of the Company and safeguarding shareholders' rights and interests, and actively and orderly convened the Board of Supervisors in accordance with the working system of the Board of Supervisors and the work plan formulated at the beginning of the year. In 2020, the Board of Supervisors convened 5 meetings and reviewed 60 proposals, including the annual report on the work of the Board of Supervisors, performance evaluation report, financial accounts plan, regular financial report, risk management report, internal control evaluation report, social responsibility report and related party transactions, etc., and listened to 10 special reports, including the special audit report on related party transactions, special audit report on anti-money laundering, special audit report on consumer rights protection, and the report on the implementation of regulatory opinions in 2019.

The Supervisory Committee and Nomination Committee under the Board of Supervisors convened a total of 11 meetings to strengthen supervision over risk management, internal control and remuneration management, at which 32 proposals were considered and passed.

Report of the Board of Supervisors

II. Attend various important meetings and supervise the whole decision-making process

The Chairman of the Board of Supervisors, on behalf of the Board of Supervisors, attended the full meetings of Party Committee, on-site meetings of the Board of Directors and the General Office of the President, urged the Board of Supervisors to strictly implement the decisions of the Party Organization, supervised the compliance of the Board of Directors and the President's office meeting procedures, proposals on site according to the law, and gave full play to the Board of Supervisor's supervisory role in development strategies, business decisions, important personnel appointments and dismissals, regulation of business practices, risk prevention, and supervision of the performance of senior management, as well as actively put forward suggestions and program measures; the Chairman of the Board of Supervisors participated in the process of deliberation of the proposals at the General Meeting of Shareholders and reports to the General Meeting of Shareholders the proposals, including the work report of the Supervisory Board in 2019, the report on the evaluation of the performance of directors, supervisors and and senior management, which reflected the functional orientation of the Board of Supervisors to be responsible to the shareholders' meeting and to the Company, shareholders, employees, creditors and other stakeholders.

III. Give full play to the supervision function according to the focus of work

- (1) Effectively perform supervision functions and promote loyal and efficient performance of duties

By attending meetings, reviewing data, listening to reports and conducting research, the Board of Supervisors supervised the performance of duties and implementation of resolutions of the Shareholders' General Meeting regulatory opinion by the Board of Directors, senior management and their members in accordance with laws and regulations, as well as focused on the performance of duties and responsibilities of the Board of Directors and senior management in corporate governance, development strategy, operational management, capital management, risk management, internal control, related party transactions, remuneration management, information disclosure, behavior management of employees, consumer rights and interests protection, anti-money laundering work, data governance and management, etc.

According to the requirements of the performance file and performance evaluation system, and in conjunction with the supervision of daily performance, the Board of Supervisors carried out the work of evaluation of the performance of duties of the Board of Directors, senior management and their members in an orderly manner, and reported the evaluation results to the Shareholders' General Meeting and the supervisory authority.

(2) Seriously perform the financial supervision function to effectively safeguard the rights and interests of small and medium shareholders

In 2020, the Board of Supervisors carefully considered the regular financial reports and supervised their authenticity, accuracy and completeness according to external requirements. At the same time, the Board of Supervisors focused on supervising the Bank's important financial decisions and implementation: at the 16th meeting of the fifth session of the Board of Supervisors, it considered the financial final accounts report, budget plan and profit distribution plan; at the 17th meeting of the fifth session of the Board of Supervisors, it considered the proposal on re-appointment of accounting firms. In addition, the Board of Supervisors continuously supervised related party transactions, disposal of non-performing assets, capital management and other major issues, and continuously followed up the progress of the Bank's capital replenishment work.

(3) Continuously strengthen internal control supervision to promote the improvement of the Company's prevention and control system

In 2020, the Board of Supervisors further strengthened the supervision of internal control and compliance according to the regulatory requirements. At the 16th meeting of the fifth session of the Board of Supervisors, it listened to the 2019 internal control self-evaluation report and the special report on related party transactions; at the 17th meeting of the fifth session of the Board of Supervisors, it listened to the 2019 Case Prevention Work Report and Compliance Management Report. The Board of Supervisors proposed that internal control should rely on automation instead of subjective consciousness, made improvement plans for identified internal control defects, and clarified time nodes, ect. At the same time, the Board of Supervisors also tracked the rectification of problems found in the internal control self-assessment.

In addition, the Board of Supervisors informed the inspection opinion issued by the banking and insurance regulatory authorities to all supervisors, and provided suggestions and guidance on how to implement the requirements of the regulatory authorities and improve the management level.

Report of the Board of Supervisors

(4) Continue to pay attention to risk management and earnestly perform supervisory duties

In 2020, the Board of Supervisors continued to pay attention to the risk management, and effectively supervised the risk management by reviewing proposals, listening to reports, discussing and communicating. At the 17th meeting of the fifth session of the Board of Supervisors, the Board of Supervisors listened to the report on risk management for 2019, reviewed the risk appetite statement for 2020, and proposed opinions such as focusing on non-performing management and concentration risks, and digging deep into the root causes of changes in risk indicators; At the third meeting of the sixth session of the Board of Supervisors, the Board of Supervisors considered proposals such as the construction plan of a comprehensive risk management system, and proposed that risk management must strengthen quantification and real-time, and risk prevention and control should be carried out through scientific and technological means.

In addition, the Board of Supervisors also pays close attention to various risk supervision indicators of the Bank in real time to understand the current situation of risk management of the Bank.

(5) Pay attention to and guide the internal audit work, and make full use of the audit results

At the 17th meeting of the fifth session of the Board of Supervisors, the Board of Supervisors listened to the internal audit work report for 2019 and considered the internal audit work plan for 2020. At the second meeting of the sixth session of the Board of Supervisors, the Board of Supervisors listened to the internal audit work report for the first half of 2020 and considered the adjustment plan of the internal audit work plan for 2020. Besides, the Board of Supervisors regularly listens to special audit reports, focusing on the problems found in the audit and the rectification. The Board of Supervisors also put forward guiding opinions such as continuously following up and rectifying the problems found in the audit.

IV. Continue to strengthen self-construction and improve the supervising level

- (1) Successfully completed the re-election of the Board of Supervisors and set up subordinate Special Committees

In 2020, the Board of Supervisors completed the re-election according to legal procedures. Through careful communication and extensive solicitation of opinions, the Board of Supervisors proposed candidates for the shareholder Supervisors and external Supervisors for the new session after careful deliberation at the 17th meeting of the fifth session of the Board of Supervisors. After the election at the Shareholders' General Meeting and the employee representative meeting, a new session of the Board of Supervisors was elected, including 2 shareholder Supervisors, 2 employee Supervisors and 2 external Supervisors, which ensured the rationality of the member structure of the Board of Supervisors. At the same time, the Board of Supervisors elected the chairman and clarified the members of the Nomination Committee and Supervisory Committee of the Board of Supervisors in accordance with the regulations. Based on the requirements of the guidelines, the chairman of each Special Committee shall be an external supervisor.

- (2) Consolidate the foundation and promote compliance, comprehensive and in-depth performance of duties

The first is to refine the content of performance evaluation. The Board of Supervisors improved the performance evaluation system of directors, supervisors and senior management personnel in accordance with the requirements of regulatory opinions and in combination with industry practices. The revised Measures and Detailed Rules for Performance Evaluation clarified the details of performance files, the division of responsibilities for performance evaluation, and the implementation process of performance evaluation; in addition, according to the different responsibilities of Directors, Supervisors and senior management personnel, the revised one improved the assessment content and weight, set quality and quantity dimensions, and formulated performance evaluation standards to promote compliance and diligence in performing duties according to laws and regulations. The second is to fill the

Report of the Board of Supervisors

shortcomings of the system. In order to effectively complete the inspection work supervised by the Board of Supervisors, the Board of Supervisors has formulated supervision and inspection methods, standardizing and clarifying the contents, procedures, application of results and methods of supervision and inspection by the Board of Supervisors. The third is to clarify the matters reported to the Board of Supervisors on a daily basis. To ensure that the Board of Supervisors can obtain the information required for performing its duties in a timely and comprehensive manner, the Board of Supervisors has comprehensively sorted the external rules and systems, and made clear the matters and frequency that the responsible departments should report to the Board of Supervisors and publicized them throughout the Bank. The fourth is to recruit the staff of the Board of Supervisors Office. In 2020, specific responsible personnel was assigned to be responsible for the work of the Office of the Board of Supervisors, so as to further implement and detail the daily work of the Board of Supervisors, promote the compliance of the Board of Supervisors, and comprehensively and deeply perform its supervisory duties.

(3) Carry out training and exchanges to promote the improvement of performance of duties

The first is to regularly conduct training and study. On the one hand, since September 2020, the Office of the Board of Supervisors has regularly submitted important matters, important regulatory documents, industry trends and other information in the Bank to supervisors for reading in the form of Monthly Report of the Board of Supervisors and Reference Documents of the Board of Supervisors, and the Office has issued 3 monthly reports and 2 reference documents during the year. On the other hand, the Board of Supervisors organizes learning and training for supervisors on a quarterly basis, covering the latest developments of common external regulatory systems and regulatory authorities, so as to help supervisors become familiar with and understand regulatory requirements, and dynamically and effectively improve supervisors' awareness of duty performance and supervisory ability. The second is to strengthen industry exchanges. During the reporting period, the Board of Supervisors had in-depth and effective exchanges with Jiangsu Bank, Changsha Bank, Yunnan Hongta Bank and other banks on the performance of duties, work priorities and communication ways of the Board of Supervisors.

V. Independent opinions of the Board of Supervisors on relevant matters

(1) Operation in compliance with laws and regulations

During the reporting period, the operation of the Bank was in accordance with the requirements of Company Law of the PRC, Commercial Banking Law as well as the Articles of Association, while the decision-making procedures were legal and valid. The Directors and senior management of the Bank were diligent in performing their duties and no acts in violation of laws, regulations and the Articles of Association and detrimental to the interests of the Bank and Shareholders were discovered when the Directors and senior management of the Bank performed their duties.

(2) Actual circumstances of financial report

During the reporting period, the Bank's Supervisors conducted a detailed review of the Bank's 2020 annual report based on the principle of seeking truth from facts and the working attitude of being responsible to shareholders. The Board of Supervisors considered: The procedures for the preparation of the 2020 annual report by the Board of Directors were in compliance with laws, administrative regulations and rules and regulations. The 2020 annual financial report has been audited by KPMG Huazhen LLP and KPMG, which were hired by the Board of the Bank, and issued an audit report with unqualified opinion. The contents in this report reflect the actual situation of the Bank in a true, accurate and complete manner. It has no false representations, misleading statements or material omissions.

(3) Related party transactions

During the reporting period, the Board of Supervisors supervised the Bank's related party transaction management and found no violation of the principle of fairness or damage to the Bank's interests.

(4) Internal control

During the reporting period, 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 was carried out smoothly, in compliance with the relevant standardised requirements of laws and regulations on the management of internal control systems. No major defects were found in the internal control system or its implementation.

Report of the Board of Supervisors

(5) Implementation of the resolutions of the Shareholders' General Meetings

During the reporting period, the Board of Supervisors had no objection to the resolutions submitted by the Board of Directors of the Bank at the Shareholders' General Meetings within 2020 for review, as well as supervised the implementation of the resolutions of the Shareholders' General Meetings, and was of the view that the Board was capable of earnestly implementing the relevant resolutions of the Shareholders' General Meetings, and did not take any action detrimental to the interests of Shareholders.

VI. Major work arrangement for the year of 2021

In 2021, the Board of Supervisors will continue to strictly and solidly promote the work of the Board of Supervisors, earnestly perform the functions of the Board of Supervisors and supervise the resolutions of the Shareholders' General Meeting, earnestly implement the opinions and requirements of regulatory agencies, continuously strengthen organizational construction, ensure the smooth completion of various tasks, and strive to play the supervisory role of the Board of Supervisors based on the Articles of Association, the working guidelines of the Board of Supervisors, the requirements of the regulatory authorities, and centered on the Bank's strategic plan and annual work priorities.

The first is to carry out performance evaluation of Directors, Supervisors and senior management in accordance with the newly revised and improved performance evaluation methods and evaluation rules and in combination with the requirements of regulatory opinions; The second is to carry out supervision and inspection work in combination with the rectification of problems found in the Bank's internal and external inspections; The third is to strengthen self-construction, and organize training and industry exchanges to improve the performance of duties; The fourth is to continuously improve the system and consolidate the foundation of the supervision quality and effect of the Board of Supervisors.

The Board of Supervisors of Bank of Jiujiang Co., Ltd.

March 30, 2021

Significant Issues

1. Matters concerning the Impact of COVID-19 Epidemic

The Bank has evaluated and analyzed the impact of COVID-19 epidemic in its early stage and formulated measures to cope with possible outcomes in a timely manner. Meanwhile, the Bank actively implemented the requirements of national policies such as “reduction of fees and concessionary profits” and “Six Stables and Six Guarantees”, actively bore social responsibility and continuously strengthened our ability to serve the real economy. For the measures taken by the Bank to prevent and control of the epidemic and to assist enterprises to resume work and production, please refer to “Management Discussion and Analysis – 9. Business Operation”.

As of the end of the reporting period, the epidemic has not produced any significant adverse impact on the Bank’s financial position, operating results or risk management.

2. Significant Contracts and Their Performance

Entering into Creditor’s Rights Transfer Agreement

On 28 September 2020, the Bank entered into the Creditor’s Rights Transfer Agreement (the “Creditor’s Rights Transfer Agreement”) with Jiangxi Ruijing Financial Asset Management Co., Ltd. (“Jiangxi Ruijing”), pursuant to which the Bank agreed to transfer its legally-owned creditor’s rights assets that was set forth in the Creditor’s Rights Transfer Agreement to Jiangxi Ruijing at a consideration of RMB950 million. For the details of this Creditor’s Rights Transfer Agreement, please refer to the announcements of the Bank dated September 28, 2020 and October 15, 2020.

3. Significant Investment and Plans

During the reporting period, the Bank neither made any significant investment, nor had any concrete plans on significant investment or on acquiring significant capital assets or other businesses.

4. Material Lawsuits, Arbitration Matters and Material Cases

During the reporting period, there were no litigations or arbitrations which had a material impact on the operation activities of the Bank.

Significant Issues

5. Related Party Transactions

The Bank carried out the related party transactions in strict compliance with the relevant requirements of the regulatory institutions and the Administrative Measures on Related Transactions of Bank of Jiujiang Co., Ltd. promulgated by the Bank.

In accordance with the requirements of the CBIRC, the Bank approved the related party transactions on commercial principles with terms no favorable than those offered to non-related parties for similar transactions. The terms of such transactions are fair and reasonable, and are in the interests of all shareholders and the Bank as a whole, which had no adverse impact on the operating results and financial conditions of the Bank.

As of the end of the reporting period, the balance of the related party transactions with legal persons of the Bank was RMB4.106 billion, the balance of related party transactions with natural persons was RMB310 million, and the total balance of related party transactions was RMB4,416 million, accounting for 14.10% of the Bank's net capital, which complied with the regulatory requirements.

For details of the related party transactions with legal persons, please refer to the section headed "Changes in Share Capital and Information on Shareholders – 2.9 Related party transaction between the Bank and the substantial shareholders and controlling domestic shareholders, actual controllers, persons acting in concert and ultimate beneficiaries thereof in the reporting period" of this annual report.

6. Significant Assets Pledged

The Bank did not pledge any significant assets during the reporting period.

7. Significant Acquisition and Disposal of Assets and Business Combination

During the reporting period, the Bank was not involved in any significant acquisition and disposal of assets and business combination.

8. Punishment against the Bank and its Directors, Supervisors and Senior Management

During the reporting period, the Bank, as well as its Directors, Supervisors and senior management of the Bank were neither under any investigation, administrative penalty or open criticism by the CSRC, nor under any public censure by Hong Kong Stock Exchange or under any punishment by any other regulators which had a material effect on the Bank's operation.

9. Proposed Issuance of Offshore Preference Shares

In order to improve the overall competitiveness of the Bank and to enhance sustainable development of the Bank, the Bank plans to conduct a non-public issuance of offshore preference shares of no more than 100 million shares in total, and the total amount of proceeds does not exceed RMB10,000 million or its equivalent to replenish the Bank's other-tier-one Capital. The Bank's proposal to issue offshore preference shares was reviewed and approved as special resolutions at the first extraordinary general meeting of 2019, the first domestic shareholders class meeting of 2019 and the first H shareholders class meeting of 2019 respectively.

After the consideration and approval at the 2019 Annual General Meeting, the first domestic shareholders class meeting of 2020 and the first H shareholders class meeting of 2020 held by the Bank on May 22, 2020, according to the relevant requirements of the Notice on Guidance Opinion of Commercial Banks' Innovation on Capital Instruments (Revised) (Yin Bao Jian Fa [2019] No.42) published by the CBIRC, the Bank adjusted parts of the contents of the Offshore Preference Shares Issuance Plan and extended the validity period of the resolution on delegation of authority of issuance of offshore preference shares. The proposals will be implemented after approval or filing by the relevant regulatory authorities.

After the Bank's proposal to issue offshore preference shares is approved or filed by the regulatory authorities, the specific issue quantity, issue currency, and issue price will be determined by the Board with reference to market conditions and according to relevant laws and regulations, relevant exchange listing rules, market practices, and the authorization granted at general meeting(s). Please refer to the announcements of the Bank dated March 30, 2020 and the circular dated April 28, 2020 for details.

10. Annual General Meeting

The Bank will make further announcement in relation to details of the convening of the 2020 Annual General Meeting.

11. Significant Events since the End of the Reporting Period

Issuance of Capital Bonds with no Fixed Term

In order to optimize the capital structure, support the business development, strengthen capital strength and comprehensive competition with continued efforts, better increase our ability to serve the real economy, increase the support to small and micro enterprises, help enterprises resume production and work, develop social well-being and people's livelihood and develop the local economy, the Bank issued capital bonds with no fixed term in the aggregate amount of RMB7 billion in February and April 2021, respectively. The details set out below:

Significant Issues

The Bank has received the Approval by the CBIRC Jiangxi Bureau in Relation to the Issuance of Capital Bonds with No Fixed Term by Bank of Jiujiang (《江西銀保監局關於九江銀行發行無固定期限資本債券的批覆》) (Gan Yin Bao Jian Fu [2020] No. 363) and the Affirmative Decision of Administration License of the People's Bank of China 《中國人民銀行准予行政許可決定書》) (Yin Xu Zhun Yu Jue Zi [2021] No. 17), pursuant to which the public issuance of the capital bonds with no fixed term of not more than RMB7 billion by the Bank was approved.

On February 9, 2021, the Bank has successfully completed the issuance of the “Capital Bonds with No Fixed Term (First Tranche) of Bank of Jiujiang Co., Ltd. in 2021” in the China interbank bond market, and completed bond registration and custody in China Central Depository & Clearing Co., Ltd. The size of issuance is RMB3 billion, and the denomination of the bonds is RMB100 each, and the bonds were issued at nominal value. The coupon rate is 4.80% during the first five years, and will be adjusted every five years. The issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. The proceeds from the bonds will be used to replenish the Bank's additional tier-1 capital in accordance with applicable laws and approvals by the regulatory authorities.

