



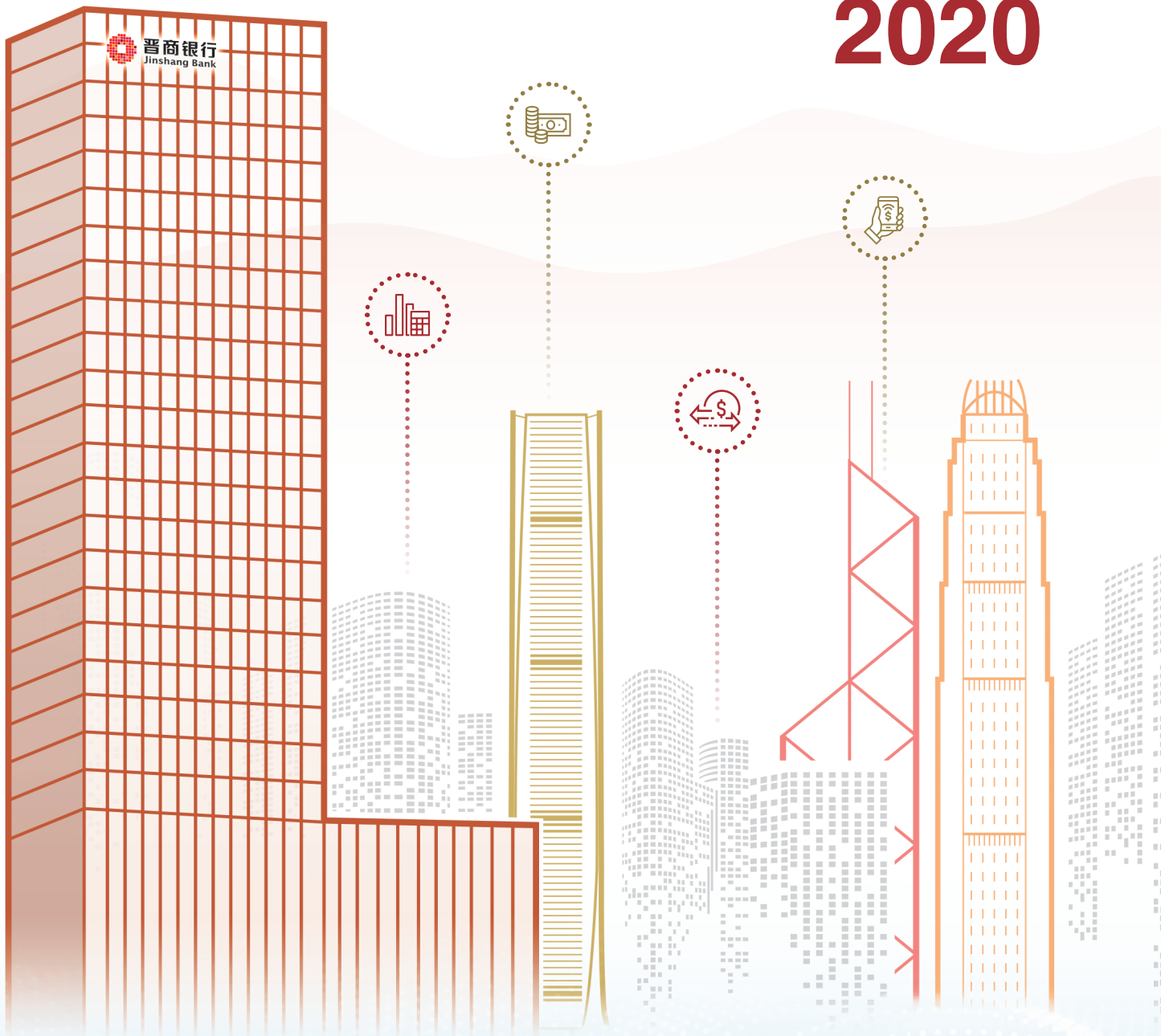
晋商银行
Jinshang Bank

晋商银行股份有限公司
JINSHANG BANK CO., LTD.

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

Stock Code: 2558

ANNUAL REPORT
2020



Definitions

In this Annual Report, unless the context otherwise requires, the following items shall have the meanings as set out below:

“Articles of Association”	our articles of association, as amended, supplemented or otherwise modified from time to time
“Bank” or “our Bank”	Jinshang Bank Co., Ltd. (晉商銀行股份有限公司), a joint stock company established on October 16, 1998 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches, excluding its subsidiary
“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)
“China” or “PRC”	the People’s Republic of China, for the purpose of this Annual Report, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
“Group”, “we” or “us”	the Bank together with its subsidiary, and, if the context requires, includes its predecessors, branches and sub-branches
“H Shares”	the ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“HK\$” or “HKD” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board
“subsidiary(ies)”	has the meaning ascribed to it under Section 2 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

Definitions

“PBoC” or “the central bank”	the People’s Bank of China (中國人民銀行)
“Reporting Period”	the year ended December 31, 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Share(s) of the Bank
“Share(s)”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
“Supervisor(s)”	the supervisor(s) of the Bank

Corporate Information

Legal Chinese Name	晉商銀行股份有限公司*
Abbreviation in Chinese	晉商銀行
Legal English Name	Jinshang Bank Co., Ltd.
Abbreviation in English	Jinshang Bank
Legal Representative	YAN Junsheng ¹
Authorized Representatives	LI Shishan, WONG Wai Chiu
Secretary to the Board of Directors	LI Weiqiang
Joint Company Secretaries	LI Weiqiang, WONG Wai Chiu
Registered Address and Address of Head Office	No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Tel	0351-6819503
Fax	0351-6819503
E-mail	dongban@jshbank.com
Website	www.jshbank.com
Website of the Hong Kong Stock Exchange for publishing the H-share annual report	www.hkexnews.hk
Initial Registration Date	October 16, 1998
Registration Number of the Enterprise Business License	140000100067748
Unified Social Credit Code	911400007011347302
Financial License Institution Number	B0116H214010001

1. On January 8, 2020, Mr. YAN Junsheng has tendered his resignation as the chairman of the Board and legal representative of the Bank. According to the requirements of the Articles of Association, the chairman of the Board of the Bank is legal representative of the Bank. Upon appointing the chairman of the Board, procedures will be followed to make changes to the industrial and commercial registration with the Shanxi Administration for Market Regulation (山西市場監督管理局).

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

Corporate Information

Listing Place of Shares	The Stock Exchange of Hong Kong Limited
Abbreviated Stock Name	JINSHANG BANK
Stock Code	2558
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
PRC Legal Advisor	King & Wood Mallesons 17th Floor, One ICC Shanghai ICC 999 Middle Huai Hai Road, Xuhui District Shanghai, the PRC
Hong Kong Legal Advisor	Morgan, Lewis & Bockius Room 1902-09, 19th Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
Domestic Auditors	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower, Oriental Plaza No. 1 East Changan Ave. Dongcheng District Beijing, the PRC
International Auditors	Ernst & Young (Public Interest Entity Auditor registered under the Financial Reporting Council Ordinance) 22/F, CITIC Tower 1 Tim Mei Avenue, Central Hong Kong

Corporate Information

Board Committees

Development and Strategy Committee

JIN Haiteng (Vice Chairperson), LI Shishan, DUAN Qingshan

Audit Committee

WANG Liyan (Chairperson), SAI Zhiyi (Vice Chairperson), LIU Chenhang, SUN Shihu, YE Xiang

Risk Management Committee

SAI Zhiyi (Chairperson), JIN Haiteng (Vice Chairperson), WANG Jianjun, DUAN Qingshan

Related Parties Transactions Control Committee

JIN Haiteng (Chairperson), SUN Shihu (Vice Chairperson), WANG Liyan

Nomination, Remuneration and HR Committee

DUAN Qingshan (Chairperson), JIN Haiteng (Vice Chairperson), XIANG Lijun, SAI Zhiyi