On April 15, 2021, the Bank successfully issued the “Capital Bonds with No Fixed Term (Second Tranche) of Bank of Jiujiang Co., Ltd. in 2021” in the China interbank bond market, and completed bond registration and custody in China Central Depository & Clearing Co., Ltd. The size of issuance is RMB4 billion, and the denomination of the bonds is RMB100 each, and the bonds were issued at nominal value. The coupon rate is 4.80% during the first five years, and will be adjusted every five years. The issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. The proceeds from the bonds will be used to replenish the Bank's additional tier-1 capital in accordance with applicable laws and approvals by the regulatory authorities.

Accordingly, all capital bonds with no fixed term approved for issuance of the Bank have been issued.

For details of the issuance of the capital bonds with no fixed term of the Bank, please refer to the announcements of the Bank dated February 2, 2021, February 9, 2021 and April 15, 2021 and the circular dated April 28, 2020.

Independent Auditor's Report

To the shareholders of Bank of Jiujiang Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of Bank of Jiujiang Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 233 to 376, which comprise the consolidated statement of financial position as at December 31, 2020, 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 December 31, 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 for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA 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 IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matters (continued)

Loss allowances of loans and advances to customers and financial investments measured at amortized cost

Refer to Note 19 and Note 20 to the consolidated financial statements and the accounting policies in Note 2(7).

The Key Audit Matter

How the matter was addressed in our audit

The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgement is involved in the selection of those parameters and the application of the assumptions.

In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for corporate loans and advances and financial investments are derived from estimates including the historical losses, 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.

Our audit procedures to assess loss allowances of loans and advances to customers and financial investments measured at amortized cost included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers and financial investments measured at amortized cost, the credit grading process and the measurement of loss allowances;
- involving our internal financial risk management specialists to assess the appropriateness 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, exposures at default, discount rate, adjustments for forward-looking information and other management adjustments;

Independent Auditor's Report

Key audit matters (continued)

Loss allowances of loans and advances to customers and financial investments measured at amortized cost

Refer to Note 19 and Note 20 to the consolidated financial statements and the accounting policies in Note 2(7).

The Key Audit Matter

How the matter was addressed in our audit

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 realization of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the reporting period. The economic impact of the Covid-19 pandemic has added additional challenges to management's judgement.

We identified the measurement of loss allowance for expected credit losses of loans and advances to customers and financial investments measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.

- 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 loans and advances to customers and financial investments measured at amortized cost list used by management to assess the loss allowances with the general ledger, selecting samples and comparing individual loans and advances to customers and financial investments measured at amortized cost information with the underlying agreements and other related documentation to assess the accuracy of compilation of loans and advances to customers and financial investments measured at amortized cost list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;
- for selecting key parameters for forward-looking information adjustments, critically assessing management judgement used in input parameters. As part of these procedures, we challenged the reasons for modifications to estimates and input parameters compared with prior period and considered the consistency of judgement. We compared the macro-economic factors used in the models with 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;

Independent Auditor's Report

Key audit matters (continued)

Loss allowances of loans and advances to customers and financial investments measured at amortized cost

Refer to Note 19 and Note 20 to the consolidated financial statements and the accounting policies in Note 2(7).

The Key Audit Matter

How the matter was addressed in our audit

- evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition. We checked loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses on a sample basis;
- for selected samples of loans and advances to customers and financial investments measured at amortized cost that are credit-impaired, evaluating the timing and means of realization of collateral, evaluating the forecast cash flows, challenging the viability of the Group's recovery plans, evaluating management's assessment of the value of any property collateral held by comparison with market prices and management's evaluation and evaluating other credit enhancements that are integral to the contract terms. We assessed the accuracy of the amount of credit loss allowance using the expected credit loss model based on the above work for a sample of loans and advances to customers and financial investments measured at amortized cost; and
- evaluating whether the disclosures on impairment of loans and advances to customers and financial investments measured at amortized cost comply with the disclosure requirements of the prevailing accounting standards.

Independent Auditor's Report

Key audit matters (continued)

Fair value of financial instruments

Refer to Note 44 to the consolidated financial statements and the accounting policies in Note 2(7).

The Key Audit Matter

How the matter was addressed in our audit

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

The valuation of the Group's financial instruments measured at fair value is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are readily available data obtained from active market. For level 2 financial instruments in the fair value hierarchy, the Group uses the valuation techniques in valuation, using quoted market prices and observable inputs.

The Group has applied applicable models to value certain level 3 financial instruments, which involve significant management judgement.

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.

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.

Our audit procedures to assess the fair value of financial instruments included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls over the valuation, front office and back office reconciliations and model approval for financial instruments;
- involving our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of financial instruments and comparing these valuations with the valuations of the Group. Our procedures included assessing the valuation models of the Group under IFRS 13, testing the inputs used in the fair value calculations and performing revaluations; and
- assessing the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Key audit matters (continued)

Consolidation of structured entities

Refer to Note 38 to the consolidated financial statements and the accounting policies in Note 2(26).

The Key Audit Matter

How the matter was addressed in our audit

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.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.

We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position and relevant regulatory capital requirements could be significant.

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

- understanding and assessing the design and implementation of the key internal controls of financial reporting over consolidation of structured entities;
- assessing the Group's analysis and conclusions on whether it controls structured entities by evaluating the Group's analysis on its power over structured entities, the magnitude and variability of variable returns from its involvement with structured entities. On a sample basis, inspecting the terms of the relevant contracts to assess whether the Group should consolidate a structured entity; and
- evaluating whether the disclosures in the consolidated financial statements in relation to structured entities meet the requirements of the relevant accounting standards.

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 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 the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors 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.

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

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

- 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.

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.

Independent Auditor's Report

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

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 Li Ka Lam.

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 December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
Interest income	4	17,376,471	15,794,229
Interest expense	4	(9,515,335)	(8,443,432)
Net interest income	4	7,861,136	7,350,797
Fee and commission income	5	763,839	495,286
Fee and commission expense	5	(139,849)	(152,966)
Net fee and commission income	5	623,990	342,320
Net gains arising from financial investments	6	1,561,464	2,163,323
Other income, gains or losses	7	144,996	(180,418)
Operating income		10,191,586	9,676,022
Operating expenses	8	(2,885,709)	(2,783,079)
Impairment losses on assets	9	(5,178,471)	(4,619,273)
Share of profits of associates		10,181	8,905
Profit before taxation		2,137,587	2,282,575
Income tax expense	10	(428,115)	(401,327)
Profit for the year		1,709,472	1,881,248
Attributable to:			
Equity shareholders of the Bank		1,672,857	1,837,210
Non-controlling interests		36,615	44,038

The notes on pages 241 to 376 form part of these financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
Profit for the year		1,709,472	1,881,248
Items that may be reclassified subsequently to profit or loss:			
– Financial assets at fair value through other comprehensive income: net movement in the fair value reserve		(56,871)	10,352
– Financial assets at fair value through other comprehensive income: net movement in impairment losses		(121,734)	73,828
– Income tax relating to items that may be reclassified to profit or loss		44,651	(21,045)
Other comprehensive income for the year, net of tax	11	(133,954)	63,135
Total comprehensive income for the year		1,575,518	1,944,383
Total comprehensive income for the year attributable to:			
Equity shareholders of the Bank		1,539,475	1,904,000
Non-controlling interests		36,043	40,383
Total comprehensive income for the year		1,575,518	1,944,383
Basic and diluted earnings per share (in RMB)	12	0.69	0.76

The notes on pages 241 to 376 form part of these financial statements.

Consolidated Statement of Financial Position

As at December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at December 31	
		2020	2019
ASSETS			
Cash and balances with the central bank	15	38,740,922	35,382,213
Deposits with banks and other financial institutions	16	2,014,619	2,247,682
Placements with banks and other financial institutions	17	–	2,251,001
Financial assets held under resale agreements	18	13,447,827	7,808,479
Loans and advances to customers	19	205,658,195	173,368,584
Financial investments	20	145,947,081	134,421,629
Interest in associates	21	126,828	121,647
Right-of-use assets	22	313,992	338,188
Property and equipment	23	3,004,864	2,722,460
Deferred tax assets	24	3,094,177	1,878,548
Other assets	25	3,445,627	2,811,169
Total assets		415,794,132	363,351,600

The notes on pages 241 to 376 form part of these financial statements.

Consolidated Statement of Financial Position

As at December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at December 31	
		2020	2019
LIABILITIES			
Borrowings from the central bank	26	13,763,463	4,073,327
Deposits from banks and other financial institutions	27	9,124,105	14,244,344
Placements from banks and other financial institutions	28	7,409,467	5,140,224
Financial assets sold under repurchase agreements	29	14,705,039	6,379,391
Customer deposits	30	313,804,684	255,263,070
Income tax payable		508,735	227,501
Debt securities issued	31	26,634,140	49,666,982
Lease liabilities	32	353,502	360,610
Provisions		521,141	333,421
Other liabilities	33	2,340,310	2,304,938
Total liabilities		389,164,586	337,993,808
EQUITY			
Share capital	34	2,407,367	2,407,367
Reserves	35	23,568,808	22,318,218
Equity attributable to equity shareholders of the Bank		25,976,175	24,725,585
Non-controlling interests		653,371	632,207
Total equity		26,629,546	25,357,792
Total liabilities and equity		415,794,132	363,351,600

The financial statements have been approved by the Board of Directors of the Bank on March 30, 2021.

Liu Xianting
EXECUTIVE DIRECTOR

Pan Ming
EXECUTIVE DIRECTOR

The notes on pages 241 to 376 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank									Non-controlling interests	Total
	Note	Share capital	Share premium	Fair value reserve	Surplus reserve	General reserve	Retained earnings	Subtotal			
As at January 1, 2020		2,407,367	8,165,761	54,188	3,460,463	4,175,514	6,462,292	24,725,585	632,207	25,357,792	
Profit for the year		-	-	-	-	-	1,672,857	1,672,857	36,615	1,709,472	
Other comprehensive expense for the year		-	-	(133,382)	-	-	-	(133,382)	(572)	(133,954)	
Total comprehensive income for the year		-	-	(133,382)	-	-	1,672,857	1,539,475	36,043	1,575,518	
Appropriation to surplus reserve	35(2)	-	-	-	348,361	-	(348,361)	-	-	-	
Appropriation to general reserve	35(3)	-	-	-	-	498,075	(498,075)	-	-	-	
Dividend distribution	13	-	-	-	-	-	(288,885)	(288,885)	-	(288,885)	
Dividend distribution to non-controlling interests		-	-	-	-	-	-	-	(14,879)	(14,879)	
As at December 31, 2020		2,407,367	8,165,761	(79,194)	3,808,824	4,673,589	6,999,828	25,976,175	653,371	26,629,546	
As at January 1, 2019		2,407,367	8,165,761	(12,602)	3,106,406	3,894,136	5,453,106	23,014,174	532,832	23,547,006	
Profit for the year		-	-	-	-	-	1,837,210	1,837,210	44,038	1,881,248	
Other comprehensive income/(expense) for the year		-	-	66,790	-	-	-	66,790	(3,655)	63,135	
Total comprehensive income for the year		-	-	66,790	-	-	1,837,210	1,904,000	40,383	1,944,383	
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	66,000	66,000	
Appropriation to surplus reserve	35(2)	-	-	-	354,057	-	(354,057)	-	-	-	
Appropriation to general reserve	35(3)	-	-	-	-	281,378	(281,378)	-	-	-	
Dividend distribution	13	-	-	-	-	-	(192,589)	(192,589)	-	(192,589)	
Dividend distribution to non-controlling interests		-	-	-	-	-	-	-	(7,008)	(7,008)	
As at December 31, 2019		2,407,367	8,165,761	54,188	3,460,463	4,175,514	6,462,292	24,725,585	632,207	25,357,792	

The notes on pages 241 to 376 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
Cash flows from operating activities			
Profit before taxation		2,137,587	2,282,575
Adjustments for:			
Depreciation and amortization		403,255	397,982
Impairment losses		5,178,471	4,619,273
Interest income arising from financial investments		(5,427,241)	(5,189,345)
Interest expense arising from debt securities issued		1,343,866	1,704,279
Interest expense arising from lease liabilities		18,446	21,402
Net gains arising from financial investments		(1,586,430)	(2,123,381)
Share of profits of associates		(10,181)	(8,905)
Losses on disposal of property and equipment and other assets		68,257	287,659
Reversal of business tax payable		(89,596)	(46,621)
Unrealized exchange gains		(54,588)	(11,995)

The notes on pages 241 to 376 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

Note	2020	2019
Operating cash flows before movements in working capital	1,981,846	1,932,923
Increase in balances with the central bank and deposits with banks and other financial institutions	(9,814,435)	(1,536,171)
Decrease in placements with banks and other financial institutions	311,778	92,321
Decrease in financial assets held under resale agreements	7,811,146	6,146,885
Decrease/(increase) in bonds investment measured at fair value through profit or loss	863,078	(413,225)
Increase in loans and advances to customers	(32,932,088)	(38,879,814)
Increase in borrowings from the central bank	9,690,070	905,000
(Decrease)/increase in deposits from banks and other financial institutions	(5,016,091)	1,496,891
Increase in placements from banks and other financial institutions	2,474,825	3,357,939
Increase/(decrease) in financial assets sold under repurchase agreements	8,326,808	(1,820,033)
Increase in customer deposits	56,946,477	36,544,555
Increase in other operating assets	(1,739,259)	(513,456)
Increase in other operating liabilities	1,674,763	741,929
Net cash generated from operating activities before tax	40,578,918	8,055,744
Income tax paid	(1,317,859)	(1,088,479)
Net cash generated from operating activities	39,261,059	6,967,265

The notes on pages 241 to 376 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
Cash flows from investing activities			
Cash received from disposal and redemption of financial investments		152,480,816	77,708,576
Cash received from disposal of property and equipment and other assets		483,489	893,276
Dividends received from an associate		5,000	5,000
Net cash received from investment gains and interest		5,525,138	6,662,651
Cash paid for purchase of financial investments		(166,529,124)	(93,013,069)
Cash paid for purchase of property and equipment and other assets		(648,434)	(548,945)
Net cash used in investing activities		(8,683,115)	(8,292,511)
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		–	66,000
Cash received from debt securities issued		26,958,830	41,100,000
Repayment of debt securities issued		(50,900,000)	(32,373,423)
Repayment of leases liabilities		(75,703)	(104,841)
Interest expenses paid for debt securities issued		(435,538)	(1,663,918)
Dividends paid		(303,147)	(207,553)
Net cash (used in)/generated from financing activities		(24,755,558)	6,816,265
Net increase in cash and cash equivalents		5,822,386	5,491,019
Cash and cash equivalents at the beginning of the year		13,953,397	8,450,383
Effect of foreign exchange rate changes		56,714	11,995
Cash and cash equivalents at the end of the year	36	19,832,497	13,953,397
Net cash (used in)/generated by operating activities include:			
Interest paid		(6,537,784)	(5,952,955)
Interest received		11,834,294	10,972,290

The notes on pages 241 to 376 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

1 General information

Bank of Jiujiang Co., Ltd. (hereinafter referred to as the “Bank”) is formerly known as Jiujiang Commercial Bank, a joint-stock commercial bank established on the basis of Jiujiang Urban Credit Cooperatives as approved by the People’s Bank of China Wuhan Branch (Wuyinfu [1999] No. 300). The Bank changed its name to Bank of Jiujiang Co., Ltd. in September 2008.

The Bank is licensed as a financial institution by the former China Banking Regulatory Commission (the “CBRC”, currently the China Banking and Insurance Regulatory Commission, the “CBIRC”) Jiangxi Province Bureau (No. B0348H236040001) and is registered as a business enterprise with the approval of Jiujiang Administration of Industry and Commerce of the People’s Republic of China (the “PRC”) (No. 9136040070552834XQ). On July 10, 2018, the Bank was listed on The Stock Exchange of Hong Kong Limited with the stock code of 06190.

The principal activities of the Bank and its subsidiaries (collectively, the “Group”) comprise deposit taking, granting short-term, medium-term and long-term loans; domestic and overseas settlements; bill acceptance and discounting; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds; trading of government bonds and financial bonds; inter-bank placement; providing letters of credit services and guarantee; acting as agent on inward and outward payments, acting as insurance agent; safe-box service and other businesses approved by the CBIRC.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(2) Basis of preparation

The consolidated financial statements for the year ended December 31, 2020 comprise the Bank and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

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 (27).

The measurement basis used in the preparation of the financial statements is the historical basis, except for financial investment at fair value through other comprehensive income, or financial investment at fair value through profit or loss (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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(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

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Amendment to IFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior year have been prepared or presented in this interim 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 Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(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.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(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 amortized cost, including loans and advances to customers and financial assets measured at amortized cost;
- Financial assets at fair value through other comprehensive income (“FVOCI”), including loans and advances to customers at FVOCI and financial investments at FVOCI; and
- Financial assets at fair value through profit or loss (“FVTPL”).

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(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 not designated as FVTPL that meet the following conditions are classified as financial assets measured at amortized 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.

Except for the above-mentioned financial assets that are measured at amortized 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 amortized cost or FVOCI as financial assets at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(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)

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the sources of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

Subsequent measurement of financial assets

– *Financial assets 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(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 (continued)

– *Financial assets measured at amortized cost*

Subsequent to initial recognition, the financial assets are measured at amortized cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortized cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition and amortization using the effective interest method or recognition of impairment.

– *Financial assets at FVOCI*

Subsequent to initial recognition, the financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.

– *Equity investments at FVOCI*

Subsequent to initial recognition, the financial assets are measured at fair value. Dividend income is recognised in profit or loss; other gains or losses are recognized 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 Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(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 and financial liabilities carried at amortized cost.

– **Financial liabilities 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 liabilities measured at amortized cost**

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(iv) Impairment

The Group recognises provision for expected credit loss (“ECL”) on:

- Financial assets measured at amortized cost;
- Debt instruments at FVOCI;
- Credit commitments.

Other financial assets measured at fair value, including debt or equity securities at FVTPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(7) Financial instruments (continued)

(iv) 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 43 (1).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(7) Financial instruments (continued)

(iv) Impairment (continued)

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 amortized 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.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(7) Financial instruments (continued)

(v) Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the following conditions are met:

- The Group's contractual rights to the cash flows from the financial asset expire;
- The financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- The financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- The carrying amount of the financial asset transferred measured at the date of derecognition;
- The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(7) Financial instruments (continued)

(vi) 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 amortized 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 amortized 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(9) 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.

(10) 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 (16)).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(10) Long-term equity investments (continued)

(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.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(10) Long-term equity investments (continued)

(ii) Investments in associates (continued)

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 (16).

(11) Property and equipment and construction in progress

Property and equipment are tangible assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 2 (16)). Construction in progress is stated in the balance sheet at cost less impairment loss (Note 2 (16)).

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(11) Property and equipment and construction in progress (continued)

All direct and indirect costs that are related to the construction of the property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when 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 property and equipment 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 property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of property and equipment 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 property and equipment (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 property and equipment are as follows:

Asset category	Estimated useful life	Estimated residual value rates	Annual depreciation rates
Premises	20-30years	3%	3.23%-4.85%
Electronic equipment	3 years	3%	32.33%
Motor vehicles	4 years	3%	24.25%
Furniture and fixtures	5 years	3%	19.40%
Leasehold improvements	5 years	0%	20.00%

Estimated useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(12) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties also include leased properties which are being recognised as right-of-use assets upon application of IFRS 16 and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(13) Leases (continued)

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, 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.

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 (16).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(13) Leases (continued)

(i) As a lessee (continued)

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 Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(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 amortized 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(14) Intangible assets

Intangible assets are stated in the balance sheet at cost or share-based restructuring basis valuation less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note 2 (16)). The cost of intangible assets less estimated residual value and accumulated impairment losses is amortized on a straight-line basis over the estimated useful lives.

The respective amortization periods for such intangible assets are as follows:

Land use rights	30 – 50 years
Softwares	5 – 10 years

(15) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognized at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(16) 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:

- property and equipment;
- construction in progress;
- Right-of-use assets;
- Intangible assets;
- Long-term deferred expenses; and
- investments in subsidiaries and associates

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(16) Impairment of non-financial assets (continued)

If any indication that an asset may be impaired, 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.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(17) 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. If the liability is not expected to be fully paid within 12 months after the end of the annual reporting period in which the employee provides the services, and the financial impact is significant, the liability is measured at the discounted amount.

(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) 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(18) 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.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(18) Income tax (continued)

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.

(19) 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)(iv) for details of the expected credit loss model.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(19) 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.

(20) 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 Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(21) Income recognition

Income is recognized when the Group satisfies the performance obligation in the contract which by transferring the control over relevant goods or services to the customers.

The following is the description of accounting policies regarding income from the Group's principal activities.

(i) Interest income

Interest income for financial assets is recognized in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the Relevant Periods. 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 on the impaired assets is recognized using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(21) Income recognition (continued)

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognized by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognized when its performance obligation in contracts is satisfied.

The Group recognizes income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date; or
- In other cases, the Group recognizes revenue at a point in time at which a customer obtains control of the promised services.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(21) Income recognition (continued)

(iii) Government grants

Government grants are recognized in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(iv) Other income

Other income is recognized on an accrual basis.

(22) Expense recognition

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognised on an accrual basis.

(23) 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(24) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
 - (c) Both entities are joint ventures of the same third party;
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (f) The entity is controlled or jointly controlled by a person identified in (i);
 - (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (h) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(24) Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(25) 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.

(26) 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 Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Significant accounting policies (continued)

(27) Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Except for accounting estimates relating to depreciation and amortization of assets such as property and equipment and construction in progress, investment properties, intangible assets and other assets (see Note 2 (11), Note 2 (12) and Note 2 (14)) and allowances for impairment losses of various types of assets (see Notes 16, 17, 18, 19, 20 and 25). Other significant accounting estimates are as follows:

- (i) Note 24: Recognition of deferred tax assets; and
- (ii) Note 44: Fair value measurements of financial instruments.

3 Segment analysis

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors and relevant management committees (Chief Operating Decision Maker) for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision maker reviews consolidated financial statements mainly based on operating segments for the purpose of allocating resources and performance assessment.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements as disclosed in Note 2.

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from/incurred with third parties are referred to as "external interest income/expense".

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Segment analysis (continued)

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organized into the following operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings and other types of corporate intermediary services.

Retail banking

The retail banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services, except for those carried by subsidiaries of the Bank.

Financial market business

The Group's financial market business conduct money market or repurchase transactions, and financial investments for its own accounts or on behalf of customers except for those carried by subsidiaries of the Bank.

Segment result represents the profit earned by each segment without allocation of certain other income, gains or losses, impairment losses on assets, share of profits of associates, income tax expense and results from subsidiaries of the Group. Segment assets/liabilities are allocated to each segment, excluding investment properties, loans and advances to customers, interests in associates and assets/liabilities of the subsidiaries of the Group. This is the measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Segment analysis (continued)

	Year ended December 31, 2020				
	Corporate banking	Retail banking	Financial market business	Unallocated	Total
External interest income	6,609,502	3,381,794	6,866,947	518,228	17,376,471
External interest expense	(3,579,376)	(3,219,682)	(2,560,898)	(155,379)	(9,515,335)
Net inter-segment interest income/(expense)	958,716	1,030,977	(2,140,285)	150,592	-
Net interest income	3,988,842	1,193,089	2,165,764	513,441	7,861,136
Fee and commission income	403,335	80,399	273,086	7,019	763,839
Fee and commission expense	(33,087)	(61,631)	(41,044)	(4,087)	(139,849)
Net fee and commission income	370,248	18,768	232,042	2,932	623,990
Net gains arising from financial investments	-	-	1,559,341	2,123	1,561,464
Other income, gains or losses	(5,019)	(8,300)	64,423	93,892	144,996
Operating income	4,354,071	1,203,557	4,021,570	612,388	10,191,586
Operating expenses	(983,200)	(748,018)	(856,853)	(297,638)	(2,885,709)
Impairment losses on assets	(949,215)	(115,658)	(4,062,861)	(50,737)	(5,178,471)
Share of profits of associates	-	-	-	10,181	10,181
Profit before taxation	2,421,656	339,881	(898,144)	274,194	2,137,587
Income tax expense					(428,115)
Profit for the year					1,709,472
Depreciation and amortization	151,300	74,845	151,978	25,132	403,255
Purchase of non-current assets	292,136	149,473	303,515	22,905	768,029
Segment assets	141,723,633	60,567,767	197,632,459	12,776,096	412,699,955
Deferred tax assets					3,094,177
Total assets					415,794,132
Segment liabilities/Total liabilities	(150,935,333)	(111,473,667)	(72,286,915)	(54,468,671)	(389,164,586)
Credit commitments	56,065,519	9,568,690	-	-	65,634,209

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Segment analysis (continued)

	Year ended December 31, 2019				
	Corporate banking	Retail banking	Financial market business	Unallocated	Total
External interest income	6,266,505	2,571,481	6,376,032	580,211	15,794,229
External interest expense	(2,992,111)	(2,296,469)	(2,930,043)	(224,809)	(8,443,432)
Net inter-segment interest income/(expense)	963,207	942,172	(1,996,236)	90,857	-
Net interest income	4,237,601	1,217,184	1,449,753	446,259	7,350,797
Fee and commission income	289,862	69,063	132,824	3,537	495,286
Fee and commission expense	(61,670)	(29,383)	(56,393)	(5,520)	(152,966)
Net fee and commission income	228,192	39,680	76,431	(1,983)	342,320
Net gains arising from financial investments	-	-	2,119,505	43,818	2,163,323
Other income, gains or losses	(133,102)	(2,909)	41,638	(86,045)	(180,418)
Operating income	4,332,691	1,253,955	3,687,327	402,049	9,676,022
Operating expenses	(1,030,421)	(660,586)	(852,657)	(239,415)	(2,783,079)
Impairment losses on assets	(2,048,414)	(192,114)	(2,166,160)	(212,585)	(4,619,273)
Share of profits of associates	-	-	-	8,905	8,905
Profit before taxation	1,253,856	401,255	668,510	(41,046)	2,282,575
Income tax expense					(401,327)
Profit for the year					1,881,248
Depreciation and amortization	155,096	73,895	141,820	27,171	397,982
Purchase of non-current assets	250,746	119,468	229,283	4,021	603,518
Segment assets	100,666,846	54,402,955	194,362,212	12,041,039	361,473,052
Deferred tax assets					1,878,548
Total assets					363,351,600
Segment liabilities/Total liabilities	(158,826,424)	(86,309,472)	(80,746,099)	(12,111,813)	(337,993,808)
Credit commitments	40,874,383	4,136,840	-	-	45,011,223

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Segment analysis (continued)

Geographical information

The Group's revenue from external customers is derived solely from its operations and services rendered in the PRC, and non-current assets of the Group are located in the PRC.

Information about major customers

During the year ended December 31, 2020 and 2019, there were no revenue from transactions with a single external customer amounting to 10.00% or more of the Group's total revenue.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Net interest income

	2020	2019
Interest income:		
Balances with the central bank	453,055	418,795
Deposits with banks and other financial institutions	88,438	123,598
Placements with banks and other financial institutions	22,466	89,404
Financial assets held under resale agreements	345,718	759,991
Loans and advances to customers		
– Corporate loans and advances	6,670,493	6,080,366
– Retail loans and advances	3,738,908	2,880,338
– Discounted bills	630,152	252,392
Financial investments	5,427,241	5,189,345
Subtotal	17,376,471	15,794,229
Interest expense:		
Borrowing from the central bank	(229,449)	(87,232)
Deposits from banks and other financial institutions	(377,405)	(527,878)
Placements from banks and other financial institutions	(187,084)	(189,602)
Financial assets sold under repurchase agreements	(308,504)	(450,939)
Customer deposits	(7,050,581)	(5,462,100)
Debt securities issued	(1,343,866)	(1,704,279)
Lease liabilities	(18,446)	(21,402)
Subtotal	(9,515,335)	(8,443,432)
Net interest income	7,861,136	7,350,797

During the year, the Group reclassified the income of credit card instalment business from fee and commission income to interest income. The comparative figures have been adjusted accordingly.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

5 Net fee and commission income

	2020	2019
Fee and commission income		
Agency service fees	246,496	192,635
Wealth management fees	224,898	132,121
Credit commitments and financial guarantee fees	165,897	99,212
Bank card fees	75,524	55,227
Transaction and consultancy fees	39,652	8,077
Settlement and clearing fees	11,372	8,014
Subtotal	763,839	495,286
Fee and commission expense		
Settlement fees	(51,794)	(51,085)
Transaction fees	(61,275)	(62,225)
Others	(26,780)	(39,656)
Subtotal	(139,849)	(152,966)
Net fee and commission income	623,990	342,320

During the year, the Group reclassified the income of credit card instalment business from fee and commission income to interest income. The comparative figures have been adjusted accordingly.

6 Net gains arising from financial investments

	2020	2019
Net gains on FVTPL	1,639,130	2,153,485
Net (losses)/gains on FVOCI	(82,705)	8,938
Others	5,039	900
Total	1,561,464	2,163,323

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

7 Other income, gains or losses

	Note	2020	2019
Reversal of business tax payable		89,596	46,621
Government subsidies	(1)	69,045	32,336
Exchange gains		64,423	47,220
Rental income		16,983	15,627
Gains on disposal of property and equipment		5,405	66
Losses on disposal of repossessed assets		(73,662)	(287,725)
Donation		(8,912)	(3,013)
Depreciation of investment properties		(5,019)	(3,723)
Others		(12,863)	(27,827)
Total		144,996	(180,418)

- (1) Government subsidies mainly represent incentive subsidies received from local government to encourage the expansion of agriculture-related loan portfolios, bonus for the Group's contribution to the local economic development and tax refund.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

8 Operating expenses

	Note	2020	2019
Staff costs			
-Salaries, bonuses and allowances		1,195,426	1,020,577
-Social insurance and supplementary insurance		220,241	211,134
-Staff welfares		71,544	53,123
-Housing fund		45,813	31,192
-Employee education expenses and labour union expenses		27,734	25,786
Subtotal		1,560,758	1,341,812
General and administrative expenses	(1)	810,541	939,305
Depreciation and amortization (excluding investment properties)		323,891	309,378
Tax and surcharges		105,797	98,050
Depreciation (right-of-use assets)		74,345	84,881
Rental and property management expenses		10,377	9,653
Total		2,885,709	2,783,079

(1) Included in the general and administrative expenses, there were auditor's remunerations for the year ended December 31, 2020 and 2019 amounting to RMB2.95 million and RMB2.85 million respectively.

9 Impairment losses on assets

	2020	2019
Loans and advances to customers at amortized cost	386,465	2,329,831
Loans and advances to customers at FVOCI	57,472	22,024
Financial investments measured at amortized cost	3,780,904	2,096,891
Financial investments measured at FVOCI	120,794	51,804
Others	832,836	118,723
Total	5,178,471	4,619,273

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

10 Income tax expense

(a) Income tax expense:

	Note	2020	2019
Current income tax		941,525	637,730
Tax filing differences		657,568	4,016
Deferred tax	24	(1,170,978)	(240,419)
Total		428,115	401,327

The Group carries out its operation in mainland China and all group entities are subject to the PRC Enterprise Income Tax. It is calculated at 25% of the estimated assessable profit for the year.

(b) Between income tax and accounting profit are as follows:

	Note	Year ended December 31	
		2020	2019
Profit before taxation		2,137,587	2,282,575
Tax calculated at applicable statutory tax rate of 25%		534,397	570,644
Adjustments for prior years		657,568	4,016
Effect of expenses not deductible for tax purpose		8,447	6,078
Effect of non-taxable income	(1)	(329,932)	(181,202)
Current-year losses for which no deferred tax asset is recognised	(2)	3,966	2,277
Recognition of previously unrecognised deductible temporary differences		(446,129)	-
Utilization of tax losses previously not recognised		(202)	(486)
Total		428,115	401,327

Notes:

- (1) The non-taxable income mainly represents interest income arising from government bonds, dividends distributed from mutual fund investment, share of profit of associates, which is income tax free in accordance with the PRC tax regulations.
- (2) Due to the uncertainty of having adequate taxable income in future, certain subsidiaries did not recognise the deferred tax assets for their deductible losses.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

11 Other comprehensive income

	Year ended December 31, 2020		
	Before-tax amount	Tax expense	Net of income amount
Items that may be reclassified subsequently to profit or loss:			
– FVOCI:			
net movement in the fair value reserve	(56,871)	14,218	(42,653)
– FVOCI:			
net movement in impairment losses	(121,734)	30,433	(91,301)
Total	(178,605)	44,651	(133,954)

	Year ended December 31, 2019		
	Before-tax amount	Tax expense	Net of income amount
Items that may be reclassified subsequently to profit or loss:			
– FVOCI:			
net movement in the fair value reserve	10,352	(2,588)	7,764
– FVOCI:			
net movement in impairment losses	73,828	(18,457)	55,371
Total	84,180	(21,045)	63,135

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

12 Earnings per share

The calculation of basic earnings per share is as follows:

	Year ended December 31	
	2020	2019
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to equity shareholders of the Bank	1,672,857	1,837,210
Numbers of shares:		
Weighted average number of shares for the purpose of basic earnings per share (in '000)	2,407,367	2,407,367
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	0.69	0.76

No diluted earnings per share for the year ended December 31, 2020 and 2019 were presented as there were no dilutive potential ordinary shares outstanding during the respective year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

13 Dividends

	Note	Year ended December 31	
		2020	2019
2019 Final Dividend	(2)	288,885	–
2018 Final Dividend	(3)	–	192,589

Notes:

- (1) A final dividend of RMB10 cents per share (tax inclusive) in respect of the year ended December 31, 2020 amounting in a total of RMB241 million was proposed by the board of directors of the Bank and is subject to the approval of the forthcoming annual general meeting of the Bank.
- (2) A final dividend of RMB12 cents per share (tax inclusive) in respect of the year ended December 31, 2019 amounting in a total of RMB289 million was proposed by the board of directors of the Bank and approved by the 2019 annual general meeting of the Bank on May 22, 2020.
- (3) A final dividend of RMB8 cents per share (tax inclusive) in respect of the year ended December 31, 2018 amounting in a total of RMB193 million was proposed by the board of directors of the Bank and approved by the 2018 annual general meeting of the Bank on May 21, 2019.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

14 Emoluments of directors, supervisors, senior management and five highest paid individuals

(1) Directors', supervisors' and senior management remunerations

Year ended December 31, 2020

Name	Fees	Salaries	Discretionary bonuses	Delayed Payments	Subtotal	Contributions by the employer to social insurance and staff welfares, housing fund, etc	Contributions to Pension Scheme	Other welfares	Total (iii)
Executive directors									
Liu Xianting	-	591	589	589	1,769	62	69	7	1,907
Pan Ming	-	515	539	539	1,593	50	69	7	1,719
Non-executive directors									
Zeng Huasheng	-	-	-	-	-	-	-	-	-
Zhang Jianyong	-	-	-	-	-	-	-	-	-
Li Jianbao	-	-	-	-	-	-	-	-	-
Independent non-executive directors									
Cai Qingfu	299	-	-	-	299	-	-	-	299
Gao Yuhui	299	-	-	-	299	-	-	-	299
Quan Ze	282	-	-	-	282	-	-	-	282
Yang Tao	284	-	-	-	284	-	-	-	284
Supervisors									
Mei Mengsheng (ii)	-	478	474	474	1,426	62	57	7	1,552
Liu Chunmei (ii)	-	-	-	-	-	-	-	-	-
Guo Jiequn	-	251	-	-	251	-	-	-	251
Chen Chunxia	-	258	-	-	258	-	-	-	258
Liao Jingwen	-	171	202	135	508	64	41	7	620
Wan Dandan (ii)	-	77	99	66	242	51	23	7	323
Senior management									
Xiao Jing	-	429	434	434	1,297	49	62	7	1,415
Wang Li	-	388	369	369	1,126	67	62	7	1,262
Huang Chaoyang	-	384	361	361	1,106	61	55	7	1,229
Qi Yongwen	-	326	332	332	990	47	61	7	1,105
Chen Luping	-	359	350	350	1,059	61	55	7	1,182
Xu Cao	-	307	318	318	943	62	55	7	1,067
Wang Yuanxin	-	253	285	285	823	71	61	7	962
Cai Jianhong	-	329	336	336	1,001	61	44	7	1,113
Total	1,164	5,116	4,688	4,588	15,556	768	714	91	17,129

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

14 Emoluments of directors, supervisors, senior management and five highest paid individuals (continued)

(i) Directors', supervisors' and senior management remunerations (continued)

Year ended December 31, 2019

Name	Fees	Salaries	Discretionary bonuses	Delayed Payments	Subtotal	Contributions by the employer to social insurance and staff welfares, housing fund, etc	Contributions to Pension Scheme	Other welfares	Total (iii)
Executive directors									
Liu Xianting	-	498	476	476	1,450	62	63	7	1,582
Pan Ming	-	394	374	374	1,142	75	62	7	1,286
Cai Liping (i)(v)	-	363	348	348	1,059	62	57	7	1,185
Non-executive directors									
Zeng Huasheng	-	-	-	-	-	-	-	-	-
Zhang Jianyong	-	-	-	-	-	-	-	-	-
Li Jianbao	-	-	-	-	-	-	-	-	-
Yi Zhiqiang (i)	-	-	-	-	-	-	-	-	-
Independent non-executive directors									
Cai Qingfu	296	-	-	-	296	-	-	-	296
Gao Yuhui	302	-	-	-	302	-	-	-	302
Yang Tao	283	-	-	-	283	-	-	-	283
Quan Ze	280	-	-	-	280	-	-	-	280
Supervisors									
Luo Xinhua (i)	-	274	265	265	804	62	56	7	929
Qiu Jian (i)	-	-	-	-	-	-	-	-	-
Lu Tingfu (i)	-	-	-	-	-	-	-	-	-
Dai Wenjing	-	195	213	142	550	60	38	7	655
Wang Xinyan (i)	-	-	-	-	-	-	-	-	-
Guo Jiequn	-	258	-	-	258	-	-	-	258
Chen Chunxia	-	258	-	-	258	-	-	-	258
Liao Jingwen	-	132	139	93	364	66	37	7	474
Senior management									
Xiao Jing	-	354	337	337	1,028	67	53	7	1,155
Wang Li	-	290	276	276	842	70	56	7	975
Huang Chaoyang	-	287	278	278	843	55	49	7	954
Qi Yongwen	-	367	346	346	1,059	67	50	7	1,183
Chen Luping	-	298	285	285	868	62	49	7	986
Xu Cao	-	342	329	329	1,000	55	51	7	1,113
Wang Yuanxin	-	453	396	396	1,245	127	50	7	1,429
Cai Jianhong	-	333	321	321	975	55	50	7	1,087
Tong Faping (iv)	-	335	325	325	985	56	56	7	1,104
Wang Kun (v)	-	328	311	311	950	71	58	7	1,086
Total	1,161	5,759	5,019	4,902	16,841	1,072	835	112	18,860

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

14 Emoluments of directors, supervisors, senior management and five highest paid individuals (continued)

(i) Directors', supervisors' and senior management remunerations (continued)

Notes:

- (i) *Cai Liping resigned as executive director on 26 October 2020. Yi Zhiqiang retired as non-executive director in 2020. Luo Xinhua, Lu Tingfu, Qiu Jian and Wang Xinyan retired as supervisors in 2020.*
- (ii) *At the 2020 Shareholders' annual general meeting held on 29 April 2020, Mei Mengsheng and Wan Dandan were elected as employee supervisors of the Bank; Liu Chunmei was elected as external supervisors of the Bank.*
- (iii) *There was no non-cash payment during the year ended 31 December 2020 to the directors, supervisors or senior management (31 December 2019: nil). There was no arrangement under which a director's, supervisor's or senior management's remuneration was deducted during the year ended 31 December 2020 (31 December 2019: nil).*
- (iv) *Tong Faping resigned as Secretary of the Board on 18th June 2020.*
- (v) *Wang Kun and Cai Liping resigned as Vice President on 22th December 2020.*

The executive directors' remunerations shown above were for their services in connection with the management of the affairs of the Bank and the Group.