Consumer Rights Protection Committee

SUN Shihu (Chairperson), WANG Liyan (Vice Chairperson), LI Yang, SAI Zhiyi

Summary of Five-Year Accounting Data and Financial Indicators

	For the year ended December 31,					
	2020	2019 (Restate ^{Note})	Rate of change (%)	2018	2017	2016
Results of operations						
Interest income ^{Note}	9,429.4	8,755.2	7.7	8,345.0	8,199.5	7,663.0
Interest expense	(5,988.7)	(5,496.2)	9.0	(5,166.2)	(4,184.3)	(4,147.9)
Net interest income ^{Note}	3,440.7	3,259.0	5.6	3,178.8	4,015.2	3,515.1
Fee and commission income ^{Note}	890.7	696.4	27.9	490.3	374.0	436.3
Fee and commission expense	(178.2)	(85.8)	107.7	(66.6)	(42.3)	(33.4)
Net fee and commission income ^{Note}	712.5	610.6	16.7	423.7	331.7	402.9
Net trading gains/(losses)	(119.5)	435.4	(127.4)	231.8	(59.9)	(60.5)
Net gains arising from investment securities	819.8	746.2	9.9	887.4	91.3	82.2
Other operating income ^(a)	14.5	37.7	(61.5)	31.1	7.6	10.1
Operating income	4,868.0	5,088.9	(4.3)	4,752.8	4,385.9	3,949.8
Operating expense	(1,824.3)	(1,836.8)	(0.7)	(1,750.8)	(1,680.3)	(1,707.4)
Impairment losses on assets	(1,452.9)	(1,665.5)	(12.8)	(1,535.5)	(1,203.5)	(905.1)
Share of profits of associate	21.5	20.9	2.9	33.2	18.1	0.4
Profit before tax	1,612.3	1,607.5	0.3	1,499.7	1,520.2	1,337.7
Income tax	(41.4)	(125.1)	(66.9)	(186.1)	(289.7)	(305.8)
Net profit for the period	1,570.9	1,482.4	6.0	1,313.6	1,230.5	1,031.9
Net profit attributable to:						
Equity holders of the Bank	1,566.7	1,483.6	5.6	1,310.3	1,227.0	1,026.5
Non-controlling interests	4.2	(1.2)	(450.0)	3.3	3.5	5.4
Earnings per share attributable to equity holders of the Bank (presented in RMB per share)						
– Basic	0.27	0.28	(3.6)	0.27	0.33	0.31
– Diluted	0.27	0.28	(3.6)	0.27	0.33	0.31

Note:

(a) Consists primarily of net gains from disposal of self-used property and equipment, default penalty income and penalty income.

Note: From 2020 onwards, the Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2019.

Summary of Five-Year Accounting Data and Financial Indicators

	As of December 31,					
	2020	2019	Rate of change (%)	2018	2017	2016
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
Key indicators for assets/liabilities						
Total assets	270,943.6	247,571.2	9.4	227,247.8	206,869.8	173,385.9
Of which: net loans and advances to customers	131,836.5	111,712.6	18.0	98,118.1	94,250.4	66,484.0
Total liabilities	249,902.2	227,411.9	9.9	211,251.9	192,193.5	163,714.6
Of which: deposits from customers	176,781.7	155,322.2	13.8	144,896.8	136,198.9	116,301.4
Share capital	5,838.7	5,838.7	0.0	4,868.0	3,268.0	3,268.0
Equity attributable to equity holders of the Bank	21,013.6	20,135.2	4.4	15,969.9	14,642.8	9,636.4
Total equity	21,041.4	20,159.3	4.4	15,995.9	14,676.3	9,671.3

	For the year ended December 31,					
	2020	2019	Change	2018	2017	2016
<i>(Restate ^{Note})</i>						
Profitability indicators (%)						
Return on average assets ⁽¹⁾	0.61	0.62	(0.01)	0.61	0.65	0.62
Return on average equity ⁽²⁾	7.63	8.20	(0.57)	8.70	10.11	11.05
Net interest spread ^{(3) Note}	1.59	1.69	(0.10)	1.68	2.03	1.81
Net interest margin ^{(4) Note}	1.54	1.62	(0.08)	1.70	2.25	2.09
Net fee and commission income to operating income ^{Note}	14.64	12.00	2.64	8.91	7.56	10.20
Cost-to-income ratio ⁽⁵⁾	36.01	34.79	1.22	35.75	37.19	39.29

Note: From 2020 onwards, the Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2019.

	As of December 31,					
	2020	2019	Change	2018	2017	2016
Asset quality indicators (%)						
NPL ratio ⁽⁶⁾	1.84	1.86	(0.02)	1.87	1.64	1.87
Allowance coverage ratio ⁽⁷⁾	194.06	199.92	(5.86)	212.68	183.96	163.52
Allowance to gross loan ratio ⁽⁸⁾	3.58	3.71	(0.13)	3.97	3.02	3.05

Summary of Five-Year Accounting Data and Financial Indicators

	As of December 31,					
	2020	2019	Change	2018	2017	2016
Capital adequacy indicators (%)⁽⁹⁾						
Core tier-one capital adequacy ratio ⁽¹⁰⁾	10.72	11.47	(0.75)	10.63	10.16	9.65
Tier-one capital adequacy ratio ⁽¹¹⁾	10.72	11.47	(0.75)	10.63	10.16	9.65
Capital adequacy ratio ⁽¹²⁾	11.72	13.60	(1.88)	12.99	12.52	12.50
Total equity to total assets	7.77	8.14	(0.37)	7.04	7.08	5.56
Other indicators (%)						
Loan-to-deposit ratio ⁽¹³⁾	78.49	75.49	3.00	70.99	71.36	58.97
Liquidity coverage ratio ⁽¹⁴⁾	327.19	252.85	74.34	226.64	113.34	106.33
Liquidity ratio ⁽¹⁵⁾	102.62	90.01	12.61	83.91	49.95	75.54

	As of December 31,		
	2020	2019	2018
<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Net stable funding ratio⁽¹⁶⁾			
Total available stable funding	164,644.8	147,133.4	133,954.3
Total required stable funding	116,608.1	107,250.6	102,688.0
Net stable funding ratio (%)	141.19	137.19	130.45

Notes:

- (1) Calculated by dividing net profit for the period by the average balance of total assets at the beginning and the end of the period.
- (2) Calculated by dividing net profit for the period by the average balance of total equity at the beginning and the end of the period.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of total interest-earning assets.
- (5) Calculated by dividing total operating expenses (excluding tax and surcharges) by total operating income.
- (6) Calculated by dividing total NPLs by gross loans and advances to customers. Except as otherwise stated, the "gross loans and advances" referred to in this report exclude interest accrued.
- (7) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by total NPLs.

Summary of Five-Year Accounting Data and Financial Indicators

- (8) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by gross loans and advances to customers.
- (9) Calculated in accordance with the Capital Administrative Measures for Commercial Banks (Provisional).
- (10) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.
- (11) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.
- (12) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.
- (13) Calculated by dividing total loans and advances to customers by total deposits from customers (excluding interest accrued).
- (14) Liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBIRC. Liquidity coverage ratio = eligible high-quality liquid assets/net cash outflows for the next 30 days × 100%.
- (15) Liquidity ratio is calculated in accordance with the formula promulgated by the CBIRC. Liquidity ratio = balance of current assets/balance of current liabilities × 100%.
- (16) Net stable funding ratio is calculated in accordance with the formula promulgated by the CBIRC. Net stable funding ratio = available stable funding/required stable funding × 100%. According to the Measures for Disclosure of Information on the Proportion of Net Stable Capital by Commercial Banks (Yin Bao Jian Fa [2019] No. 11) 《商業銀行淨穩定資金比例信息披露辦法》(銀保監發[2019]11號) issued by the CBIRC in 2019.

Management Discussion and Analysis

1 REVIEW OF THE ECONOMIC, FINANCIAL AND POLICY ENVIRONMENT

In 2020, facing with severe and complicated domestic and foreign environments, especially the material impacts brought by COVID-19, China coordinated epidemic prevention and control and economic and social development, as a result, the economic operation recovered steadily. The gross domestic product (GDP) in 2020 reached RMB101,598,600 million, representing an increase of 2.3% year-on-year at constant prices, and China will be the only major economy that achieves positive economic growth in the world. In 2020, the increment of social financing amounted to RMB34.9 trillion in aggregate, representing a year-on-year increase of RMB9.2 trillion; of which RMB loans to the real economy grew by RMB20.0 trillion, representing a year-on-year increase of RMB3.2 trillion. As of the end of December 2020, the broad money (M2) balance saw a year-on-year increase of 10.1%, 1.4 percentage points higher than that in the same period of 2019.