Non-executive directors did not receive any remunerations for their services as directors of the Bank.

The independent non-executive directors' remunerations shown above were for their services as directors of the Bank.

The supervisors' remunerations shown above were for the supervised service and employment in the Bank.

The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance.

For the year ended December 31, 2020 and 2019, no directors, supervisors or senior management of the Bank waived any remunerations and no remunerations were paid by the Bank to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

14 Emoluments of directors, supervisors, senior management and five highest paid individuals (continued)

(2) Five highest paid individuals

Among the five highest paid individuals, none of them are directors of the Bank, none of them are supervisors of the Bank and none of them are senior management of the Bank whose remunerations are disclosed above for the year ended December 31, 2020 and 2019 respectively.

The total remunerations payable to the five individuals whose remunerations were the highest in the Group during the years of 2020 and 2019 are as follows:

	Year ended December 31	
	2020	2019
Basic salaries and allowances	12,010	10,003
Contribution to pension schemes	259	239
Discretionary bonuses	33	33
Total	12,302	10,275

Remunerations of the five highest paid individuals were within the following bands:

	Year ended December 31	
	2020	2019
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	3	2
HK\$2,500,001 – HK\$3,000,000	1	2
HK\$3,000,001 – HK\$3,500,000	1	–
Total	5	5

During the year ended December 31, 2020 and 2019, no remuneration was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

15 Cash and balances with the central bank

	Note	As at December 31	
		2020	2019
Cash		516,965	601,607
Mandatory reserve deposits	(1)	34,054,771	26,316,221
Surplus reserve deposits	(2)	3,286,616	8,389,916
Other deposits	(3)	866,739	61,101
Subtotal		38,725,091	35,368,845
Accrued interest		15,831	13,368
Total		38,740,922	35,382,213

Notes:

- (1) The Group places mandatory reserve deposits with the People's Bank of China (the "PBOC"). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group's daily operations.

As at December 31, 2020 and 2019, mandatory reserve deposits with the PBOC were calculated at 10% and 10.5% of eligible RMB deposits for the Bank; and at 6% and 7.5% of those for the subsidiaries respectively, except for two subsidiaries, which were at 5% this year, and at 5% of foreign currency deposits for the Bank and its subsidiaries. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

- (2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing.

- (3) Other deposits mainly represent the required fiscal deposits placed with the PBOC.

16 Deposits with banks and other financial institutions

	As at December 31	
	2020	2019
Deposits with:		
Banks and other financial institutions in mainland China	1,108,433	1,308,004
Banks outside mainland China	904,796	935,996
Gross balance	2,013,229	2,244,000
Accrued interest	2,061	4,567
Less: Allowances for impairment losses	(671)	(885)
Total	2,014,619	2,247,682

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

17 Placements with banks and other financial institutions

	As at December 31	
	2020	2019
Placements with:		
Banks in mainland China	–	1,242,262
Other financial institutions in mainland China	–	1,000,000
Gross balance	–	2,242,262
Accrued interest	–	9,571
Less: Allowances for impairment losses	–	(832)
Total	–	2,251,001

18 Financial assets held under resale agreements

Analyzed by counterparties:

	As at December 31	
	2020	2019
Banks in mainland China	4,304,500	1,193,000
Other financial institutions in mainland China	9,146,957	6,618,147
Gross balance	13,451,457	7,811,147
Accrued interest	1,572	1,484
Less: Allowances for impairment losses	(5,202)	(4,152)
Total	13,447,827	7,808,479

Analyzed by collateral type:

	As at December 31	
	2020	2019
Bonds	13,451,457	7,811,147
Accrued interest	1,572	1,484
Less: Allowances for impairment losses	(5,202)	(4,152)
Total	13,447,827	7,808,479

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers

(1) Analyzed by nature

Distributions of loans and advances to customers by corporate and retail customers are set out as follows:

	Note	As at December 31	
		2020	2019
Corporate loans and advances			
– Loans		115,555,744	101,871,803
Retail loans and advances			
– Residential mortgage loans		29,565,806	25,155,527
– Personal loans for consumption		16,550,112	22,569,047
– Personal loans for business purposes		17,279,781	9,891,752
– Credit card		2,966,604	1,811,294
Subtotal		66,362,303	59,427,620
Gross loans and advances to customers at amortized cost		181,918,047	161,299,423
Accrued interest		439,940	499,942
Allowances for impairment losses			
– 12-month ECL		(2,939,858)	(3,129,218)
– lifetime ECL not credit-impaired		(341,446)	(603,435)
– lifetime ECL credit-impaired		(1,940,454)	(1,854,264)
Subtotal		(5,221,758)	(5,586,917)
Loans and advances to customers at amortized cost, net		177,136,229	156,212,448
Loans and advances to customers at FVOCI			
– Discounted bills and forfeiting	(a)	28,521,966	17,156,136
Total loans and advances to customers		205,658,195	173,368,584

Note:

(a) As at December 31, 2020 and 2019, the Group's allowances for impairment losses on loans and advances to customers measured at FVOCI was RMB197.46 million and RMB139.99 million respectively, as detailed in Note 19 (7)(b).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(2) Analyzed by industry sector

	December 31, 2020		
	Amount	Percentage	Loans and advances secured by collaterals
Real estate	29,703,676	14.12%	21,599,486
Construction	20,913,339	9.94%	8,490,551
Wholesale and retail	17,016,217	8.09%	3,643,912
Water conservancy, environment and public utility management	12,663,724	6.02%	2,829,943
Manufacturing	10,711,033	5.09%	1,737,636
Leasing and commercial services	7,932,029	3.77%	2,624,891
Production and supply of electricity, gas and water	4,191,650	1.99%	137,050
Education	2,374,688	1.13%	182,000
Agriculture, forestry, animal husbandry and fishery	2,337,804	1.11%	288,953
Hotels and catering services	1,379,995	0.66%	1,093,552
Transportation, storage and postal services	1,366,331	0.65%	358,963
Others	13,848,949	6.56%	1,257,495
Subtotal of corporate loans and advances	124,439,435	59.13%	44,244,432
Retail loans and advances	66,362,303	31.54%	39,451,991
Discounted bills	19,638,275	9.33%	–
Gross loans and advances to customers	210,440,013	100.00%	83,696,423

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(2) Analyzed by industry sector (continued)

	December 31, 2019		
	Amount	Percentage	Loans and advances secured by collaterals
Real estate	25,717,076	14.41%	20,596,087
Leasing and commercial services	20,129,551	11.28%	3,961,673
Construction	14,208,668	7.96%	6,893,908
Water conservancy, environment and public utility management	13,368,198	7.49%	3,144,790
Wholesale and retail	11,684,100	6.55%	3,876,258
Manufacturing	7,386,249	4.14%	1,850,645
Production and supply of electricity, gas and water	2,972,616	1.67%	499,974
Agriculture, forestry, animal husbandry and fishery	1,431,519	0.80%	391,512
Education	1,339,869	0.75%	210,200
Hotels and catering services	1,288,218	0.72%	981,097
Transportation, storage and postal services	721,413	0.40%	412,624
Others	5,414,209	3.04%	1,091,401
Subtotal of corporate loans and advances	105,661,686	59.21%	43,910,169
Retail loans and advances	59,427,620	33.30%	33,340,577
Discounted bills	13,366,253	7.49%	-
Gross loans and advances to customers	178,455,559	100.00%	77,250,746

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(3) Analyzed by type of collateral

	As at December 31	
	2020	2019
Unsecured loans	41,068,547	45,575,648
Pledged loans	41,454,419	20,006,127
Guaranteed loans	44,220,624	35,623,038
Collateralized loans	83,696,423	77,250,746
Gross loans and advances to customers	210,440,013	178,455,559
Accrued interest	439,940	499,942
Less: Allowances for impairment losses on loans and advances to customers measured at amortized cost	(5,221,758)	(5,586,917)
Net loans and advances to customers	205,658,195	173,368,584

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(4) Overdue loans analyzed by overdue period

	December 31, 2020				Total
	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	
Unsecured loans	209,190	224,126	101,940	68,066	603,322
Pledged loans	950,000	209,685	105,980	–	1,265,665
Guaranteed loans	32,321	159,526	440,765	44,799	677,411
Collateralized loans	413,080	141,890	1,024,883	44,113	1,623,966
Total	1,604,591	735,227	1,673,568	156,978	4,170,364
As a percentage of gross loans and advances to customers	0.76%	0.35%	0.80%	0.07%	1.98%

	December 31, 2019				Total
	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	
Unsecured loans	153,040	131,749	69,904	64,382	419,075
Pledged loans	1,064,668	10,060	110,980	–	1,185,708
Guaranteed loans	320,460	372,289	230,600	10,691	934,040
Collateralized loans	472,284	479,281	871,912	93,749	1,917,226
Total	2,010,452	993,379	1,283,396	168,822	4,456,049
As a percentage of gross loans and advances to customers	1.13%	0.56%	0.72%	0.09%	2.50%

Overdue loans represent loans, of which the whole or part of the principal or interest are overdue for one day or more.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(5) Analyzed by geographical area

	December 31, 2020	
	Amount	Percentage
Within Jiangxi Province (apart from Jiujiang area)	107,593,362	51.13%
Jiujiang area	67,369,944	32.02%
Guangdong Province	17,721,550	8.42%
Anhui Province	10,320,402	4.90%
Other	7,434,755	3.53%
Gross loans and advances to customers	210,440,013	100.00%

	December 31, 2019	
	Amount	Percentage
Within Jiangxi Province (apart from Jiujiang area)	89,974,462	50.42%
Jiujiang area	56,576,186	31.70%
Guangdong Province	15,254,672	8.55%
Anhui Province	10,091,017	5.65%
Other	6,559,222	3.68%
Gross loans and advances to customers	178,455,559	100.00%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(6) Loans and advances and allowances for impairment losses

	As at December 31, 2020			Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
Total loans and advances to customers measured at amortized cost	175,835,006	2,527,356	3,555,685	181,918,047
Less: Allowances for impairment losses on loans and advances to customers measured at amortized cost	(2,939,858)	(341,446)	(1,940,454)	(5,221,758)
Carrying amount of loans and advances to customers measured at amortized cost (excluding accrued interest)	172,895,148	2,185,910	1,615,231	176,696,289
Carrying amount of loans and advances to customers measured at FVOCI (excluding accrued interest)	28,521,966	-	-	28,521,966
Total carrying amount of loans and advances to customers (excluding accrued interest)	201,417,114	2,185,910	1,615,231	205,218,255

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

(6) Loans and advances and allowances for impairment losses (continued)

	As at December 31, 2019			Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
Total loans and advances to customers measured at amortized cost	153,296,746	4,564,667	3,438,010	161,299,423
Less: Allowances for impairment losses on loans and advances to customers measured at amortized cost	(3,129,218)	(603,435)	(1,854,264)	(5,586,917)
Carrying amount of loans and advances to customers measured at amortized cost (excluding accrued interest)	150,167,528	3,961,232	1,583,746	155,712,506
Carrying amount of loans and advances to customers measured at FVOCI (excluding accrued interest)	17,156,136	-	-	17,156,136
Total carrying amount of loans and advances to customers (excluding accrued interest)	167,323,664	3,961,232	1,583,746	172,868,642

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

- (7) Analysis of movements of the allowance for impairment losses on loans and advances to customers for the year ended December 31, 2020 and 2019 are as follows:

(a) Loans and advances to customers at amortized cost

	Year ended December 31, 2020			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at January 1, 2020	3,129,218	603,435	1,854,264	5,586,917
Transferred:				
– to 12-month ECL	77,398	(72,064)	(5,334)	–
– to lifetime ECL not credit- impaired	(15,902)	31,307	(15,405)	–
– to lifetime ECL credit- impaired	(7,645)	(389,744)	397,389	–
(Released)/charged for the year	(243,211)	168,512	461,164	386,465
Write-offs/transferred out	–	–	(989,598)	(989,598)
Recoveries	–	–	237,974	237,974
As at December 31, 2020	2,939,858	341,446	1,940,454	5,221,758
	Year ended December 31, 2019			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at January 1, 2019	2,765,371	356,972	1,558,963	4,681,306
Transferred:				
– to 12-month ECL	109,250	(60,899)	(48,351)	–
– to lifetime ECL not credit- impaired	(105,690)	111,735	(6,045)	–
– to lifetime ECL credit-impaired	–	(103,419)	103,419	–
Charged for the year	360,287	299,046	1,670,498	2,329,831
Write-offs/transferred out	–	–	(1,628,773)	(1,628,773)
Recoveries	–	–	204,553	204,553
As at December 31, 2019	3,129,218	603,435	1,854,264	5,586,917

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Loans and advances to customers (continued)

- (7) Analysis of movements of the allowance for impairment losses on loans and advances to customers for the year ended December 31, 2020 and 2019 are as follows: (continued)

(b) Loans and advances to customers at FVOCI

	Year ended December 31, 2020			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at January 1, 2020	139,986	–	–	139,986
Charged for the year	57,472	–	–	57,472
As at December 31, 2020	197,458	–	–	197,458

	Year ended December 31, 2019			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at January 1, 2019	117,962	–	–	117,962
Charged for the year	22,024	–	–	22,024
As at December 31, 2019	139,986	–	–	139,986

Allowance for impairment losses on loans and advances to customers measured at FVOCI is recognised in other comprehensive income without decreasing the carrying amount of loans and advances presented in the consolidated statement of financial position, and any impairment loss or reversal is recognised in the profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Financial investments

	Note	As at December 31	
		2020	2019
Financial investments measured at FVTPL	(1)	30,087,781	34,789,870
Financial investments measured at FVOCI	(2)	31,010,460	18,558,018
Financial investments measured at amortized cost	(3)	84,848,840	81,073,741
Total		145,947,081	134,421,629

(1) Financial investments measured at FVTPL

	As at December 31	
	2020	2019
Debt securities issued by:		
Policy banks	–	101,887
Corporations	571,390	496,007
Asset backed medium-term notes	551,435	557,909
Non-public project bonds	30,136	60,297
Subtotal	1,152,961	1,216,100
Equity investments	256,496	689,535
Funds and other investments:		
Fund Investments	14,947,043	13,618,659
Trust beneficiary rights and asset management plans	8,331,349	13,455,396
Wealth management products	207,620	936,952
Others	5,192,312	4,873,228
Subtotal	28,678,324	32,884,235
Total	30,087,781	34,789,870
Listed	14,690	474,640
Unlisted	30,073,091	34,315,230
Total	30,087,781	34,789,870

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Financial investments (continued)

(2) Financial investments measured at FVOCI

	As at December 31	
	2020	2019
Debt securities issued by:		
Government and central bank	12,467,045	2,481,805
Policy banks	9,933,819	7,214,650
Commercial banks and other financial institutions	4,742,243	5,073,475
Corporations	3,267,291	3,318,371
Non-public project bonds	–	40,306
Asset backed medium-term notes	97,658	–
Subtotal	30,508,056	18,128,607
Accrued interest	502,404	429,411
Total	31,010,460	18,558,018
Listed	6,250,958	5,791,617
Unlisted	24,759,502	12,766,401
Total	31,010,460	18,558,018

	As at December 31, 2020			Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at December 31, 2020	31,010,460	–	–	31,010,460

	As at December 31, 2019			Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at December 31, 2019	18,415,563	–	142,455	18,558,018

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Financial investments (continued)

(2) Financial investments measured at FVOCI (continued)

Movements of the allowance for impairment losses on financial investments measured at FVOCI are as follows:

	Year ended December 31, 2020			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at January 1, 2020	6,711	–	180,883	187,594
Charged for the year	1,677	–	119,117	120,794
Write-offs	–	–	(300,000)	(300,000)
As at December 31, 2020	8,388	–	–	8,388

	Year ended December 31, 2019			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at January 1, 2019	39,823	–	145,621	185,444
Transferred:				
– To lifetime ECL credit-impaired	(136)	–	136	–
(Released)/charged for the year	(32,976)	–	84,780	51,804
Write-offs	–	–	(49,654)	(49,654)
As at December 31, 2019	6,711	–	180,883	187,594

Expected credit loss on financial investments measured at FVOCI is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the consolidated statement of financial position, and any impairment loss or reversal is recognised in the profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Financial investments (continued)

(3) Financial investments measured at amortized cost

	As at December 31	
	2020	2019
Debt securities issued by:		
Government and central bank	20,337,626	12,354,897
Policy banks	20,373,015	18,421,396
Corporations	13,497,794	20,176,561
Non-public project bonds	1,484,732	–
Subtotal	55,693,167	50,952,854
Trust beneficiary rights and asset management plans	31,038,452	30,703,173
Accrued interest	1,390,896	1,468,908
Less: Allowances for impairment losses	(3,273,675)	(2,051,194)
Total	84,848,840	81,073,741
Listed	11,777,269	6,136,063
Unlisted	73,071,571	74,937,678
Total	84,848,840	81,073,741

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Financial investments (continued)

(3) Financial investments measured at amortized cost (continued)

	As at December 31, 2020			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Financial investments measured at amortized cost	79,397,742	5,598,964	3,125,809	88,122,515
Less: Allowances for impairment losses	(468,200)	(772,562)	(2,032,913)	(3,273,675)
As at December 31, 2020	78,929,542	4,826,402	1,092,896	84,848,840

	As at December 31, 2019			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Financial investments measured at amortized cost	79,088,235	1,529,342	2,507,358	83,124,935
Less: Allowances for impairment losses	(570,329)	(174,573)	(1,306,292)	(2,051,194)
As at December 31, 2019	78,517,906	1,354,769	1,201,066	81,073,741

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Financial investments (continued)

(3) Financial investments measured at amortized cost (continued)

Movements of the allowance for impairment losses on financial investments measured at amortized cost are as follows:

	Year ended December 31, 2020			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at January 1, 2020	570,329	174,573	1,306,292	2,051,194
Transferred:				
– to 12-month ECL	15,421	(15,421)	–	–
– to lifetime ECL not credit-impaired	(38,333)	38,333	–	–
– to lifetime ECL credit-impaired	(2,519)	(159,152)	161,671	–
(Reversal)/charged for the year	(76,698)	734,229	3,123,373	3,780,904
Recoveries	–	–	17,600	17,600
Write-offs/transferred out	–	–	(2,576,023)	(2,576,023)
As at December 31, 2020	468,200	772,562	2,032,913	3,273,675

	Year ended December 31, 2019			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at January 1, 2019	1,051,652	18,259	300,871	1,370,782
Transferred:				
– to lifetime ECL not credit-impaired	(70,506)	70,506	–	–
– to lifetime ECL credit-impaired	–	(182,789)	182,789	–
(Reversal)/charged for the year	(410,817)	268,597	2,239,111	2,096,891
Write-offs	–	–	(1,416,479)	(1,416,479)
As at December 31, 2019	570,329	174,573	1,306,292	2,051,194

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Interest in associates

	As at December 31	
	2020	2019
Cost of unlisted investments in associates	83,040	83,040
Share of post-acquisition profits and other comprehensive income, net of dividends received	43,788	38,607
Total	126,828	121,647

21 Interest in associates (continued)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

Details of the Bank's associates as at December 31, 2020 and 2019 are set out below:

Name of entity	Place of incorporation/ registration and operations	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2020 (RMB'000)	Proportion of ownership held by the Group		Proportion of voting rights held by the Group	
				As at December 31, 2019	As at December 31, 2020	As at December 31, 2019	As at December 31, 2020
Zhongshan Xiaolan County Bank Co., Ltd. (Note 1)	Guangdong, PRC	December 2008	250,000	25.00%	25.00%	25.00%	25.00%
Guixi Jiuyin County Bank Co., Ltd. (Note 2)	Jiangxi, PRC	December 2011	99,500	20.64%	20.64%	25.62%	25.62%

Note 1: The Group initiated and established Zhongshan Xiaolan County Bank Co., Ltd. in December 2008, with an investment of RMB62.5 million, holding 25.00% equity interest of the associate. The Group has significant influence over the associate which is accounted for using equity method.

Note 2: The Group initiated and established Guixi Jiuyin County Bank Co., Ltd. in December 2011, with an investment of RMB20.54 million, holding 41.08% equity interest of the entity, seized the control of the entity. Guixi Jiuyin issued 49.5 million shares on December 29, 2017, and the Group's shareholding percentage was diluted to 20.64%. The Group lost control over Guixi Jiuyin County Bank Co., Ltd. and recognised the interests in it at the fair value of the deemed disposal date as interests in associate, which is subsequently accounted for by using equity method as the Group continued to have significant influence over it after the deemed disposal.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Right-of-use assets

The Group as a lessee

	Land and buildings	Land use right	Machinery and equipment	Total
COST				
As at January 1, 2019	609,354	7,098	513	616,965
Additions	24,024	-	-	24,024
Transfer out to investment properties	(169)	-	-	(169)
Disposals	(1,052)	-	-	(1,052)
As at December 31, 2019	632,157	7,098	513	639,768
Additions	50,149	-	-	50,149
Disposals	(48,664)	-	(513)	(49,177)
As at December 31, 2020	633,642	7,098	-	640,740
ACCUMULATED DEPRECIATION				
As at January 1, 2019	(216,547)	(948)	(256)	(217,751)
Additions	(84,541)	(238)	(102)	(84,881)
Disposals	1,052	-	-	1,052
As at December 31, 2019	(300,036)	(1,186)	(358)	(301,580)
Additions	(73,952)	(238)	(155)	(74,345)
Disposals	48,664	-	513	49,177
As at December 31, 2020	(325,324)	(1,424)	-	(326,748)
NET CARRYING AMOUNT				
As at December 31, 2019	332,121	5,912	155	338,188
As at December 31, 2020	308,318	5,674	-	313,992

The Group leases land and buildings, machinery and equipment for its operations. Lease contracts are entered into for fixed term of 12 months to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at December 31, 2020 and 2019, the Group did not enter into any leases that have not yet commenced.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Property and equipment

	Premises	Electronic equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
COST							
As at January 1, 2019	2,272,913	283,641	18,936	149,349	360,855	286,226	3,371,920
Additions	12,413	61,143	732	15,152	56,429	424,751	570,620
Transfers from/(out of)							
construction in progress	106,114	2,833	-	3,659	27,325	(209,438)	(69,507)
Disposals	(2,177)	(6,107)	(1,123)	(5,459)	-	-	(14,866)
As at December 31, 2019	2,389,263	341,510	18,545	162,701	444,609	501,539	3,858,167
Additions	14,842	24,955	706	16,091	304	530,543	587,441
Transfers from/(out of)							
construction in progress	196,702	13,210	-	681	10,442	(243,006)	(21,971)
Disposals	(21,378)	(4,552)	(426)	(2,273)	(964)	-	(29,593)
As at December 31, 2020	2,579,429	375,123	18,825	177,200	454,391	789,076	4,394,044
ACCUMULATED DEPRECIATION							
As at January 1, 2019	(366,172)	(188,748)	(11,854)	(74,984)	(221,393)	-	(863,151)
Charged for the year	(116,882)	(58,287)	(2,600)	(24,726)	(79,284)	-	(281,779)
Disposals	1,593	4,266	955	2,409	-	-	9,223
As at December 31, 2019	(481,461)	(242,769)	(13,499)	(97,301)	(300,677)	-	(1,135,707)
Charged for the year	(131,392)	(60,404)	(2,002)	(23,526)	(44,656)	-	(261,980)
Disposals	1,014	4,378	416	1,853	846	-	8,507
As at December 31, 2020	(611,839)	(298,795)	(15,085)	(118,974)	(344,487)	-	(1,389,180)
NET BOOK VALUE							
As at December 31, 2019	1,907,802	98,741	5,046	65,400	143,932	501,539	2,722,460
As at December 31, 2020	1,967,590	76,328	3,740	58,226	109,904	789,076	3,004,864

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Property and equipment (continued)

The carrying amount of premises of the Group with incomplete title deeds as at December 31, 2020 and 2019 amounted RMB2.33 million and RMB13.62 million, respectively. The Group are still in the process of applying for the outstanding title deeds of these premises. The directors of the Bank are of the opinion that these incomplete title deeds would not cause any significant impact on the Group's operations.

As at December 31, 2020 and 2019, leasehold land and premises of the Group with net book value amounting to RMB13.01 million and RMB20.62 million were rented out to third parties as investment properties.

The net book value of investment properties is analyzed by the remaining terms of the land leases as follows:

	As at December 31	
	2020	2019
Held in mainland China 10-50 years	13,007	20,616

24 Deferred tax assets/liabilities

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at December 31	
	2020	2019
Deferred tax assets	3,170,037	1,925,339
Deferred tax liabilities	(75,860)	(46,791)
Total	3,094,177	1,878,548

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Deferred tax assets/liabilities (continued)

The followings are the major deferred tax asset items recognised and movements thereon:

	Allowance for impairment losses	Accrued salaries, bonuses and allowances	Fair value changes of Financial investments measured at FVOCI	Fair value changes of Financial investments measured at FVTPL	Others	Total
As at January 1, 2020	1,611,145	166,495	55,313	(24,585)	70,180	1,878,548
Recognised in profit or loss	1,282,738	(110,941)	-	(23,646)	22,827	1,170,978
Recognised in other comprehensive income	30,433	-	14,218	-	-	44,651
As at December 31, 2020	2,924,316	55,554	69,531	(48,231)	93,007	3,094,177

	Allowance for impairment losses	Accrued salaries, bonuses and allowances	Fair value changes of Financial investments measured at FVOCI	Fair value changes of Financial investments measured at FVTPL	Others	Total
As at January 1, 2019	1,277,825	127,970	70,314	67,969	115,096	1,659,174
Recognised in profit or loss	339,364	38,525	-	(92,554)	(44,916)	240,419
Recognised in other comprehensive income	(6,044)	-	(15,001)	-	-	(21,045)
As at December 31, 2019	1,611,145	166,495	55,313	(24,585)	70,180	1,878,548

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Other assets

	Note	As at December 31	
		2020	2019
Settlement and clearing accounts		1,806,001	492,046
Repossessed assets	(1)	1,716,201	1,976,742
Intangible assets		224,873	132,547
Prepayments for projects		53,424	159,512
Deferred expenses		37,544	20,034
Research and development expenditure		495	85,994
Others		373,293	109,928
Gross balance		4,211,831	2,976,803
Less: Allowances for impairment losses		(766,204)	(165,634)
Net balance		3,445,627	2,811,169

(1) Repossessed assets:

	As at December 31	
	2020	2019
Land use rights and buildings	1,715,699	1,976,203
Others	502	539
Gross repossessed assets	1,716,201	1,976,742
Less: Allowances for impairment losses	(687,076)	(147,254)
Net repossessed assets	1,029,125	1,829,488

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

26 Borrowings from the central bank

	As at December 31	
	2020	2019
Borrowings from the central bank	13,761,070	4,071,000
Accrued interest	2,393	2,327
Total	13,763,463	4,073,327

Note: Borrowings from the central bank mainly include Re-lending to small business.

27 Deposits from banks and other financial institutions

	As at December 31	
	2020	2019
Banks in mainland China	5,607,637	12,890,998
Other financial institutions in mainland China	3,437,852	1,238,488
Subtotal	9,045,489	14,129,486
Accrued interest	78,616	114,858
Total	9,124,105	14,244,344

28 Placements from banks and other financial institutions

	As at December 31	
	2020	2019
Banks in mainland China	4,432,615	2,926,000
Banks outside mainland China	2,949,255	2,197,504
Subtotal	7,381,870	5,123,504
Accrued interest	27,597	16,720
Total	7,409,467	5,140,224

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

29 Financial assets sold under repurchase agreements

Analyzed by type and location of counterparty:

	As at December 31	
	2020	2019
Banks in mainland China	14,703,947	6,377,139
Accrued interest	1,092	2,252
Total	14,705,039	6,379,391

Analyzed by collateral type:

	As at December 31	
	2020	2019
Bonds	8,280,301	2,690,000
Bills	6,423,646	3,687,139
Subtotal	14,703,947	6,377,139
Accrued interest	1,092	2,252
Total	14,705,039	6,379,391

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Customers deposits

	Note	As at December 31	
		2020	2019
Demand deposits			
Corporate customers		102,884,283	86,076,150
Individual customers		18,803,783	16,669,477
Subtotal		121,688,066	102,745,627
Time deposits			
Corporate customers		54,123,645	46,260,178
Individual customers		97,415,148	75,925,012
Subtotal		151,538,793	122,185,190
Pledged deposits	(1)	35,719,601	27,088,506
Others		192,463	219,684
Accrued interest		4,665,761	3,024,063
Total		313,804,684	255,263,070

(1) Pledged deposits analyzed by products for which deposit is required:

	As at December 31	
	2020	2019
Bank acceptances	22,466,148	18,543,361
Guarantees and letters of guarantee	5,258,951	784,774
Letters of credit	5,029,288	4,752,775
Others	2,965,214	3,007,596
Total	35,719,601	27,088,506

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

31 Debt securities issued

Analysis of the debt securities issued by remaining maturities

The tables below summarize the maturity analysis of the debt securities issued by remaining contractual maturities at the end of each reporting period.

	Note	As at December 31	
		2020	2019
15 Jiujiang Bank bonds	(1)	–	2,000,000
18 Jiujiang Bank bonds	(2)	7,000,000	7,000,000
Interbank negotiable certificates of deposit	(3)	19,487,717	40,520,559
Subtotal		26,487,717	49,520,559
Accrued interest		146,423	146,423
Total		26,634,140	49,666,982

Notes:

- (1) On December 25, 2015, the Bank issued a fixed-rate tier-two capital bond with nominal value of RMB2 billion. Pursuant to the agreement, the bond has a term of 10 years, expiring on December 24, 2025, bearing an interest rate of 4.90% per annum. The Bank redeemed the bonds on 28 December 2020.
- (2) On January 31 and July 17, 2018, the Bank issued two fixed-rate subordinated bonds with nominal value of RMB1.5 billion respectively. Pursuant to the agreement, the two bonds both have a term of 10 years, expiring on January 30, 2028 and July 16, 2028, bearing an interest rate at 5.00% and 6.29% per annum respectively. The Bank has the right to redeem the bonds in full at nominal value at the end of the fifth year. No adjustment is made to the bond interest rate after five years of issue, if the bonds are not redeemed in the fifth year. On August 17 and November 6, 2018, the Bank issued two Green Financial Bonds with nominal value of RMB1 billion and RMB3 billion respectively. Pursuant to the agreement, the two bonds have a term of 3 years, expiring on August 16, 2021 and November 5, 2021 respectively, bearing an interest rate at 4.25% and 4.13% per annum.
- (3) As at December 31, 2020, the Bank had 109 outstanding interbank negotiable certificates of deposit with total notional amount of RMB19.76 billion. As at December 31, 2019, the Bank had 106 outstanding interbank negotiable certificates of deposit with total notional amount of RMB41.10 billion. All of these certificates were due within 1 year at the time of issuance. Such certificates were issued at a discount of which interests will be paid in lump sum at the maturity date.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Lease liabilities

	As at December 31	
	2020	2019
Lease liabilities payable:		
Within one year	70,021	2,087
Within a period of more than one year but not more than two years	68,130	19,662
Within a period of more than two years but not more than five years	136,204	118,296
Within a period of more than five years	79,147	220,565
Total	353,502	360,610

33 Other liabilities

	Note	As at December 31	
		2020	2019
Salaries payable	(1)	1,136,958	983,515
Settlement and clearing accounts		520,751	595,252
Payables to external companies		254,366	133,758
Other tax payables		232,238	319,181
Dividend payable		5,256	4,639
Others		190,741	268,593
Total		2,340,310	2,304,938

(1) *Salaries payable*

	As at December 31	
	2020	2019
<i>Salaries, bonuses and allowances</i>	811,121	701,232
<i>Defined Contribution Plans</i>	228,112	198,730
<i>Retiring benefit and annuity plan</i>	70,296	62,953
<i>Early retirement benefits</i>	18,206	15,138
<i>Labor union fees and staff education expenses</i>	6,541	2,856
<i>Social insurance</i>	1,719	1,752
<i>Housing funds</i>	834	759
<i>Staff welfare</i>	129	95
Total	1,136,958	983,515

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

34 Share capital

Share capital of the Group as at December 31, 2020 and December 31, 2019 represented share capital of the Bank, which was fully paid.

	As at December 31	
	2020	2019
Ordinary shares in Mainland China	2,000,000	2,000,000
Ordinary shares listed in Hong Kong (H-share)	407,367	407,367
Total	2,407,367	2,407,367

35 Reserves

	Note	As at December 31	
		2020	2019
Share premium		8,165,761	8,165,761
Fair value reserve	(1)	(79,194)	54,188
Surplus reserve	(2)	3,808,824	3,460,463
General reserve	(3)	4,673,589	4,175,514
Retained earnings		6,999,828	6,462,292
Total		23,568,808	22,318,218

(1) *Fair value reserve*

	2020	2019
<i>As at January 1</i>	<i>54,188</i>	<i>(12,602)</i>
<i>Changes in fair value recognized in other comprehensive income</i>	<i>26,236</i>	<i>1,392</i>
<i>Transfer to profit or loss upon disposal</i>	<i>(82,705)</i>	<i>8,938</i>
<i>Changes in impairment losses recognized in other comprehensive income</i>	<i>(121,374)</i>	<i>78,724</i>
<i>Less: Deferred income tax</i>	<i>44,461</i>	<i>(22,264)</i>
<i>As at December 31</i>	<i>(79,194)</i>	<i>54,188</i>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Reserves (continued)

(2) Surplus reserve

Pursuant to the Company Law of PRC, corporation is required to transfer 10% of its net profit, determined under the relevant accounting rules in the PRC, to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the corporation may also appropriate its profit for the year to a discretionary surplus reserve upon approval by the shareholders in general meeting. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the corporation, if any, and may be converted into capital.