In 2020, Shanxi province coordinated epidemic prevention and control as well as economic and social development in a scientific manner. Consequently, the main indicators showed a strong recovery, the resilience of weak sectors was enhanced, and the vitality of new momentum increased, giving rise to an operation trend of continuous recovery and steady improvement in general. The provincial GDP reached RMB1,765,190 million, representing a year-on-year increase of 3.6% at constant prices, 1.3 percentage points higher than the national economic growth; the added value of above-scale industries in the province increased by 5.7% on a year-on-year basis, 2.9 percentage points higher than the national growth; the growth rate of fixed asset investment (excluding peasant households) increased month by month, with a year-on-year increase of 10.6%, 7.7 percentage points higher than the national growth; the total retail sales of consumer goods decreased by 4.0% year-on-year, 27.8 percentage points lower than that at the beginning of the year, resulting in that the gap with the whole country decreased from 11.3 percentage points at the beginning of the year to 0.1 percentage point.

2 BUSINESS OVERVIEW AND DEVELOPMENT STRATEGIES

In 2020, in the context of severe, complicated and difficult environment, the Bank has always maintained the spirit of facing difficulties and forging ahead in adversity. Adhering to the overall strategic thinking of “Comprehensive Development, Four Modernizations and Four-Efficiency”, the Bank fully implemented the annual strategic plans and key tasks, and steadily moved towards the goal of high-quality development.

We firmly overcame difficulties, and our operation results continued to improve. As of the end of 2020, the total assets of the Bank amounted to RMB270.94 billion, representing an increase of RMB23.37 billion or 9.4% as compared to that at the beginning of the year; the balance of various deposits amounted to RMB176.78 billion, representing an increase of RMB21.46 billion or 13.8% as compared to that at the beginning of the year; and the balance of various loans amounted to RMB136.10 billion, representing an increase of RMB20.62 billion or 17.9% as compared to that at the beginning of the year. We realized a net profit of RMB1.57 billion for the year, representing a year-on-year increase of RMB90 million or 6.0%. The main indicators were in line with the regulatory requirements. The Bank ranked 378th in the “Global Top 1000 Banks” list released by The Banker of the UK, moving up 43 places from the previous year; ranked 68th in the list of “China’s Top 100 Banks in 2019” issued by the China Banking Association; ranked 27th in the Top 100 in China in terms of comprehensive ability of wealth management and ranked 9th in the regional commercial banks. The regulatory rating of the Bank maintained 2C, the regulatory rating on information technology maintained 2B, and the main long-term credit rating was raised to AAA with a stable outlook. The core competitiveness and sustainable development ability of the Bank continuously was enhanced.

Management Discussion and Analysis

We adhered to accountability, and achieved remarkable results in serving the real economy. We actively supported the fields such as construction of Comprehensive Reform Demonstration Zone, energy revolution and the Breakthrough of “Six New” in Shanxi province, precisely met the fund needs of major projects and key enterprises, provided diversified financing with a year-on-year increase of RMB20.62 billion in the balance of loans and the net increase ranked third across the province, which made a positive contribution for promoting the high-quality development of the economy in Shanxi province. We spared no effort to conduct the work that provided financial support for epidemic prevention and control. We actively took measures such as the decrease of the interest rates of new loans and the refund of interest rates over cost, and reduced charge and surrendered part of the profits for 446 small and medium-sized enterprises with return rates reaching 100%, which effectively gave full play to the key role of corporate financial institution in providing assistance and support for the enterprises. Focusing on the difficulty in and high interest rate of financing for small and micro enterprises, and improving the quality and efficiency of inclusive finance, we successfully increased the balance and the number of accounts in terms of the inclusive loans to small and micro enterprises. We overfulfilled the task of targeted poverty alleviation loans.

Adhering to reform and innovation to powerfully demonstrate our brand features. The retail business has been improved and optimized. The individual customers increased by 220,700 as compared to that at the beginning of the year; AUM from individual customers increased by RMB21.48 billion as compared to that at the beginning of the year; “Yi Ben Wan Li 3.0 (一本萬利3.0)”, “Xian De Li Plus (先得利+)” and other upgraded products have been successively launched. Our wealth management team became increasingly stronger. We have been granted 2020 China Golden Tripod Award “Annual Best Private Bank”. The corporate business has been improved in both quality and efficiency. Newly-acquired corporate customers for the whole year amounted more than 5,000. The Bank established an all-round cooperation partnership with the Comprehensive Reform Demonstration Area (轉型綜改示範區) and other strategic customers, successively launched new products including Parks Loans (園區貸), Cultivation Loans (耕保貸), green and innovation investment, etc. all of which presented a sound beginning of comprehensive portfolios and coordinated development in the corporate business. The emerging business enjoyed a growing development. We stuck to deploy scenario finance; launched digital credit cards, LoveBuy cards (愛購聯盟卡) and other products, upgraded “An Xin Fu” (安鑫富) and created Internet credit products and other brands. The revenue of the intermediary business increased significantly. The transformation is gradually to show its advantages. The green and innovation investment business completed its first deal of RMB25.0 million, representing a solid progress in green finance business, and differentiated our “Green Bank” brand from city commercial banks in northern region; the “Project One” proceeded as scheduled, the integration model of the hall operation was substantially completed, and created favorable conditions for the construction of “Smart Bank”. We organized agile development teams across lines and departments and completed the development of the pilot agile program, and the “Agile Bank” successfully passed its first milestone. The Bank carried out improvements in service efficiency and customer experiences showing the unique charm from the “Warm Bank”.

We insisted on service efficiency and continuously improved our management level. Focusing on the Party Committee of the head office’s general strategic idea of “Comprehensive Development, Four Modernizations and Four-Efficiency”, we formulated a new five-year strategic development plan and made scientific plans for the Bank’s development in the next five years. The Bank continued to improve the level of refined risk management and focused its efforts on the “100-Day Campaign” to clear debts and collections which achieved significant results, with the non-performing loan ratio decreasing by 0.02 percentage point compared with the end of 2019. We continued to carry out knowledge trainings on laws and regulations, case prevention and compliance and production safety, and organized various supervision, inspection, audits and remediation and clear-up work to build a strong line of defense against risk compliance and production safety. The Bank placed great emphasis on financial technology innovation, strengthened the top-level IT design, successfully launched the new generation

Management Discussion and Analysis

of core systems, and continued to push ahead with the construction of data base and the function optimization of channel products, thus starting a new journey of digital transformation across the Bank. The Bank also established a market-based recruitment mechanism and actively conducted the selection and cultivation of management staff, business backbones and junior staff, initially building up a talent team with appropriate size, clear hierarchy, excellent quality and outstanding performance.

3 INCOME STATEMENT ANALYSIS

	Year ended December 31,		Rate of change (%)
	2020	2019	
	(Restated ^{Note})		
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>		
Interest income ^{Note}	9,429.4	8,755.2	7.7
Interest expense	(5,988.7)	(5,496.2)	9.0
Net interest income ^{Note}	3,440.7	3,259.0	5.6
Fee and commission income ^{Note}	890.7	696.4	27.9
Fee and commission expense	(178.2)	(85.8)	107.7
Net fee and commission income ^{Note}	712.5	610.6	16.7
Net trading gains	(119.5)	435.4	(127.4)
Net gains arising from investment securities	819.8	746.2	9.9
Other operating income ⁽¹⁾	14.5	37.7	(61.5)
Operating income	4,868.0	5,088.9	(4.3)
Operating expenses	(1,824.3)	(1,836.8)	(0.7)
Impairment losses on assets	(1,452.9)	(1,665.5)	(12.8)
Share of profits of associate	21.5	20.9	2.9
Profit before tax	1,612.3	1,607.5	0.3
Income tax	(41.4)	(125.1)	(66.9)
Net profit	1,570.9	1,482.4	6.0

Note: From 2020 onwards, the Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2019.