	Statutory surplus reserve	Discretionary surplus reserve	Total
As at January 1, 2019	1,429,029	1,677,377	3,106,406
Appropriation during the year	183,051	171,006	354,057
As at December 31, 2019	1,612,080	1,848,383	3,460,463
Appropriation during the year	165,310	183,051	348,361
As at December 31, 2020	1,777,390	2,031,434	3,808,824

(3) General reserve

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance of the PRC, in addition to the individual and collective allowances for impairment losses, financial enterprise is required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures. The balance of the general reserve amounted to RMB4,673.59 million as at 31 December 2020 (31 December 2019: RMB4,175.51 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

36 Cash and cash equivalents

Cash and cash equivalents include the following balances with an original maturity equal to or less than three months:

	As at December 31	
	2020	2019
Cash	516,965	601,607
Balances with the central bank	3,286,616	9,304,395
Deposits with banks and other financial institutions	1,566,959	2,143,989
Placements with banks and other financial institutions	–	1,903,406
Financial assets held under resale agreements	13,451,457	–
Financial investments measured at FVTPL	1,010,500	–
Total	19,832,497	13,953,397

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financial activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Non-cash changes				
	As at January 1, 2020	Financing cash flows	Interest accrued/ dividend declared/ expense accrued	New lease	As at December 31, 2020
Bonds	9,146,423	(2,433,750)	433,750	-	7,146,423
Interbank negotiable certificates of deposit	40,520,559	(21,942,958)	910,116	-	19,487,717
Dividends payable	4,639	(303,147)	303,764	-	5,256
Lease liabilities	360,610	(75,703)	18,446	50,149	353,502
Total	50,032,231	(24,755,558)	1,666,076	50,149	26,992,898

	Non-cash changes				
	As at January 1, 2019	Financing cash flows (Restated)	Interest accrued/ dividend declared/ expense accrued	New lease	As at December 31, 2019
Bonds	9,146,423	(433,750)	433,750	-	9,146,423
Interbank negotiable certificates of deposit	30,946,621	8,303,409	1,270,529	-	40,520,559
Asset-backed securities	807,000	(807,000)	-	-	-
Dividends payable	12,595	(207,553)	199,597	-	4,639
Lease liabilities	420,025	(104,841)	21,402	24,024	360,610
Total	41,332,664	6,750,265	1,925,278	24,024	50,032,231

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Structured entities

(1) Consolidated structured entities

The consolidated structured entities of the Group included non-principal-guaranteed wealth management products issued by the Bank that were invested by its subsidiaries. As at December 31, 2020, the assets held by the consolidated structured entities have matured (2019: RMB925 million).

As the initiator and manager of the wealth management products, the Group considers it has control over such structured entities and those structured entities should be consolidated by the Group.

(2) Unconsolidated structured entities

(a) Structured entities managed by third party institutions in which the Group holds interests.

The Group holds interests in these structured entities managed by third party institutions through investments in the beneficial rights or plans issued relating to these structured entities. The Group does not consolidate these structured entities. Such structured entities include wealth management products issued by financial institutions, asset management plans, trust beneficiary rights and asset-backed securities.

The following tables set out an analysis of the gross carrying amounts of interests held by the Group as at December 31, 2020 and 2019 in the structured entities sponsored and managed by third party institutions.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Structured entities (continued)

(2) Unconsolidated structured entities (continued)

(a) Structured entities managed by third party institutions in which the Group holds interests. (continued)

	As at December 31, 2020				
	Financial investments at FVTPL	Financial investments at FVOCI	Financial investments at amortized cost	Total	Maximum risk exposure (Note)
Wealth management products	207,620	-	-	207,620	207,620
Fund investments	14,947,043	-	-	14,947,043	14,947,043
Trust beneficiary rights and asset management plans	8,331,349	-	28,103,998	36,435,347	36,435,347
Asset backed medium-term notes	551,435	98,815	-	650,250	650,250
Total	24,037,447	98,815	28,103,998	52,240,260	52,240,260

	As at December 31, 2019				
	Financial investments at FVTPL	Financial investments at FVOCI	Financial investments at amortized cost	Total	Maximum risk exposure (Note)
Wealth management products	936,952	-	-	936,952	936,952
Fund investments	13,618,659	-	-	13,618,659	13,618,659
Trust beneficiary rights and asset management plans	13,455,396	-	29,335,878	42,791,274	42,791,274
Asset backed medium-term notes	557,909	-	-	557,909	557,909
Total	28,568,916	-	29,335,878	57,904,794	57,904,794

Note: The maximum exposures to loss in the above investment products are the carrying amounts of the assets held by the Group at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Structured entities (continued)

(2) Unconsolidated structured entities (continued)

(b) Unconsolidated structured entities managed by the Group

The types of unconsolidated structured entities managed by the Bank mainly include non-principal-guaranteed wealth management products. The purpose of managing these structured entities is to generate fees from managing assets on behalf of investors. Interest held by the Bank includes fees charged by providing management services to these structured entities.

As at December 31, 2020 and 2019, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products managed by the Bank amounting to RMB34,786 million and RMB33,991 million respectively. The Group did not hold any investment in the wealth management products and management fee earned from these products for the year ended December 31, 2020 and 2019 amounted to RMB224,898 thousand and RMB132,121 thousand respectively.

The Group did not provide any financial or other support to these unconsolidated structured entities during both years.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Related party transactions

(1) Major shareholders and entities under their control

Following major shareholders held more than 5% interest of the Bank or appointed the director are considered as related parties of the Group:

Name of shareholders	Percentage of shares held as at December 31	
	2020	2019
Jiujiang Finance Bureau	15.20%	15.20%
Beijing Automotive Group Co., Ltd.	15.20%	15.20%
Industrial Bank Co., Ltd.	12.23%	12.23%
Fangda Carbon New Material Co., Ltd. (Note 2)	5.65%	–
Foshan Gaomin Jindun Hengye Computer Special Printing Co., Ltd.	3.98%	3.98%
Dasheng (Fujian) Agricultural Co., Ltd. (Note 2)	0.00%	5.65%

Note 1: The shareholders with less than 5% interest in the Bank and no director or supervisor appointed are not considered as related parties of the Group.

Note 2: Fangda Carbon New Material Co., Ltd. acquired equity shares from Dasheng (Fujian) Agricultural Co., Ltd in 2020, and didn't hold any equity shares in 2019. The original shareholder Dasheng (Fujian) Agricultural Co., Ltd still holds a small quantity of the equity shares after the transaction.

Balances and transactions between the Group and the major shareholders and entities under their control are as follows:

During the year ended December 31, 2020 and 2019, the Group had the following material balances and entered into the following material transactions with major shareholders and entities under their control. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Related party transactions (continued)

(1) Major shareholders and entities under their control (continued)

	As at December 31	
	2020	2019
Balances at the end of the year:		
Assets		
Deposits with banks and other financial institutions	1,020,669	734,750
Loans and advances to customers at amortized cost	1,834,704	654,376
Financial investments at amortized cost (Note 1)	627,514	–
Total	3,482,887	1,389,126
Liabilities		
Customer deposits	11,371,520	4,973,817
Placements from banks and other financial institutions	2,949,255	2,207,588
Deposits from banks and other financial institutions	22,691	1,064,638
Total	14,343,466	8,246,043
Non-principal-guaranteed wealth management products (Note 2)	210,000	1,410,000

Note 1: It represented the corporation bond purchased by the Group, which was issued by a related party of the Group.

Note 2: It represented the non-principal-guaranteed wealth management product issued by the Group where the underlying asset is a loan, and the borrower is a related party of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Related party transactions (continued)

(1) Major shareholders and entities under their control (continued)

	2020	2019
Transactions during the year:		
Interest income	54,914	43,278
Interest expense	102,602	90,304
Net gains arising from financial investments	39,000	7,945
Fee and commission income	6,488	3,050

(2) Subsidiaries of the Bank

	Year ended December 31	
	2020	2019
Balance at the end of the year:		
Deposits from banks and other financial institutions	2,988,631	515,927
Transactions during the year:		
Interest expense	113,005	80,350
Dividend from subsidiaries	12,221	5,967

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Related party transactions (continued)

(3) Associates of the Bank

Details of the associates of the Bank are set out in Note 21.

	As at December 31	
	2020	2019
Balance at the end of the year:		
Deposits from banks and other financial institutions	1,052,448	230,952
Transactions during the year:		
Interest expense	26,003	19,275
Dividend from associates	5,000	5,000

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Related party transactions (continued)

(4) 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. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

	As at December 31	
	2020	2019
Balances at the end of the year:		
Asset		
Loans and advances to customers at amortized cost	4,188	13,865
Liability		
Customer deposits	4,143	3,782
	2020	2019
Transactions during the year:		
Interest income	411	745
Interest expense	118	94

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Related party transactions (continued)

(5) Key management personnel

Key management personnel, including directors, supervisors and senior management team members, are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Group.

The remuneration of key management personnel during the reporting period were as follows:

	Year ended December 31	
	2020	2019
Salaries and other emoluments	6,280	6,920
Discretionary bonuses	4,688	5,019
Delayed payments	4,588	4,902
Contributions by the employer to social insurance and staff welfares, housing fund, etc	768	1,072
Contributions to pension scheme	714	835
Other welfare	91	112
Total	17,129	18,860

40 Contingent liabilities and commitments

(1) Legal proceedings

The Bank and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2020 and 2019, in light of court decisions or advice from legal counsels, the Group considered that sufficient provision has been provided for any potential losses from these claims.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

40 Contingent liabilities and commitments (continued)

(2) Capital commitments

	As at December 31	
	2020	2019
Contracted but not provided for	594,090	674,264

(3) Credit commitments

	As at December 31	
	2020	2019
Unused credit card commitments	9,568,690	4,136,840
Letters of credit	8,858,398	7,144,313
Letters of guarantee	11,999,870	5,776,737
Bank acceptances	35,207,251	27,953,333
Total	65,634,209	45,011,223

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

40 Contingent liabilities and commitments (continued)

(4) Collateral

Assets pledged

The carrying amounts of assets pledged as collateral under repurchase agreements by the Group are as follows:

	As at December 31	
	2020	2019
Bonds	8,332,065	2,754,054
Bills	6,453,649	3,697,264
Total	14,785,714	6,451,318

As at December 31, 2020 and 2019, the carrying amounts of financial assets sold under repurchase agreements for the Group amounted to RMB14,705 million and RMB6,379 million, respectively.

All repurchase agreements were due within twelve months from inception.

41 Fiduciary activities

The Group commonly acts as asset manager or in other fiduciary capacities that results in its holding or managing assets on behalf of individuals or corporations. These assets and any gains or losses arising thereon are not included in the consolidated financial statements of the Group as they are not the Group's assets.

As at December 31, 2020 and 2019, the entrusted loans balance of the Group amounted to RMB8,731 million and RMB11,487 million respectively.

As at December 31, 2020 and 2019, the balance of the non-principal-guaranteed wealth management products issued and managed by the Group amounted to RMB34,786 million and RMB34,916 million respectively.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBIRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBIRC.

The former CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar practice is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardized approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Capital management (continued)

The Group's capital adequacy ratios at the year ended December 31, 2020 and 2019 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBIRC are as follows:

	As at December 31	
	2020	2019
Core tier-one capital		
– Share capital	2,407,367	2,407,367
– Qualifying portion of capital reserve	8,086,567	8,219,949
– Surplus reserve and general reserve	8,482,413	7,635,977
– Retained earnings	6,999,828	6,462,292
– Qualifying non-controlling interest	1,107,124	632,207
– Deductions of core tier-one capital	(716,517)	(132,547)
Net core tier-one capital	26,366,782	25,225,245
Other tier-one capital	–	–
Net tier-one capital	26,366,782	25,225,245
Tier-two capital		
– Qualifying portions of tier-two capital	3,000,000	5,000,000
– Surplus provision for loan impairment	1,956,526	2,531,495
– Qualifying non-controlling interests	–	–
Net capital base	31,323,308	32,756,740
Total risk weighted assets	292,351,353	281,314,603
Core tier-one capital adequacy ratio	9.02%	8.97%
Tier-one capital adequacy ratio	9.02%	8.97%
Capital adequacy ratio	10.71%	11.64%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management

Overview

The primary objectives of risk management of the Group are to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group's risk management policies are designed, and controls are set up to identify, analyze, monitor and report risks arising from normal operation. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

Details of the financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (i.e. interest rate risk, currency risk and other price risk). The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Risk management framework

The Group has designed its organization framework, risk management policies and processes with an objective to identify, evaluate and manage its risk effectively. The Board of Directors is mainly responsible for the review and approval of risk management policies and plans, and the determination of the risk appetite of the Group. Risk Management Committee, Strategy Committee, Connected Transaction Control Committee and Audit Committee set up and appointed by the Board of Directors are responsible for supervising and evaluating the set-up, organizational structure, work process and effectiveness of various risk management functions.

The Group's main functional departments responsible for risk management include Risk Management Department (the department to guide and organize other related departments), Credit Approval Department, Planning and Finance Department, Corporate Finance Department, Financial Market Department, International Business Center, Small-sized Enterprise Credit Center, Retail Bank Headquarters, Operation Management Department, Information Technology Department, etc., which are obligated to implement various policies and systems regarding risk management in practice. The Group's internal audit department is responsible for the independent review of the Group's risk management and control environment.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(1) Credit risk

The primary credit risk of the Group comes from loans and advances to customers, financial investments, interbank businesses, commitment and other on-balance and off-balance sheet credit risk exposures. The Group monitors all financial assets that are subject to impairment test requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

Credit risk management

The Group exercises standardized credit management procedures, including credit investigation and proposal, credit limit review, loan granting, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by complying with its credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans.

The Group has been working on the enhancement of credit business in accordance with the policies and regulations and aligning the credit management with the trends of industry development and national macro-economic policies so as to optimize the loan exposure structure. The Group's customer managers are responsible for post lending monitoring regularly or as necessary. The approaches adopted by the Group to reduce its loss from non-performing loans include (1) collecting debts; (2) restructuring; (3) executing collaterals or reclaim from guarantor; (4) litigations or lawsuits; and (5) transferring.

For the non-standard investments, the Group has made great efforts to restrict such business conducted by the branches through terminating new business and gradually unwinding the existing investments on maturity. Such business has to be authorized by the Financial Market Department of the head office to integrate resource allocation and monitor the Group's overall exposure. Besides, business beyond the department authorization requires approval by Investment Committee. Furthermore, in order to refine inter-banking credit granting, standardize the access and exit mechanism, as well as introduce high-quality counterparties, the Group has released the Management Measures for Bulk Credit Limit Authorization for Inter-banking Businesses of Bank of Jiujiang (<九江銀行同業批量授信管理辦法>), which stipulates the principles of inter-banking credit business as "strict access, choosing better quality customers, dynamic monitoring and timely termination".

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(1) Credit risk (continued)

Impairment Assessment

Measurement of Expected Credit Loss (ECL)

In accordance with IFRS 9, the Group classifies financial instruments measured at amortized cost or FVOCI into three stages and makes provisions for expected credit losses, accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition. Detailed definition of stages is included in Note 2.

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The Group's credit risk grading framework comprises ten categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

Significant increase in credit risk

The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significant change in credit risk for the purposes of classifying financial instruments. The main considerations are regulatory and industry environment, internal and external credit risk gradings, operational and financial situation, contractual terms, and historical repayment records etc. The Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the statement of financial position date and its risk of default at the date of initial recognition to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments. In determining whether credit risk of a financial instrument has increased significantly since initial recognition, the Group considers factors indicating whether significant changes with an adverse effect have taken place in the borrower's business, financial and economic status, whether less value of the collaterals (for the collateral loans and pledged loans only) have been identified, whether early indicators of problems of cash flow/liquidity have been identified, such as late payment of accounts payable/repayment of loans, whether the financial instrument has been past due for more than 30 days or whether the market price has been falling to indicate deterioration in asset quality.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(1) Credit risk (continued)

Impairment Assessment (continued)

Definition of default

The Group defines a borrower as in default when it meets any of the following criteria:

- (i) The principal or interest of loan is past due for more than 90 days;
- (ii) The corporate borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidation against collateral; or
- (iii) The corporate borrower has the above matters in other financial institutions

Generally, a financial asset is considered to be credit-impaired if:

- It has been overdue for more than 90 days;
- In light of economic, legal or other factors, the Group has made concessions to a borrower in financial difficulties, which would otherwise have been impossible under normal circumstances;
- The borrower is probable to be insolvent or carry out other financial restructurings;
- Due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
- There are other objective evidences that the financial asset is impaired;
- Borrowers' ability to repay their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked;
- Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked;
- Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(1) Credit risk (continued)

Impairment Assessment (continued)

Description of parameters, assumptions, and estimation techniques

ECL is measured at an amount equal to 12-month ECL or lifetime ECL depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the product of the Probability of Default (“PD”), Loss Given Default (“LGD”), and Exposure at Default (“EAD”), considering the time value of money. Related definitions are as follows:

- probability of default (PD): is an estimate of the likelihood of default over 12 months or lifetime horizon;
- loss given default (LGD): is the proportion of the loss arising on default to the exposure at default;
- exposure at default (EAD): is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The assumptions underlying the ECL calculation, such as how the PDs and LGDs of different maturity profiles change are periodically monitored and reviewed by the Group. These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

Forward-looking information contained in ECL

According to the different risk characteristics of assets, the Group divides assets into different asset groups, identifies macro indicators related to credit risks, and establishes regression models. The Group uses forward-looking information that is available without undue cost or effort and predict the macro-economic assumptions. External information includes macro-economic data, forecast information issued by government or regulatory agencies, for example, CPI, PPI, RMB loans balance, etc. The Group measures PD as a weighted average of PD under optimistic, neutral and pessimistic scenarios, with the combination of the LGD of different business, the Group calculates the forward-looking adjusted ECL.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(1) Credit risk (continued)

Impairment Assessment (continued)

Collateral and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralized by bills or bonds. As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners.

Corporate loans and discounted bills are mainly collateralized/pledged by properties or other assets. As at December 31, 2020, the carrying value (before deduction of expected credit loss) of corporate loans and discounted bills amounted to RMB144,078 million (December 31, 2019: RMB119,028 million), of which credit exposure covered by collateral/pledge amounted to RMB85,282 million (December 31, 2019: RMB63,503 million).

Retail loans are mainly collateralised by residential properties. As at December 31, 2020, the carrying value (before deduction of expected credit loss) of retail loans amounted to RMB66,362 million (December 31 2019: RMB59,428 million), of which credit exposure covered by collateral amounted to RMB39,452 million (December 31, 2019: RMB34,074 million).