Note:

(1) Consists primarily of net gains from disposal of self-used property and equipment, default penalty income and penalty income.

For the year ended December 31, 2020, the profit before tax of the Group increased by 0.3% to RMB1,612.3 million from RMB1,607.5 million for the year ended December 31, 2019, and net profit for the same period increased to RMB1,570.9 million from RMB1,482.4 million for the year ended December 31, 2019, representing a year-on-year growth of 6.0%.

Management Discussion and Analysis

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

For the year ended December 31, 2020, the net interest income of the Group increased by 5.6% to RMB3,440.7 million from RMB3,259.0 million for the year ended December 31, 2019, mainly due to the 7.7% increase in interest income for the period, which was partially offset by the increase in interest expense for the period.

The net interest spread of the Group decreased from 1.69% for the year ended December 31, 2019 to 1.59% for the year ended December 31, 2020. The net interest margin of the Group decreased from 1.62% for the year ended December 31, 2019 to 1.54% for the year ended December 31, 2020. The decrease in the net interest spread and the net interest margin was mainly due to the Bank has taken such measures as returning interest and reducing interest rate to make profit transfer to micro, small and medium-sized enterprises, as well as a decrease in the yield on discounted bills affected by the market, which resulted in a decrease in the yield on loans and advances to customers and an increase in cost of deposits from customers.

Management Discussion and Analysis

The following table sets forth the average balances of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yield on assets or related average cost on liabilities for the years ended December 31, 2019 and 2020.

	For the year ended December 31,					
	2020			2019		
	Average balance	Interest income/expense	Average yield/cost (%) ⁽¹⁾	Average balance	Interest income/expense (Restated) ^{Note}	Average yield/cost (%) ⁽¹⁾
<i>(in millions of RMB, except percentages)</i>						
Interest-earning assets						
Loans and advances to customers ^{Note}	129,018.3	6,201.4	4.81%	111,649.8	5,603.9	5.02%
Financial investments ⁽²⁾	62,689.3	2,597.6	4.14%	55,712.5	2,427.0	4.36%
Placements with banks and other financial institutions	2,412.7	44.9	1.86%	3,156.2	80.3	2.54%
Financial assets held under resale agreement	11,475.8	302.6	2.64%	11,497.4	349.8	3.04%
Deposits with the central bank ⁽³⁾	16,289.3	228.2	1.40%	17,660.8	259.0	1.47%
Deposits with banks and other financial institutions	2,034.7	54.7	2.69%	1,705.6	35.2	2.06%
Total interest-earning assets	223,920.1	9,429.4	4.21%	201,382.3	8,755.2	4.35%
Interest-bearing liabilities						
Deposits from customers	160,756.2	3,993.0	2.48%	148,082.3	3,405.5	2.30%
Deposits from banks and other financial institutions	3,456.2	105.9	3.06%	3,221.9	107.7	3.34%
Placements from banks and other financial institutions	1,389.8	40.9	2.94%	614.5	18.4	2.99%
Financial assets sold under repurchase agreements	12,316.8	238.3	1.93%	6,694.4	162.1	2.42%
Debt securities issued ⁽⁴⁾	49,174.5	1,578.6	3.21%	47,085.2	1,780.8	3.78%
Borrowing from the central bank	1,226.7	32.0	2.61%	761.2	21.7	2.85%
Total interest-bearing liabilities	228,320.2	5,988.7	2.62%	206,459.5	5,496.2	2.66%
Net interest income ^{Note}		3,440.7			3,259.0	
Net interest spread ^{(5) Note}			1.59%			1.69%
Net interest margin ^{(6) Note}			1.54%			1.62%

Note: From 2020 onwards, the Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2019.

Notes:

- (1) Calculated by dividing interest income/expense by average balance.
- (2) Consist of financial investments measured at amortized costs and financial investments measured at fair value through other comprehensive income.

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- (3) Consists primarily of statutory deposit reserves and surplus deposit reserves.
- (4) Consists of certificates of interbank deposit, financial bonds and tier-two capital debts.
- (5) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (6) Calculated by dividing net interest income by the average balance of total interest-earning assets.

3.2 Interest income

For the year ended December 31, 2020, the Bank's interest income increased by 7.7% to RMB9,429.4 million from RMB8,755.2 million for the year ended December 31, 2019, primarily due to an increase in average balance of interest-earning assets from RMB201,382.3 million for the year ended December 31, 2019 to RMB223,920.1 million for the year ended December 31, 2020, which was partially offset by a decrease in the average yield on interest-earning assets from 4.35% for the year ended December 31, 2019 to 4.21% for the year ended December 31, 2020.

Interest income from loans and advances to customers

For the year ended December 31, 2020, interest income from loans and advances to customers increased by 10.7% from RMB5,603.9 million for the year ended December 31, 2019 to RMB6,201.4 million for the year ended December 31, 2020, primarily because the average balance of loans and advances to customers increased by 15.6% from RMB111,649.8 million for the year ended December 31, 2019 to RMB129,018.3 million for the year ended December 31, 2020, which was partially offset by a decrease in the average yield on loans and advances to customers from 5.02% for the year ended December 31, 2019 to 4.81% for the year ended December 31, 2020. The increase in the average balance of loans and advances to customers was primarily due to the continued expansion of the Bank's credit businesses. The decrease in the yield on loans and advances was primarily due to measures such as returning interest and reducing interest rate to benefit the micro, small and medium-sized enterprises that were taken by the Bank to support the resumption of work and production of micro, small and medium-sized enterprises, as well as a decrease in the yield on discounted bills affected by the market.

Interest income from financial investments

For the year ended December 31, 2020, interest income from financial investments increased by 7.0% to RMB2,597.6 million for the year ended December 31, 2020 from RMB2,427.0 million for the year ended December 31, 2019, primarily because a 12.5% increase in the average balance of financial investments from RMB55,712.5 million for the year ended December 31, 2019 to RMB62,689.3 million for the year ended December 31, 2020, which was partially offset by a decrease in the average yield on financial investments from 4.36% for the year ended December 31, 2019 to 4.14% for the year ended December 31, 2020. The increase in the average balance of financial investments was primarily because the Bank increased the scale of assets, such as bonds. The decrease in the yield on financial investments was primarily because the proportion of investments such as asset management plans with higher yields decreased, and the average yield on Special Purpose Vehicle ("SPV") was lower than that of the same period of previous year.

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Interest income from placements with banks and other financial institutions

For the year ended December 31, 2020, interest income from placements with banks and other financial institutions decreased to RMB44.9 million from RMB80.3 million for the year ended December 31, 2019, primarily because the average balance of placements with banks and other financial institutions decreased by 23.6% from RMB3,156.2 million for the year ended December 31, 2019 to RMB2,412.7 million for the year ended December 31, 2020, and the yield on the placements with banks and other financial institutions decreased from 2.54% for the year ended December 31, 2019 to 1.86% for the year ended December 31, 2020. The decrease in the average balance was primarily because of the decrease in the placements with banks and other financial institutions driven by the liquidity management needs. The decrease in the yield was primarily due to the relatively abundant liquidity in the market and the decline in market interest rates.

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 decreased by 13.5% to RMB302.6 million from RMB349.8 million for the year ended December 31, 2019, primarily because the average balance of financial assets held under resale agreements decreased by 0.2% from RMB11,497.4 million for the year ended December 31, 2019 to RMB11,475.8 million for the year ended December 31, 2020, while the yield decreased from 3.04% to 2.64%. The decrease in the yield was primarily due to the relatively abundant liquidity in the market and the decline in market interest rates.

Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 11.9% from RMB259.0 million for the year ended December 31, 2019 to RMB228.2 million for the year ended December 31, 2020, primarily because the average balance of deposits with the central bank decreased by 7.8% from RMB17,660.8 million for the year ended December 31, 2019 to RMB16,289.3 million for the year ended December 31, 2020 resulting from the impact of a decrease in the statutory deposit reserve ratio.

Interest income from deposits with banks and other financial institutions

Interest income from deposits with banks and other financial institutions increased by 55.4% from RMB35.2 million for the year ended December 31, 2019 to RMB54.7 million for the year ended December 31, 2020, primarily because the average balance from deposits with banks and other financial institutions increased by 19.3% from RMB1,705.6 million for the year ended December 31, 2019 to RMB2,034.7 million for the year ended December 31, 2020, and the yield increased from 2.06% in 2019 to 2.69% in 2020. The increase in the average balance and the yield were primarily due to the increased size of interbank deposits with a longer duration.

3.3 Interest expense

The Group's interest expense increased by 9.0% from RMB5,496.2 million for the year ended December 31, 2019 to RMB5,988.7 million for the year ended December 31, 2020, primarily due to a 10.6% increase in the average balance of interest-bearing liabilities from RMB206,459.5 million for the year ended December 31, 2019 to RMB228,320.2 million for the year ended December 31, 2020, which was partially offset by a decrease of 4 basis points in the average cost of interest-bearing liabilities from 2.66% for the year ended December 31, 2019 to 2.62% for the year ended December 31, 2020.

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Interest expense on deposits from customers

Interest expense on deposits from customers increased by 17.3% from RMB3,405.5 million for the year ended December 31, 2019 to RMB3,993.0 million for the year ended December 31, 2020, primarily due to our commitment to developing its deposit business, which resulted in an 8.6% increase in average balance of deposits from customers from RMB148,082.3 million for the year ended December 31, 2019 to RMB160,756.2 million for the year ended December 31, 2020. Meanwhile, there was a large increase in time deposits among deposits from customers, which resulted in the average cost on deposits from customers increased from 2.30% to 2.48%.

Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions decreased by 1.7% from RMB107.7 million for the year ended December 31, 2019 to RMB105.9 million for the year ended December 31, 2020, primarily due to the cost of deposits from banks and other financial institutions decreased from 3.34% for the year ended December 31, 2019 to 3.06% for the year ended December 31, 2020 resulting from the decline in market interest rates, partially offset by the increase in the average balance of deposits from banks and other financial institutions.

Interest expense on placements from banks and other financial institutions

Interest expense on placements from banks and other financial institutions increased from RMB18.4 million for the year ended December 31, 2019 to RMB40.9 million for the year ended December 31, 2020, primarily due to an increase in average balance of placements from banks and other financial institutions from RMB614.5 million for the year ended December 31, 2019 to RMB1,389.8 million for the year ended December 31, 2020. The increase in the average balance was primarily due to more engagement of placement business as the result of the business needs and the decline in market interest rates.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by 47.0% from RMB162.1 million for the year ended December 31, 2019 to RMB238.3 million for the year ended December 31, 2020, mainly because the average balance of financial assets sold under repurchase agreements increased by 84.0% from RMB6,694.4 million for the year ended December 31, 2019 to RMB12,316.8 million for the year ended December 31, 2020, which was partially offset by a decrease of 49 basis points in the average cost of financial assets sold under repurchase agreements from 2.42% to 1.93%. The increase in the average balance of financial assets sold under repurchase agreements was primarily due to an increase in the number of repurchase transaction contracts the Bank entered into to extend financing channels and reduce financing costs, which was due to the decline in market interest rates.

Interest expense on debt securities issued

Interest expense on debt securities issued decreased by 11.4% from RMB1,780.8 million for the year ended December 31, 2019 to RMB1,578.6 million for the year ended December 31, 2020, primarily due to the cost of debt securities issued decreased from 3.78% for the year ended December 31, 2019 to 3.21% for the year ended December 31, 2020 resulting from the decline in market interest rates, partially offset by the increase in the average balance of debt securities issued.

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Interest expense on borrowing from the central bank

Interest expense on borrowing from the central bank increased by 47.5% from RMB21.7 million for the year ended December 31, 2019 to RMB32.0 million for the year ended December 31, 2020, primarily due to a 61.2% increase in the average balance of borrowing from the central bank from RMB761.2 million for the year ended December 31, 2019 to RMB1,226.7 million for the year ended December 31, 2020, which was partially offset by a decrease in the average cost of borrowing from the central bank from 2.85% to 2.61%. The increase in the average balance was primarily because the Bank obtained through the central bank a higher allotment of relending loans. The decrease in the average cost was primarily because the relending loans issued by the central bank bore a lower interest rate.

3.4 Net fee and commission income

The following table sets forth, for the year ended December 31, 2019 and 2020, the principal components of net fee and commission income of the Group.

	For the year ended December 31,			
	2020	2019	Amount	Change
	(Restated ^{Note})		change	(%)
	<i>(in millions of RMB, except percentages)</i>			
Fee and commission income				
Agency service fees and others	344.8	249.1	95.7	38.4
Acceptance and guarantee business fees	195.4	157.5	37.9	24.1
Wealth management service fees	148.5	141.8	6.7	4.7
Bank card service fees ^{Note}	122.2	69.7	52.5	75.3
Settlement and clearing fees	79.8	78.3	1.5	1.9
Subtotal ^{Note}	890.7	696.4	194.3	27.9
Fee and commission expenses				
Settlement and clearing fees	(125.9)	(37.2)	(88.7)	238.4
Bank card service fees	(29.0)	(22.5)	(6.5)	28.9
Other	(23.3)	(26.1)	2.8	(10.7)
Subtotal	(178.2)	(85.8)	(92.4)	107.7
Net fee and commission income ^{Note}	712.5	610.6	101.9	16.7

Note: From 2020 onwards, the Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2019.

The net fee and commission income increased by 16.7% from RMB610.6 million for the year ended December 31, 2019 to RMB712.5 million for the year ended December 31, 2020, primarily due to the Bank's active development of agency business, wealth management business, bank card services and other intermediary services. Fee and commission income increased by 27.9% from RMB696.4 million for the year ended December 31, 2019 to RMB890.7 million for the year ended December 31, 2020, partially offset by the increase in fee and commission expenses.

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3.5 Net trading gains

The net trading gains of the Group decreased from RMB435.4 million for the year ended December 31, 2019 to RMB(119.5) million for the year ended December 31, 2020, mainly due to the impact of market interest rate fluctuations, resulting in a decrease in fair value of bonds, funds and other held-for-trading financial assets. In addition, the Bank recorded exchange gain from the funds raised by the Bank's issuance of H Shares (new shares) in 2019 as a result of changes in exchange rate.

3.6 Net gains arising from investment securities

Net gains from investment securities of the Group increased by 9.9% from RMB746.2 million for the year ended December 31, 2019 to RMB819.8 million for the year ended December 31, 2020, mainly due to the increase in the scale of bonds and funds investments.

3.7 Operating expenses

The following table sets forth, for the years ended December 31, 2019 and 2020, the principal components of operating expenses of the Group.

	For the year ended December 31,			
	2020	2019	Amount change	Change (%)
	<i>(in millions of RMB, except percentages)</i>			
Staff costs	1,085.3	1,138.5	(53.2)	(4.7)
Rental and property management expenses	48.4	77.2	(28.8)	(37.3)
Depreciation and amortization	278.3	256.4	21.9	8.5
Taxes and surcharges	71.3	66.6	4.7	7.1
Interest expense on lease liabilities	19.5	21.6	(2.1)	(9.7)
Other general and administrative expenses ⁽¹⁾	321.5	276.5	45.0	16.3
Total operating expenses	1,824.3	1,836.8	(12.5)	(0.7)
Cost-to-income ratio ⁽²⁾	36.01%	34.79%		

Notes:

- (1) Consist primarily of insurance premiums, electronic equipment operating cost, consulting expenses, business marketing expenses and security expenses.
- (2) Calculated by dividing total operating expenses (net of taxes and surcharges) by total operating income.

Operating expenses decreased by 0.7% from RMB1,836.8 million for the year ended December 31, 2019 to RMB1,824.3 million for the year ended December 31, 2020, mainly because the Bank enjoyed partial reduction of and exemption from social insurance premiums in accordance with the relevant policies of national temporary reduction of and exemption from social insurance premiums payable by enterprises; the Bank newly purchased some offices, which reduced the leasing expense of offices.