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(1) Credit risk (continued)

As at December 31, 2020, the Group's credit risk stages of financial instruments are as follows:

(i) Financial assets measured at amortized cost

	As at December 31, 2020										
	Gross carrying amount					Provision for expected credit losses					
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total			
Balances with the central bank	38,223,957	-	-	38,223,957	-	-	-	-	-	-	-
Deposits with banks and other financial institutions	2,015,290	-	-	2,015,290	(671)	-	-	-	-	-	(671)
Financial assets held under resale agreements	13,453,029	-	-	13,453,029	(5,202)	-	-	-	-	-	(5,202)
Financial investments	79,397,742	5,598,964	3,125,809	88,122,515	(468,200)	(772,562)	(2,032,913)	(3,273,675)			
Loans and advances to customers	176,274,946	2,527,356	3,555,685	182,357,987	(2,939,858)	(341,446)	(1,940,454)	(5,221,758)			
Total	309,364,964	8,126,320	6,681,494	324,172,778	(3,413,931)	(1,114,008)	(3,973,367)	(8,501,306)			

In 2020, the amount of expected credit losses of loans and advances to customers of the Group increased, which is because the amount of gross carrying amount of loans and advances to customers has increased.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(1) Credit risk (continued)

(ii) Financial assets measured at FVOCI

As at December 31, 2020

	Gross carrying amount				Provision for expected credit losses				Total
	LifETIME		12-month		LifETIME		LifETIME		
	ECL not credit-impaired	ECL credit-impaired	ECL not credit-impaired	ECL credit-impaired	ECL not credit-impaired	ECL credit-impaired	ECL not credit-impaired	ECL credit-impaired	
Financial investments	-	-	-	-	(8,388)	-	-	-	(8,388)
Loans and advances to customers	-	-	-	-	(197,458)	-	-	-	(197,458)
Total	-	-	-	-	(205,846)	-	-	-	(205,846)

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For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(1) Credit risk (continued)

As at December 31, 2019, the Group's credit risk stages of financial instruments are as follows:

(i) Financial assets measured at amortized cost

	As at December 31, 2019					
	Gross carrying amount			Provision for expected credit losses		
	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired
Balances with the central bank	34,780,606	-	34,780,606	-	-	-
Deposits with banks and other financial institutions	2,248,567	-	2,248,567	(885)	-	(885)
Placements with banks and other financial institutions	2,251,833	-	2,251,833	(832)	-	(832)
Financial assets held under resale agreements	7,812,631	-	7,812,631	(4,152)	-	(4,152)
Financial investments	79,088,235	1,529,342	83,124,935	(570,329)	(174,573)	(1,306,292)
Loans and advances to customers	153,796,688	4,564,667	161,799,365	(3,129,218)	(603,435)	(1,854,264)
Total	279,978,560	6,094,009	292,017,937	(3,705,416)	(778,008)	(3,160,556)
						(7,643,980)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(1) Credit risk (continued)

(ii) Financial assets measured at FVOCI

	As at December 31, 2019									
	Gross carrying amount					Provision for expected credit losses				
	Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total
Financial investments	18,415,563	-	142,455	18,558,018	(6,711)	-	(180,883)	(187,594)		
Loans and advances to customers	17,156,136	-	-	17,156,136	(139,986)	-	-	(139,986)		
Total	35,571,699	-	142,455	35,714,154	(146,697)	-	(180,883)	(327,580)		

(a) Rescheduled loans and advances

Rescheduled loans and advances arise from rescheduling or deferring the repayment terms mainly representing offering lower interest rate or extending payment schedule. Rescheduled loans and advances are under continuous monitoring by the Group.

Contractual amount of rescheduled loans and advances for the Group as at December 31, 2020 and 2019 amounted to RMB5,431 million and RMB6,115 million respectively, among which loans and advances overdue for more than 90 days amounted to RMB122 million and RMB1,127 million respectively.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(1) Credit risk (continued)

Debt instruments

Debt instruments are referenced to ratings from major rating agencies where the issuers of the securities are located.

Debt instruments are analyzed by credit rating as follows:

	As at December 31, 2020			
	Financial investments at FVTPL	Financial investments at FVOCI	Financial investments at amortized cost	Total
AAA	309,704	8,325,796	16,853,251	25,488,751
AA+-AA-	843,257	2,847,701	14,601,069	18,292,027
C	-	-	56,485	56,485
Unrated (Note)	-	19,836,963	25,234,037	45,071,000
Total	1,152,961	31,010,460	56,744,842	88,908,263

	As at December 31, 2019			
	Financial investments at FVTPL	Financial investments at FVOCI	Financial investments at amortized cost	Total
AAA	618,206	5,466,906	11,926,236	18,011,348
A-1	10,027	-	-	10,027
AA+-AA-	32,505	2,230,384	4,179,604	6,442,493
A+-A-	-	14,228	-	14,228
C	-	142,455	142,490	284,945
D	-	-	140,271	140,271
Unrated (Note)	555,362	10,704,045	35,349,262	46,608,669
Total	1,216,100	18,558,018	51,737,863	71,511,981

Note: The unrated debt securities mainly consist of investment and trading securities issued by the Ministry of Finance, PBOC, policy banks and other financial institutions which are creditworthy issuers in the market but are not rated by independent rating agencies.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(2) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

Risk Management Department manages the Group's liquidity risk via:

- Setting target ratio on assets and liabilities structure in accordance with the regulatory requirements and business plan;
- Maintaining stability of deposit base; and
- Making advanced projection on future cash flows and evaluating the appropriate current assets position.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(2) Liquidity risk (continued)

Analysis of the remaining maturity of assets and liabilities

The tables below summarize the maturity analysis of assets and liabilities by remaining contractual maturities at the end of each reporting period.

	As at December 31, 2020							Total
	Past due/ indefinite Note(a)/(b)/(c)	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
Assets								
Cash and balances with the central bank	34,921,510	3,819,412	-	-	-	-	-	38,740,922
Deposits with banks and other financial institutions	-	1,270,317	246,413	296,871	201,018	-	-	2,014,619
Financial assets held under resale agreements	-	-	13,447,827	-	-	-	-	13,447,827
Loans and advances to customers	1,661,627	6,923	15,040,270	18,260,128	68,245,590	56,608,868	45,834,789	205,658,195
Financial investments	1,670,879	17,445,579	1,003,865	4,790,494	15,667,552	67,109,670	38,259,042	145,947,081
Others	7,520,800	687,570	683,069	13,187	521,546	502,489	56,827	9,985,488
Total assets	45,774,816	23,229,801	30,421,444	23,360,680	84,635,706	124,221,027	84,150,658	415,794,132
Liabilities								
Borrowings from the central bank	-	-	40,000	4,143,903	9,579,560	-	-	13,763,463
Deposits from banks and other financial institutions	-	1,232,587	1,094,430	2,285,694	4,511,394	-	-	9,124,105
Placements from banks and other financial institutions	-	-	-	956,051	6,453,416	-	-	7,409,467
Financial assets sold under repurchase agreements	-	-	9,111,338	2,483,514	3,110,187	-	-	14,705,039
Customer deposits	-	140,453,334	12,545,284	15,878,408	40,583,299	104,343,227	1,132	313,804,684
Debt securities issued	-	-	1,208,111	4,449,607	13,976,422	4,000,000	3,000,000	26,634,140
Lease liabilities	-	-	7,411	9,318	53,293	204,334	79,146	353,502
Others	1,284,724	2,085,462	-	-	-	-	-	3,370,186
Total liabilities	1,284,724	143,771,383	24,006,574	30,206,495	78,267,571	108,547,561	3,080,278	389,164,586
Long/(short) position	44,490,092	(120,541,582)	6,414,870	(6,845,815)	6,368,135	15,673,466	81,070,380	26,629,546

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(2) Liquidity risk (continued)

Analysis of the remaining maturity of assets and liabilities (continued)

	As at December 31, 2019						Total
	Past due/ indefinite Note(a)/(b)/(c)	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	
Assets							
Cash and balances with the central bank	25,473,731	9,908,482	-	-	-	-	35,382,213
Deposits with banks and other financial institutions	-	1,396,403	751,303	-	99,976	-	2,247,682
Placements with banks and other financial institutions	-	-	1,757,862	150,162	317,634	25,343	2,251,001
Financial assets held under resale agreements	-	-	7,808,479	-	-	-	7,808,479
Loans and advances to customers	1,607,163	20,719	13,192,734	11,878,855	56,141,224	56,522,051	173,368,584
Financial investments	1,144,772	13,618,659	1,492,506	5,204,854	11,302,653	73,570,992	134,421,629
Others	6,830,335	930	196,096	9,441	399,488	361,102	7,872,012
Total assets	35,056,001	24,945,193	25,198,980	17,243,312	68,260,975	130,479,488	363,351,600
Liabilities							
Borrowings from the central bank	-	-	20,000	20,000	4,033,327	-	4,073,327
Deposits from banks and other financial institutions	-	185,243	2,108,436	2,546,204	9,404,461	-	14,244,344
Placements from banks and other financial institutions	-	-	-	705,129	4,195,095	240,000	5,140,224
Financial assets sold under repurchase agreements	-	-	3,592,346	1,147,305	1,639,740	-	6,379,391
Customer deposits	-	115,568,815	9,229,486	19,299,526	40,977,879	68,728,923	255,263,070
Debt securities issued	-	-	-	-	40,520,559	4,034,810	49,666,982
Lease liabilities	-	-	2,391	9,962	57,227	211,861	360,610
Others	1,863,618	1,002,242	-	-	-	-	2,865,860
Total liabilities	1,863,618	116,756,300	14,952,659	23,728,126	100,828,288	73,215,594	337,993,808
Long/(short) position	33,192,383	(91,811,107)	10,246,321	(6,484,814)	(92,567,313)	57,263,894	25,357,792

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For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(2) Liquidity risk (continued)

Analysis of the remaining maturity of assets and liabilities (continued)

- (a) *Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank.*
- (b) *Indefinite amount of loans and advances to customers includes all the credit-impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand.*
- (c) *Financial investments comprise financial investments at amortized cost, financial investments at fair value through profit or loss and financial investments at fair value through other comprehensive income. Indefinite amount of financial investments represent credit-impaired investments or those overdue more than one month. Equity investments is listed in the category of indefinite.*

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(2) Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of non-derivatives financial assets and financial liabilities by remaining contractual maturities at the end of reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

As at December 31, 2020

	Carrying amount	Contractual undiscounted cash flow	Past due/ indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years
Financial assets									
Cash and balances with the central bank	38,740,922	38,740,922	34,921,510	3,819,412	-	-	-	-	-
Deposits with banks and other financial institutions	2,014,619	2,019,500	-	1,270,317	247,352	296,971	204,860	-	-
Financial assets held under resale agreements	13,447,827	13,453,029	-	-	13,453,029	-	-	-	-
Loans and advances to customers	205,658,195	246,111,507	2,103,099	6,923	15,071,183	18,385,333	70,393,288	66,795,320	73,356,361
Financial investments	145,947,081	168,939,691	1,677,379	17,445,579	1,086,635	5,872,605	18,662,351	80,527,102	43,648,040
Others	2,154,085	2,154,085	3,388	667,570	676,329	-	468,355	318,443	-
Total financial assets	407,962,729	471,418,734	38,705,376	23,229,801	30,534,528	24,554,909	89,748,854	147,640,865	117,004,401
Financial liabilities									
Borrowings from the central bank	13,763,463	13,899,442	-	-	40,019	4,155,275	9,704,148	-	-
Deposits from banks and other financial institutions	9,124,105	9,272,797	-	1,232,587	1,115,558	2,323,984	4,600,668	-	-
Placements from banks and other financial institutions	7,409,467	7,490,103	-	-	-	961,348	6,528,755	-	-
Financial assets sold under repurchase agreements	14,705,039	14,790,716	-	-	9,122,454	2,514,561	3,153,701	-	-
Customer deposits	313,804,684	322,284,384	-	140,453,334	12,890,993	16,510,904	42,903,895	109,524,047	1,271
Debt securities issued	26,634,140	27,431,500	-	-	1,210,000	4,450,000	14,100,000	4,332,800	3,338,700
Lease liabilities	353,502	413,264	-	-	8,884	12,166	64,900	238,126	89,168
Others	928,952	928,952	-	928,952	-	-	-	-	-
Total financial liabilities	386,723,352	396,511,031	-	142,614,873	24,397,820	30,918,159	81,056,067	114,094,973	3,429,139
Long/(short) position	21,239,377	74,907,576	38,705,376	(119,385,072)	6,146,680	(6,373,349)	8,692,787	33,545,892	113,575,262

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For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(2) Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows (continued)

	As at December 31, 2019								
	Carrying amount	Contractual undiscounted cash flow	Past due/indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years
Financial assets									
Cash and balances with the central bank	35,382,213	35,382,213	25,473,731	9,908,482	-	-	-	-	-
Deposits with banks and other financial institutions	2,247,682	2,254,570	-	1,396,951	752,231	-	105,388	-	-
Placements with banks and other financial institutions	2,251,001	2,258,386	-	-	1,760,013	151,620	321,100	25,653	-
Financial assets held under resale agreements	7,808,479	7,812,758	-	-	7,812,758	-	-	-	-
Loans and advances to customers	173,368,584	206,320,824	1,823,549	20,719	13,223,872	11,979,762	57,887,851	66,878,664	54,506,407
Financial investments	134,421,629	158,364,626	1,490,368	13,618,659	1,645,302	6,054,593	15,087,506	88,268,026	32,200,172
Others	829,091	829,091	125,602	930	193,854	98	345,819	162,414	374
Total financial assets	356,308,679	413,222,468	28,913,250	24,945,741	25,388,030	18,186,073	73,747,664	155,334,757	86,706,953
Financial liabilities									
Borrowings from the central bank	4,073,327	4,182,150	-	-	20,354	20,556	4,141,240	-	-
Deposits from banks and other financial institutions	14,244,344	14,459,087	-	185,243	2,111,227	2,617,341	9,545,276	-	-
Placements from banks and other financial institutions	5,140,224	5,195,382	-	-	-	708,673	4,243,511	243,198	-
Financial assets sold under repurchase agreements	6,379,391	6,396,909	-	-	3,592,820	1,151,898	1,652,191	-	-
Customer deposits	255,263,070	271,168,977	-	115,568,815	9,439,407	19,804,571	42,283,789	82,297,054	1,775,341
Debt securities issued	49,666,982	52,400,252	-	-	36,146	72,291	41,425,313	5,203,126	5,663,376
Lease Liabilities	360,610	437,984	-	-	2,396	10,038	59,007	249,363	117,180
Others	1,002,243	1,002,243	-	1,002,243	-	-	-	-	-
Total financial liabilities	336,130,191	355,242,984	-	116,756,301	15,202,350	24,385,368	103,350,327	87,992,741	7,555,897
Long/(short) position	20,178,488	57,979,484	28,913,250	(91,810,560)	10,185,680	(6,199,295)	(29,602,663)	67,342,016	79,151,056

Assets available to meet all of the liabilities include cash, balances with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, and Financial investments. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved.

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For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(2) Liquidity risk (continued)

Analysis of off-balance sheet items

Off-balance sheet items of the Group mainly include credit commitments. The tables below set forth the amounts of the off-balance sheet credit commitments by remaining maturity.

	As at December 31, 2020			Total
	Less than 1 year	1 to 5 years	Over 5 years	
Unused credit card commitments	9,568,690	–	–	9,568,690
Letters of credit	8,858,398	–	–	8,858,398
Letters of guarantee	5,721,710	6,276,906	1,254	11,999,870
Bank acceptances	35,207,251	–	–	35,207,251
Total	59,356,049	6,276,906	1,254	65,634,209

	As at December 31, 2019			Total
	Less than 1 year	1 to 5 years	Over 5 years	
Unused credit card commitments	4,136,840	–	–	4,136,840
Letters of credit	7,144,313	–	–	7,144,313
Letters of guarantee	97,051	5,372,853	306,833	5,776,737
Bank acceptances	27,953,333	–	–	27,953,333
Total	39,331,537	5,372,853	306,833	45,011,223

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For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(3) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including foreign exchange rates, interest rates and stock prices.

The Group considers the market risk arising from equity price movements in respect of its trading and investment portfolios as immaterial.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

The Group is primarily exposed to interest rate risk arising from corporate and retail banking business and treasury business. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of interest-generating assets and those of interest-bearing liabilities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(3) Market risk (continued)

Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent other currency. Transactions in foreign currencies mainly arise from the Group's treasury exposures.

	As at December 31, 2020				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Assets					
Cash and balances with the central bank	38,617,695	107,439	15,788	-	38,740,922
Deposits with banks and other financial institutions	955,723	500,554	521,151	37,191	2,014,619
Financial assets held under resale agreements	13,447,827	-	-	-	13,447,827
Loans and advances to customers	204,664,851	858,018	-	135,326	205,658,195
Financial investments	140,889,071	5,058,010	-	-	145,947,081
Others	9,985,488	-	-	-	9,985,488
Total assets	408,560,655	6,524,021	536,939	172,517	415,794,132
Liabilities					
Borrowings from the central bank	13,763,463	-	-	-	13,763,463
Deposits from banks and other financial institutions	8,142,317	981,788	-	-	9,124,105
Placements from banks and other financial institutions	3,769,402	3,599,945	-	40,120	7,409,467
Financial assets sold under repurchase agreements	14,705,039	-	-	-	14,705,039
Customer deposits	312,436,511	927,090	316,695	124,388	313,804,684
Debt securities issued	26,634,140	-	-	-	26,634,140
Others	3,686,253	37,013	422	-	3,723,688
Total liabilities	383,137,125	5,545,836	317,117	164,508	389,164,586
Net balance sheet position	25,423,530	978,185	219,822	8,009	26,629,546

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(3) Market risk (continued)

Foreign currency risk (continued)

	As at December 31, 2019				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Assets					
Cash and balances with the central bank	35,284,246	81,126	16,841	-	35,382,213
Deposits with banks and other financial institutions	862,458	573,427	589,883	221,914	2,247,682
Placements with banks and other financial institutions	1,197,595	1,053,406	-	-	2,251,001
Financial assets held under resale agreements	7,808,479	-	-	-	7,808,479
Loans and advances to customers	172,600,017	566,883	-	201,684	173,368,584
Financial investments	129,119,400	5,302,229	-	-	134,421,629
Others	7,872,012	-	-	-	7,872,012
Total assets	354,744,207	7,577,071	606,724	423,598	363,351,600
Liabilities					
Borrowings from the central bank	4,073,327	-	-	-	4,073,327
Deposits from banks and other financial institutions	12,639,935	1,604,409	-	-	14,244,344
Placements from banks and other financial institutions	2,340,000	2,800,224	-	-	5,140,224
Financial assets sold under repurchase agreements	6,379,391	-	-	-	6,379,391
Customer deposits	252,165,234	2,344,040	336,868	416,928	255,263,070
Debt securities issued	49,666,982	-	-	-	49,666,982
Others	3,223,132	3,338	-	-	3,226,470
Total liabilities	330,488,001	6,752,011	336,868	416,928	337,993,808
Net balance sheet position	24,256,206	825,060	269,856	6,670	25,357,792

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(3) Market risk (continued)

Foreign currency risk (continued)

The table below indicates the potential effect of a 10% appreciation or depreciation of RMB spot and forward exchange rates against all other currencies on net profit.

	2020 (Decrease)/ increase in net profit	2019 (Decrease)/ increase in net profit
10% appreciation	(90,451)	(82,618)
10% depreciation	90,451	82,618

The impact on net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign currency monetary assets and monetary liabilities. Changes in foreign currency exchange rate will affect other comprehensive income.

The effect on net profit is calculated based on the assumption that the Group's net foreign currency exposure at the end of each reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(3) Market risk (continued)

Interest rate risk

The interest rate risk of the Group arises from the mismatches between contractual maturities or re-pricing of interest-generating assets and interest-bearing liabilities. The interest-generating assets and interest-bearing liabilities of the Group are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which serve as references for commercial banks.

The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact the PBOC benchmark interest rates;
- Minimizing the mismatches between contractual maturities or re-pricing of interest-generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin between the interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(3) Market risk (continued)

Interest rate risk (continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and financial liabilities.