The Group's cost-to-income ratio for the years ended December 31, 2019 and 2020 (excluding taxes and surcharges) were 34.79% and 36.01%, respectively. The increase in cost-to-income ratio was primarily due to the impact of market interest rate fluctuations, resulting in a decrease in the net trading gains, and thus a decrease in operating income.

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Staff Costs

Staff costs were the largest component of the Group's operating expenses. Staff costs decreased by 4.7% from RMB1,138.5 million for the year ended December 31, 2019 to RMB1,085.3 million for the year ended December 31, 2020, mainly due to social insurance agencies reduced some social insurance premiums due to the impact of COVID-19. The following table sets forth the main components of staff costs for the periods indicated.

	For the year ended December 31,			
	2020	2019	Amount change	Change (%)
	<i>(in millions of RMB, except percentages)</i>			
Salaries, bonuses and allowances	829.3	785.6	43.7	5.6
Social insurance and annuity	97.0	179.4	(82.4)	(45.9)
Housing allowances	66.8	62.3	4.5	7.2
Staff welfare	51.7	48.2	3.5	7.3
Employee education expenses and labour union expenses	27.5	33.2	(5.7)	(17.2)
Supplementary retirement benefits	5.3	17.7	(12.4)	(70.1)
Others	7.7	12.1	(4.4)	(36.4)
Total staff costs	1,085.3	1,138.5	(53.2)	(4.7)

Rental and Property Management Expenses

Rental and property management expenses decreased by 37.3% from RMB77.2 million for the year ended December 31, 2019 to RMB48.4 million for the year ended December 31, 2020, mainly because the Bank canceled the lease of some offices, which reduced the leasing cost.

Depreciation and Amortization

Depreciation and amortization increased by 8.5% from RMB256.4 million for the year ended December 31, 2019 to RMB278.3 million for the year ended December 31, 2020, mainly because the Bank purchased some offices resulting in an increase in amortization fees.

Taxes and Surcharges

Taxes and surcharges increased by 7.1% from RMB66.6 million for the year ended December 31, 2019 to RMB71.3 million for the year ended December 31, 2020, mainly due to the purchase of properties resulting in an increase in property taxes.

Interest Expense on Lease Liabilities

Interest expense on lease liabilities decreased by 9.7% from RMB21.6 million for the year ended December 31, 2019 to RMB19.5 million for the year ended December 31, 2020, mainly due to a decrease in the balance of lease liabilities.

Management Discussion and Analysis

Other General and Administrative Expenses

Other general and administrative expenses primarily consist of insurance premiums, electronic equipment operating costs, consulting expenses, business marketing expenses and security expenses. The Group's other general and administrative expenses increased by 16.3% from RMB276.5 million for the year ended December 31, 2019 to RMB321.5 million for the year ended December 31, 2020, mainly due to the Bank's business development needs resulted in an increase in deposit insurance premiums, consulting expenses and other expenses.

3.8 Impairment losses on assets

The following table sets forth the principal components of the Group's impairment losses on assets for the periods indicated.

	For the year ended December 31,			
	2020	2019	Amount change	Change (%)
	<i>(in millions of RMB, except percentages)</i>			
Impairment losses on assets				
Financial investments	90.6	504.2	(413.6)	(82.0)
Loans and advances to customers	992.5	1,008.9	(16.4)	(1.6)
Credit commitments	345.4	148.8	196.6	132.1
Deposits with banks and other financial institutions	0.5	–	0.5	N/A
Others	23.9	3.6	20.3	563.9
Total	1,452.9	1,665.5	(212.6)	(12.8)

The Group's impairment losses on assets was RMB1,452.9 million for the year ended December 31, 2020, representing a decrease of 12.8% from RMB1,665.5 million for the year ended December 31, 2019, mainly due to a decrease in impairment losses as compared to the previous year as a result of the stabilization of the asset quality of financial investment.

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3.9 Income tax

The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to the Group's profit before tax and the Group's actual income tax for the periods indicated.

	For the year ended December 31,			
	2020	2019	Amount change	Change (%)
	<i>(in millions of RMB, except percentages)</i>			
Profit before tax	1,612.3	1,607.5	4.8	0.3
Income tax calculated at applicable statutory tax rate of 25%	403.1	401.9	1.2	0.3
Non-deductible expenses	21.8	48.7	(26.9)	(55.2)
Non-taxable income ⁽¹⁾	(383.5)	(325.5)	(58.0)	17.8
Income tax	41.4	125.1	(83.7)	(66.9)

Note:

- (1) Non-taxable income mainly represents the interest income arising from the PRC government bonds and dividends from domestic funds.

Income tax decreased by 66.9% from RMB125.1 million for the year ended December 31, 2019 to RMB41.4 million for the year ended December 31, 2020, mainly attributable to an increase in the non-taxable income including the interest income arising from the PRC government bonds and dividend from funds.

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4 FINANCIAL STATEMENT ANALYSIS

4.1 Assets

The following table sets forth the components of the Group's total assets as of the dates indicated.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Cash and deposits with the central bank	20,535.8	7.6	19,108.3	7.7
Deposits with banks and other financial institutions	2,244.0	0.8	1,303.7	0.5
Placements with banks and other financial institutions	1,100.5	0.4	1,300.4	0.5
Derivative financial assets	0.1	0.0	–	–
Financial assets held under resale agreements	18,915.3	7.0	16,630.0	6.7
Net loans and advances to customers	131,836.5	48.7	111,712.6	45.1
Net financial investments	91,659.9	33.9	92,912.6	37.5
Interest in associate	294.1	0.1	272.6	0.1
Property and equipment	1,478.9	0.5	1,464.7	0.7
Deferred tax assets	1,695.6	0.6	1,441.1	0.6
Other assets ⁽¹⁾	1,182.9	0.4	1,425.2	0.6
Total assets	270,943.6	100.0	247,571.2	100.0

Note:

(1) Consist primarily of right-to-use assets, intangible assets and other receivables.

The Group's total assets increased by 9.4% from RMB247,571.2 million as of December 31, 2019 to RMB270,943.6 million as of December 31, 2020, mainly due to an increase of net loans and advances to customers by 18.0% from RMB111,712.6 million as of December 31, 2019 to RMB131,836.5 million as of December 31, 2020.

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Loans and Advances to Customers

The following table sets forth the distribution of the Group's loans by business line as of the dates indicated.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Corporate loans	84,459.5	62.1	72,937.8	63.2
Personal loans	22,044.9	16.2	17,835.4	15.4
Discounted bills	29,600.4	21.7	24,709.3	21.4
Gross loans and advances to customers	136,104.8	100.0	115,482.5	100.0
Accrued interest	585.9		491.0	
Less: Provision for impairment of loans and advances to customers measured at amortised cost	(4,854.2)		(4,260.9)	
Net loans and advances to customers	131,836.5		111,712.6	

Corporate Loans

As of December 31, 2020, the Group's corporate loans amounted to RMB84,459.5 million, representing an increase of 15.8% from RMB72,937.8 million as of December 31, 2019, mainly because the Bank insisted on serving the real economy and strongly supported energy revolution, major projects and basic industries and accelerated the development of green finance, which resulted in gradual increase in the scale of corporate loans of the Bank.

The following table sets forth the distribution of the Group's corporate loans by contract maturity as of the dates indicated.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Short-term loans and advances (one year or below)	28,077.7	33.2	25,571.1	35.1
Medium- and long-term loans (one year above)	56,381.8	66.8	47,366.7	64.9
Total corporate loans	84,459.5	100.0	72,937.8	100.0

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Short-term loans and advances as a percentage of total corporate loans decreased from 35.1% as of December 31, 2019 to 33.2% as of December 31, 2020, while medium- and long-term loans as a percentage of total corporate loans increased from 64.9% as of December 31, 2019 to 66.8% as of December 31, 2020. The percentage change of the above-mentioned corporate loan portfolio was mainly because the Bank changed loans to advanced production capacity in energy area and relevant advanced manufacturing industries from short term to medium and long term as far as possible.

The following table sets forth the distribution of the Group's corporate loans by product type as of the dates indicated.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Working capital loans	55,820.2	66.1	49,474.2	67.8
Fixed asset loans	26,893.7	31.8	21,854.4	30.0
Others ⁽¹⁾	1,745.6	2.1	1,609.2	2.2
Total corporate loans	84,459.5	100.0	72,937.8	100.0

Note:

(1) Consist primarily of syndicated loans.

As of December 31, 2020, working capital loans amounted to RMB55,820.2 million, representing an increase of 12.8% from RMB49,474.2 million as of December 31, 2019, primarily because the Bank increased the support to the areas of civil livelihood and consumption, such as culture and tourism, health and medication, education and training, energy conservation and environment protection.

As of December 31, 2020, fixed asset loans amounted to RMB26,893.7 million, representing an increase of 23.1% from RMB21,854.4 million as of December 31, 2019, primarily because the Bank increased the support to energy revolution, key projects of transformation and comprehensive revolution and basic industries according to the economic development trend in Shanxi province.

As of December 31, 2020, other corporate loans of the Bank amounted to RMB1,745.6 million, representing an increase of 8.5% from RMB1,609.2 million as of December 31, 2019, mainly because the Bank appropriately increased the scale of syndicated loans to adjust credit structure and reduce risks.

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Personal Loans

As of December 31, 2020, the Group's personal loans amounted to RMB22,044.9 million, which increased by 23.6% as compared with RMB17,835.4 million as of December 31, 2019. The increase was primarily because the Bank constantly promoted the conduction of residential mortgage loan business and continuously developed credit card loan business.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Residential mortgage loans	14,340.6	65.1	10,787.9	60.5
Personal consumption loans	1,705.3	7.7	1,628.3	9.1
Personal business loans	2,140.6	9.7	2,569.1	14.4
Credit card balances	3,858.4	17.5	2,850.1	16.0
Total personal loans	22,044.9	100.0	17,835.4	100.0

As of December 31, 2020, residential mortgage loans were RMB14,340.6 million, representing an increase of 32.9% from RMB10,787.9 million as of December 31, 2019. The increase was mainly because the Bank continuously promoted the conduction of residential mortgage loan business, made new progress in respect of residential mortgage, especially obtained good results in respect of second-hand housing loans, through mechanism optimization and construction of teams.

As of December 31, 2020, personal consumption loans amounted to RMB1,705.3 million, representing an increase of 4.7% from RMB1,628.3 million as of December 31, 2019. The increase was primarily because the Bank supported the consumption upgrade of urban residents, provided convenient credit services to consumers and proactively developed personal online consumption financial services.

As of December 31, 2020, personal business loans amounted to RMB2,140.6 million, representing a decrease of 16.7% from RMB2,569.1 million as of December 31, 2019. The decrease was mainly attributable to the concentrated maturity of variety micro poverty-relief loans in 2020, and partial renewal of the matured loans.

As of December 31, 2020, credit card balances amounted to RMB3,858.4 million, representing an increase of 35.4% from RMB2,850.1 million as of December 31, 2019. The increase was mainly attributable to the concentrated launch of various special offers by the credit cards of Jinshang Bank every Saturday. In combination with the cardholders' habits and features of gathering and consumption on weekends, the special offers, with a brand theme of "Jin Xiang Saturday" ("晋享星期六"), covers scenes of rigid demand, such as supermarket, catering, entertainment, car and others. Cardholders are entitled to enjoy double benefits jointly offered by the credit cards of Jinshang Bank and merchants, which significantly increase their enthusiasm of consumption.

Discounted Bills

The discounted bills are principal components of the Bank's loan and advances portfolio, the balance of which increased by 19.8% from RMB24,709.3 million as of December 31, 2019 to RMB29,600.4 million as of December 31, 2020, mainly due to the expansion of discounted bill business by the Bank according to the market demands and business strategies.

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Financial Investments

As of December 31, 2020, the Group's financial investments (consisting primarily of debt securities investment and SPV investment) amounted to RMB91,659.9 million, representing a decrease of 1.3% from RMB92,912.6 million as of December 31, 2019. The decrease was mainly due to our reducing the investment in trust plans and asset management plans according to the risk management policies and investment strategies.

The following table sets forth the classification of the Group's financial investments, based on its business model and cash flow characteristics, as of December 31, 2019 and December 31, 2020.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Financial investments measured at amortized cost	53,680.5	58.2	51,842.4	55.5
Financial investments measured at fair value through other comprehensive income	8,770.7	9.5	11,581.7	12.4
Financial investments measured at fair value through profit or loss	29,775.1	32.3	29,976.5	32.1
Total financial investments	92,226.3	100.0	93,400.6	100.0
Interest accrued	984.5		972.9	
Less: allowance for impairment losses	(1,550.9)		(1,460.9)	
Net financial investments	91,659.9		92,912.6	

Debt Securities Investment

The following table sets forth the components of the Group's debt securities investments by issuer as of December 31, 2019 and December 31, 2020.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Debt securities issued by the PRC government	35,940.4	84.5	27,408.1	80.9
Debt securities issued by policy banks	3,756.2	8.8	5,164.6	15.3
Debt securities issued by commercial banks and other financial institutions	1,238.8	2.9	333.4	1.0
Debt securities issued by corporate issuers	1,620.0	3.8	941.6	2.8
Total debt securities investment	42,555.4	100.0	33,847.7	100.0

Management Discussion and Analysis

The Group's investment in debt securities issued by PRC government increased by 31.1% from RMB27,408.1 million as of December 31, 2019 to RMB35,940.4 million as of December 31, 2020, primarily because the Bank appropriately increased the investment in debt securities issued by the PRC government according to the market conditions and investment strategies, as well as comprehensively considered asset liquidity, safety and profitability.

The Group's investment in debt securities issued by policy banks decreased by 27.3% from RMB5,164.6 million as of December 31, 2019 to RMB3,756.2 million as of December 31, 2020, primarily because the maturity of some of the debt securities issued by the policy banks in prior years in 2020.

As of December 31, 2020, the Group's investment in debt securities issued by commercial banks and other financial institutions and in debt securities issued by corporate issuers increased by 271.6% and 72.0%, respectively, as compared to that as of December 31, 2019, primarily because the Bank appropriately increased the investment in debt securities and credit debts issued by commercial banks according to the risk management policies and investment strategies, and comprehensively considered credit risks and asset yield.

SPV Investment

The following table sets forth the distribution of the Group's SPV investment by product type as of December 31, 2019 and December 31, 2020.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Trust plans	7,447.9	19.7	8,171.7	16.2
Asset management plans	4,906.5	13.0	15,716.0	31.2
Wealth management products	50.1	0.1	51.0	0.1
Funds	25,376.0	67.2	26,387.6	52.5
Total SPV investment	37,780.5	100.0	50,326.3	100.0

As of December 31, 2020, total SPV investment decreased to RMB37,780.5 million from RMB50,326.3 million as of December 31, 2019, because the Bank reduced investment scales of trust plans, asset management plans and others according to the risk management policies and investment strategies.

Management Discussion and Analysis

Other Components of the Group's Assets

The following table sets forth the composition of other components of the Group's assets as of December 31, 2019 and December 31, 2020:

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Cash and deposits with the central bank	20,535.8	43.3	19,108.3	44.5
Deposits with banks and other financial institutions	2,244.0	4.7	1,303.7	3.0
Placements with banks and other financial institutions	1,100.5	2.3	1,300.4	3.0
Derivative financial assets	0.1	0.0	–	–
Financial assets held under resale agreements	18,915.3	39.9	16,630.0	38.7
Interest in associates	294.1	0.6	272.6	0.6
Property and equipment	1,478.9	3.1	1,464.7	3.4
Deferred tax assets	1,695.6	3.6	1,441.1	3.4
Other assets ⁽¹⁾	1,182.9	2.5	1,425.2	3.4
Total other components of assets	47,447.2	100.0	42,946.0	100.0

Note:

(1) Consists primarily of right-of-use assets, intangible assets and other receivables.