	As at December 31, 2020					Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Assets						
Cash and balances with the central bank	37,218,160	-	-	-	1,522,762	38,740,922
Deposits with banks and other financial institutions	1,812,558	200,000	-	-	2,061	2,014,619
Financial assets held under resale agreements	13,446,255	-	-	-	1,572	13,447,827
Loans and advances to customers	84,736,704	84,361,542	24,543,536	11,576,473	439,940	205,658,195
Financial investments	22,949,913	14,758,568	67,760,408	38,259,042	2,219,150	145,947,081
Others	-	-	-	-	9,985,488	9,985,488
Total assets	160,163,590	99,320,110	92,303,944	49,835,515	14,170,973	415,794,132
Liabilities						
Borrowings from the central bank	4,183,160	9,577,910	-	-	2,393	13,763,463
Deposits from banks and other financial institutions	4,572,967	4,472,522	-	-	78,616	9,124,105
Placements from banks and other financial institutions	952,490	6,429,380	-	-	27,597	7,409,467
Financial assets sold under repurchase agreements	11,584,013	3,119,934	-	-	1,092	14,705,039
Customer deposits	166,087,636	39,979,892	102,791,814	1,113	4,944,229	313,804,684
Debt securities issued	5,639,135	13,848,582	4,000,000	3,000,000	146,423	26,634,140
Lease liabilities	16,729	53,293	204,334	79,146	-	353,502
Others	-	-	-	-	3,370,186	3,370,186
Total liabilities	193,036,130	77,481,513	106,996,148	3,080,259	8,570,536	389,164,586
Total interest sensitivity gap	(32,872,540)	21,838,597	(14,692,204)	46,755,256	5,600,437	26,629,546

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(3) Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2019					Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Assets						
Cash and balances with the central bank	34,706,137	-	-	-	676,076	35,382,213
Deposits with banks and other financial institutions	2,118,550	99,768	-	-	29,364	2,247,682
Placements with banks and other financial institutions	1,902,704	313,420	25,306	-	9,571	2,251,001
Financial assets held under resale agreements	7,806,995	-	-	-	1,484	7,808,479
Loans and advances to customers	88,227,722	59,987,011	21,122,104	3,531,805	499,942	173,368,584
Financial investments	7,021,297	11,120,789	72,387,209	27,635,260	16,257,074	134,421,629
Others	-	-	-	-	7,872,012	7,872,012
Total assets	141,783,405	71,520,988	93,534,619	31,167,065	25,345,523	363,351,600
Liabilities						
Borrowings from the central bank	40,023	4,030,977	-	-	2,327	4,073,327
Deposits from banks and other financial institutions	4,470,969	9,488,579	-	-	284,796	14,244,344
Placements from banks and other financial institutions	697,620	4,185,884	240,000	-	16,720	5,140,224
Financial assets sold under repurchase agreements	4,739,393	1,637,746	-	-	2,252	6,379,391
Customer deposits	142,390,721	40,492,420	67,914,702	1,441,164	3,024,063	255,263,070
Debt securities issued	-	40,520,559	4,034,810	5,111,613	-	49,666,982
Lease liabilities	305	1,782	137,958	220,565	-	360,610
Others	-	-	-	-	2,865,860	2,865,860
Total liabilities	152,339,031	100,357,947	72,327,470	6,773,342	6,196,018	337,993,808
Total interest sensitivity gap	(10,555,626)	(28,836,959)	21,207,149	24,393,723	19,149,505	25,357,792

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(3) Market risk (continued)

Interest rate risk (continued)

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net interest income and other comprehensive income, based on the Group's position of interest-generating assets and interest-bearing liabilities excluding current deposits at the end of each reporting period.

	2020		2019	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points	(260,497)	(953,261)	(102,828)	(171,531)
- 100 basis points	261,375	1,033,865	104,753	182,853

The sensitivity analysis on net interest income is carried out based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities (except current deposits) held at the end of the reporting period remain unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of fixed rate Financial investments measured at FVOCI at the end of each reporting period after adjusting for reasonably possible changes in interest rates.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Financial risk management (continued)

(4) Operational risk

Operational risk refers to the risk arising from inadequate or failed internal control procedures, personnel and information technology systems, or external events. The primary operational risks the Group faces include internal and external frauds, worksite safety failures, business interruptions and failure in the information technology system.

The Board of Directors is ultimately responsible for the Group's operational risk management. The Group's senior management leads the group-wide operational risk management on a day-to-day basis. The Group has established "three lines of defenses" to manage operational risk on an end-to-end basis. The business lines and functions are the first line of defense against operational risks, taking direct responsibilities for operational risk management. The legal and compliance department is the second line of defense against operational risks, responsible for the establishment of operational risk management policies and procedures and the coordination, support and supervision of operational risk management. The internal audit department is the third line of defense against operational risk, responsible for evaluating the adequacy and effectiveness of operational risk management policies and procedures and assessing the Group's internal control system and compliance.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Fair value of financial instruments

Certain financial assets and financial liabilities of the Group are measured at fair value at the end of each reporting period. Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described below:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)

The following tables give the information about how the fair values of these financial assets and financial liabilities are categorized and determined, in particular, the valuation technique(s) and input(s) used.

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

	As at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial investments measured at FVTPL				
- Debt securities	-	1,152,961	-	1,152,961
- Fund investments	-	14,947,043	-	14,947,043
- Equity investments	14,690	-	241,806	256,496
- Trust beneficiary rights and asset management plans	-	-	8,331,349	8,331,349
- Wealth management products	-	-	207,620	207,620
- Others	-	-	5,192,312	5,192,312
Financial investments measured at FVOCI				
- Debt securities	-	31,010,460	-	31,010,460
Loans and advances to customers measured at FVOCI	-	28,521,966	-	28,521,966
Total	14,690	75,632,430	13,973,087	89,620,207

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial investments measured at FVTPL				
- Debt securities	-	1,216,100	-	1,216,100
- Fund investments	-	13,618,659	-	13,618,659
- Equity investments	27,111	-	662,424	689,535
- Trust beneficiary rights and asset management plans	-	-	13,455,396	13,455,396
- Wealth management products	-	-	936,952	936,952
- Others	-	-	4,873,228	4,873,228
Financial investments measured at FVOCI				
- Debt securities	-	18,415,563	142,455	18,558,018
Loans and advances to customers measured at FVOCI	-	17,156,136	-	17,156,136
Total	27,111	50,406,458	20,070,455	70,504,024

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2020 and 2019.

Financial assets at FVTPL and financial assets at FVOCI are stated at fair value by reference to the quoted market prices when available.

If quoted market prices are not available, fair values are estimated on the basis of discounted cash flows or other pricing models. For debt securities, the fair values of bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. For wealth management products, the fair value is measured by discounted cash flow model with main inputs as interest rates, credit spread which are substantively based on observable market data and/or obtainable from active open market.

For the investment funds, the fair value is measured based on the observable quoted price of the underlying investment portfolio in active market.

The fair value of loans and advances to customers at FVOCI in Mainland China are categorized as Level 2. Based on the different credit risk, the Group uses the transaction interest rate of rediscounted bills announced by the Shanghai Commercial Paper Exchange as the basis for calculating the fair value of discounted bills.

For Level 3 financial assets, the Group adopts the discounted cash flow method or other valuation methods to determine the fair value. The fair value of debt securities type of financial assets is measured by the expected discounted cash flows with unobservable input of discount rate reflecting the credit risk of debtors, and the fair value of equity securities type of financial assets are measured by market comparison approach with unobservable input of discount for lack of marketability.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets is as follows:

	Financial investments measured at FVTPL	Financial investments measured at FVOCI
As at January 1, 2020	19,928,000	142,455
Total gains		
– In profit or loss	5,540,405	–
Purchases	1,350,000	–
Disposals and settlement on maturity	(12,845,318)	(142,455)
As at December 31, 2020	13,973,087	–
Total unrealized gains or losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(7,243)	–
	Financial investments measured at FVTPL	Financial investments measured at FVOCI
As at January 1, 2019	28,327,769	–
Total gains		
– In profit or loss	76,441	(174,112)
Purchases	3,855,085	–
Transferred to level 3	–	316,567
Disposals and settlement on maturity	(12,331,295)	–
As at December 31, 2019	19,928,000	142,455
Total unrealized gains or losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(62,866)	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

As at the end of the reporting period, the carrying amounts and the fair value of the financial assets and the financial liabilities of the Group have no significant difference except following items.

	As at December 31, 2020		As at December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Debt securities measured at amortized cost	56,744,842	55,588,823	51,737,863	52,114,258
Financial liabilities				
Debt securities issued	26,634,140	26,339,866	49,666,982	49,867,574

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3. Quantitative information of Level 3 fair value measurement is as below:

Financial assets/ financial liabilities	Fair value as at December 31,		Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2020	2019		
Financial investments at FVTPL				
- Restricted listed equity investments	-	447,530	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discount for lack of marketability
- Unlisted equity investments	241,806	214,894	Market approach. Fair value determined by reference to price to earnings ratio of comparable companies after considering the discount for lack of marketability.	Price to earnings ratio; discount for lack of marketability
- Trust beneficiary rights and asset management plans	8,331,349	13,455,396	Discounted cash flows. Future cash flows are discounted using the discount rates with reference to the PBOC benchmark interest rates and credit spread for specific borrowers.	Discount rate, Future Cash Flow
- Wealth management products	207,620	936,952	Discounted cash flows. Future cash flows are discounted using the discount rates with reference to the PBOC benchmark interest rates and credit spread for specific borrowers.	Discount rate, Future Cash Flow

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value as at December 31,		Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2020	2019		
- Other investments	5,192,312	4,873,228	Discounted cash flows. Future cash flows are discounted using the discount rates with reference to the PBOC benchmark interest rates and credit spread for specific borrowers.	Discount rate, Future Cash Flow
Financial investments at FVOCI				
- Debt securities	-	142,455	Discounted cash flows. Future cash flows are discounted using the discount rates with reference to the PBOC benchmark interest rates and credit spread for specific borrowers.	Discount rate, Future Cash Flow

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Particulars of principal subsidiaries

Details of the Bank's principal subsidiaries as at December 31, 2020 and 2019 are set out below:

Name of entity	Place of incorporation/ registration and operations	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2020	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities	Type of entity
				As at December 31, 2020	As at December 31, 2019	As at December 31, 2020	As at December 31, 2019		
				%	%	%	%		
Xiushui Jiuyin County Bank LLC.	Jiangxi, PRC	December 2007	40,000	51.00	51.00	51.00	51.00	Commercial bank	Limited liability Company
Beijing Daxing Jiuyin County Bank Co., Ltd. (i)	Beijing, PRC	May 2010	220,000	45.00	45.00	53.00	53.00	Commercial bank	Joint Stock Company
Jinggangshan Jiuyin County Bank LLC. (i)	Jiangxi, PRC	March 2010	64,274	41.00	41.00	58.33	55.00	Commercial bank	Limited liability Company
Rizhao Jiuyin County Bank Co., Ltd.	Shandong, PRC	November 2011	50,000	51.00	51.00	51.00	51.00	Commercial bank	Joint Stock Company
Nanjing Liuhe Jiuyin County Bank Co., Ltd.	Jiangsu, PRC	December 2011	100,000	51.00	51.00	56.00	56.00	Commercial bank	Joint Stock Company
Nanchang Changdong Jiuyin County Bank Co., Ltd.	Jiangxi, PRC	October 2012	50,000	51.00	51.00	51.00	51.00	Commercial bank	Joint Stock Company
Pengze Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	December 2015	50,000	35.00	35.00	54.00	54.00	Commercial bank	Joint Stock Company
Ruichang Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	December 2015	50,000	35.00	35.00	54.10	54.10	Commercial bank	Joint Stock Company
Zixi Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	April 2016	20,000	35.00	35.00	54.40	54.40	Commercial bank	Joint Stock Company

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For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Particulars of principal subsidiaries (continued)

Details of the Bank's principal subsidiaries as at December 31, 2020 and 2019 are set out below: (continued)

Name of entity	Place of incorporation/ registration and operations	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2020	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities	Type of entity
				As at December 31, 2020	As at December 31, 2019	As at December 31, 2020	As at December 31, 2019		
				%	%	%	%		
Chongren Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	June 2016	40,000	35.00	35.00	54.90	54.90	Commercial bank	Joint Stock Company
Fenyi Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	June 2016	50,000	35.00	35.00	54.90	54.90	Commercial bank	Joint Stock Company
Fengxin Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	October 2016	50,000	42.21	42.21	55.00	55.00	Commercial bank	Joint Stock Company
Jing'an Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	November 2016	20,000	42.21	42.21	55.00	55.00	Commercial bank	Joint Stock Company
Tonggu Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	November 2016	20,000	42.21	42.21	55.00	55.00	Commercial bank	Joint Stock Company
Jingdezhen Changjiang Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	December 2016	40,000	42.21	42.21	55.00	55.00	Commercial bank	Joint Stock Company
Lushan Jiuyin Art County Bank Co., Ltd. (i)	Jiangxi, PRC	January 2017	30,000	42.21	42.21	55.00	55.00	Commercial bank	Joint Stock Company
Duchang Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	February 2018	50,000	50.00	50.00	52.00	52.00	Commercial bank	Joint Stock Company
Hukou Jiuyin County Bank Co., Ltd. (i)	Jiangxi, PRC	February 2018	50,000	50.00	50.00	52.70	52.70	Commercial bank	Joint Stock Company

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Particulars of principal subsidiaries (continued)

None of the subsidiaries had issued any debt securities at the end of the year.

- (i) The Bank holds less than 50% equity interests in these subsidiaries. In accordance with the agreements to act in concert entered into by the Bank and the non-controlling shareholders, or through appointing or approving the appointment of the key management of these subsidiaries, the Bank has right to variable returns from its involvement in the relevant operations of these subsidiaries and the ability to affect the returns through the power over these subsidiaries. In the opinion of the directors of the Bank, the Bank has controls over these subsidiaries.
- (ii) As at December 31, 2020, the Group consists of the Bank and 18 subsidiaries, and the non-controlling interests have no material interest in the group's activities and cash flows.

46 Statement of financial position of the Bank

	As at December 31	
	2020	2019
ASSETS		
Cash and balances with the central bank	34,385,307	30,839,561
Deposits with banks and other financial institutions	1,701,931	2,214,834
Placements with banks and other financial institutions	–	2,251,001
Financial assets held under resale agreements	13,447,827	7,433,234
Loans and advances to customers	198,635,513	167,191,304
Financial investments	145,585,999	132,626,084
Interest in associates	126,828	121,647
Investments in subsidiaries	453,735	453,735
Right-of-use assets	283,574	310,473
Property and equipment	2,853,006	2,563,383
Deferred tax assets	3,005,277	1,782,124
Other assets	3,407,140	2,770,756
Total assets	403,886,137	350,558,136

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Statement of financial position of the Bank (continued)

	As at December 31	
	2020	2019
LIABILITIES		
Borrowings from the central bank	13,082,525	3,771,327
Deposits from banks and other financial institutions	12,062,030	14,762,795
Placements from banks and other financial institutions	7,409,467	5,140,224
Financial assets sold under repurchase agreements	14,694,314	6,371,824
Customer deposits	300,575,116	243,134,587
Income tax payable	440,776	151,401
Debt securities issued	26,634,140	49,666,982
Lease liabilities	323,193	333,943
Provisions	521,141	333,421
Other liabilities	2,253,870	2,233,603
Total liabilities	377,996,572	325,900,107
EQUITY		
Share capital	2,407,367	2,407,367
Reserves	23,482,198	22,250,662
Total equity	25,889,565	24,658,029
Total equity and liabilities	403,886,137	350,558,136

47 Event after the reporting period

The Group has no material events for disclosure subsequent to the end of the reporting period.

48 Comparative figures

For financial statements disclosure purpose, the Group made reclassification adjustments to some comparative figures.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2020

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the year ended December 31, 2020 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
<i>Amendments to IFRS 3, Business Combinations "Reference to the conceptual framework"</i>	January 1, 2022
<i>Amendments to IAS 16, Property, Plant and Equipment "Property, plant and equipment: proceeds before intended Use"</i>	January 1, 2022
<i>Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets "Onerous contracts – cost of fulfilling a contract"</i>	January 1, 2022
<i>Annual Improvements to IFRS Standards 2018-2020</i>	January 1, 2022
<i>IFRS 17 "Insurance contracts"</i>	January 1, 2023
<i>Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an Investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

Definition

In this annual report, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:

“Articles of Association” or “Articles”	the articles of association of the Bank, the version of which was passed by the shareholders of the Bank at the first extraordinary shareholders’ meeting of 2019 on March 7, 2019 and was approved by the CBIRC Jiangxi Bureau on June 10, 2019, as the same may be amended, supplemented or otherwise modified from time to time
“Bank”, “Bank of Jiujiang” or “Group”	Bank of Jiujiang Co., Ltd. (九江銀行股份有限公司), a joint stock company incorporated on November 17, 2000 in Jiangxi Province, China with limited liability in accordance with the PRC laws and regulations 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
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), and if the context requires, includes its predecessor China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBIRC Jiangxi Bureau”	CBIRC Jiangxi Bureau (中國銀保監會江西監管局)
“CBIRC Jiujiang Branch Office”	CBIRC Jiujiang Branch Office (中國銀保監會九江監管分局)
“CBRC”	former China Banking Regulatory Commission (中國銀行業監督管理委員會), currently CBIRC (中國銀保監會)
“China” or “PRC”	the People’s Republic of China, for the purpose of this annual report only, refers to Mainland China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan of the PRC

Definition

“city commercial banks”	banks with branches at municipal or higher levels created with the approval of the CBIRC pursuant to the Company Law of the PRC and the PRC Commercial Banking Law
“commercial banks”	all the banking financial institutions in the PRC other than policy banks, including the Large Commercial Banks, the Nationwide Joint-stock Commercial Banks, city commercial banks, foreign banks and other banking financial institutions
“Company Law of the PRC”	the Company Law of the PRC (中華人民共和國公司法), which was promulgated by the 5th session of the 8th Standing Committee of the National People’s Congress on December 29, 1993 and became effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“county bank”	banking institution(s) incorporated with the approval of the CBIRC, pursuant to the Company Law of the PRC and the PRC Commercial Banking Law, to provide services to local growers or enterprises in rural areas
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full for in RMB

“H Shares”	overseas-listed shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for listing and permission to trade on the Hong Kong Stock Exchange
“HK\$” or “HKD” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards and International Accounting Standards (“IAS”), which include the related standards, amendments and interpretations issued by the International Accounting Standards Board (“IASB”)
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are independent of the Bank or are not its connected persons
“Jiuyin County Banks”	18 Jiuyin County Banks controlled and consolidated by the Bank as at December 31, 2020
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)

Definition

“related party(ies)”	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders promulgated by the CBRC, Accounting Standards for Business Enterprises promulgated by the MOF, and/or IFRS
“related party transaction(s)”	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders promulgated by the CBRC, Accounting Standards for Business Enterprises promulgated by the MOF, and/or IFRS
“reporting period”	the year from January 1, 2020 to December, 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Supervisor(s)”	the supervisor(s) of the Bank
“US\$”, “USD” or “US dollars”	United States dollars, the lawful currency of the United States of America



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