As of December 31, 2020, total other components of assets increased by 10.5% to RMB47,447.2 million from RMB42,946.0 million as of December 31, 2019, mainly due to the increase in cash and deposits with the central bank and financial assets held under resale agreements. In particular, financial assets held under resale agreements increased from RMB16,630.0 million as of December 31, 2019 to RMB18,915.3 million as of December 31, 2020, mainly due to the increase in short-term financial assets held under resale agreements by the Bank to optimise the use of short-term funds. Cash and deposits with the central bank increased by 7.5% to RMB20,535.8 million from RMB19,108.3 million as of December 31, 2019, mainly due to the increase in excess reserves by the Bank out of liquidity considerations.

Management Discussion and Analysis

4.2 Liabilities

The following table sets forth the components of the Group's total liabilities as of the dates indicated.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Deposits from customers	176,781.7	70.7	155,322.2	68.3
Debt securities issued ⁽¹⁾	52,176.6	20.9	50,345.1	22.1
Financial assets sold under repurchase agreements	13,430.5	5.4	12,201.2	5.4
Deposits from banks and other financial institutions	1,905.8	0.8	4,211.3	1.9
Borrowing from the central bank	1,893.5	0.7	870.7	0.4
Placements from banks and other financial institutions	800.7	0.3	1,911.5	0.8
Income tax payable	274.5	0.1	195.6	0.1
Other liabilities ⁽²⁾	2,638.9	1.1	2,354.3	1.0
Total liabilities	249,902.2	100.0	227,411.9	100.0

Notes:

- (1) Consists of certificates of interbank deposit and financial bonds.
- (2) Consists primarily of accrued staff cost, lease liabilities, estimated liabilities and dividend payable.

As of December 31, 2020, the Group's total liabilities amounted to RMB249,902.2 million, representing an increase of 9.9% from RMB227,411.9 million as of December 31, 2019, mainly due to the increase in the scale of deposits from customers.

Management Discussion and Analysis

Deposits from Customers

As of December 31, 2020, the Group's deposits from customers amounted to RMB176,781.7 million, representing an increase of 13.8% from RMB155,322.2 million as of December 31, 2019. The increase in deposits from customers was mainly due to the growth of the Bank's corporate deposits and personal deposits.

The following table sets forth the distribution of the Group's deposits from customers by product type and term structure of deposits as of December 31, 2019 and December 31, 2020.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
<i>(in millions of RMB, except percentages)</i>				
Corporate deposits				
Demand	46,339.2	26.7	42,147.0	27.5
Time	26,882.0	15.5	26,598.7	17.4
Subtotal	73,221.2	42.2	68,745.7	44.9
Personal deposits				
Demand	9,783.5	5.6	9,831.7	6.4
Time	72,330.4	41.7	58,660.7	38.4
Subtotal	82,113.9	47.3	68,492.4	44.8
Others⁽¹⁾	18,058.3	10.5	15,740.0	10.3
Total	173,393.4	100.0	152,978.1	100.0
Interests accrued	3,388.3		2,344.1	
Deposits from customers	176,781.7		155,322.2	

Note:

(1) Consists primarily of pledged deposits, fiscal deposits, inward and outward remittances.

The amount of corporate deposits increased by 6.5% from RMB68,745.7 million as of December 31, 2019 to RMB73,221.2 million as of December 31, 2020, mainly due to the Bank's increased efforts for marketing, enriching deposit products and expanding customer base to achieve growth in corporate deposits.

The amount of personal deposits increased by 19.9% from RMB68,492.4 million as of December 31, 2019 to RMB82,113.9 million as of December 31, 2020, mainly due to the Bank's increased efforts for the promotion of personal deposit products and its improvement in online service capabilities and individual customers' product experience.

Management Discussion and Analysis

Debt Securities Issued

As of December 31, 2020, debt securities issued amounted to RMB52,176.6 million, representing an increase of 3.6% from RMB50,345.1 million as of December 31, 2019. The increase in debt securities issued was mainly due to the Bank's issuance of RMB4 billion financial bonds with the adjustment of the liability structure and the redemption of RMB2 billion tier-two capital bonds in accordance with the contract agreements.

Financial Assets Sold under Repurchase Agreements

As of December 31, 2020, financial assets sold under repurchase agreements amounted to RMB13,430.5 million, representing an increase of 10.1% from RMB12,201.2 million as of December 31, 2019, primarily due to an increase in the number of repurchase transaction contracts the Bank entered into to reduce financing costs.

4.3 Equity

The following table sets forth the components of the Group' equity as of the dates indicated.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Share capital	5,838.7	27.7	5,838.7	29.0
Capital reserve	6,627.6	31.5	6,627.6	32.9
Surplus reserve	3,623.3	17.2	3,467.0	17.2
General reserve	2,809.4	13.4	2,788.4	13.8
Fair value reserve	(64.3)	(0.3)	(23.2)	(0.1)
Impairment reserve	12.9	0.1	18.3	0.1
(Deficit)/surplus on remeasurement of net defined benefit liability	(0.8)	0.0	(1.2)	0.0
Retained earnings	2,166.8	10.3	1,419.6	7.0
Equity attributable to equity holders of the Bank	21,013.6	99.9	20,135.2	99.9
Non-controlling interest	27.8	0.1	24.1	0.1
Total equity	21,041.4	100.0	20,159.3	100.0

As of December 31, 2020, the total equity of the Group amounted to RMB21,041.4 million, representing an increase of 4.4% from RMB20,159.3 million as of December 31, 2019. As of the same date, the equity attributable to equity holders of the Bank amounted to RMB21,013.6 million, representing an increase of 4.4% from RMB20,135.2 million as of December 31, 2019. The increase in equity was mainly attributable to an increase in retained earnings from realization of net profit, which was partially offset by the dividend distribution in the period. For the year ended December 31, 2020, the Group realized a net profit of RMB1,570.9 million; according to the 2019 profit appropriation plan approved at the general meeting, cash dividends of RMB642.3 million were distributed to all shareholders.

Management Discussion and Analysis

5 OFF-BALANCE SHEET ITEMS ANALYSIS

The following table sets forth the contractual amounts of the Group's off-balance sheet commitments as of December 31, 2019 and 2020.

	As of December 31, 2020 <i>(in millions of RMB)</i>	As of December 31, 2019
Loan commitment	9,767.4	3,681.3
Credit card commitment	6,677.5	6,542.7
Bank acceptances	42,685.9	27,215.0
Letter of credit	4,348.1	3,344.6
Letter of guarantee	709.8	479.5
Capital commitment	129.3	100.3
Total off-balance sheet commitments	64,318.0	41,363.4

As of December 31, 2020, the Group's total off-balance sheet commitments amounted to RMB64,318.0 million, representing an increase of 55.5% from RMB41,363.4 million as of December 31, 2019, mainly because loan commitment, bank acceptances, letter of credit and others all increased compared with the balance at the end of 2019.

Management Discussion and Analysis

6 ASSET QUALITY ANALYSIS

Distribution of Loans by Five-Category Loan Classification

The following table sets forth the distribution of the Group's loans by the five-category loan classification as of December 31, 2019 and 2020. According to the current guidelines of risk-based classification of loans, non-performing loans ("NPL") are classified as substandard, doubtful and loss.

	As of December 31, 2020		As of December 31, 2019	
	Amount (in millions of RMB, except percentages)	% of total	Amount	% of total
Normal	130,705.1	96.0	110,371.5	95.5
Special Mention	2,891.0	2.2	2,968.6	2.6
Subtotal	133,596.1	98.2	113,340.1	98.1
Substandard	1,925.2	1.4	1,382.1	1.2
Doubtful	328.1	0.2	579.2	0.5
Loss	255.4	0.2	181.1	0.2
Subtotal	2,508.7	1.8	2,142.4	1.9
Total loans and advances to customers	136,104.8	100.0	115,482.5	100.0
NPL ratio ⁽¹⁾		1.84		1.86

Note:

(1) Calculated by dividing the total NPLs by the total loans and advances to customers.

As of December 31, 2020, according to the five-category loan classification, the Group's normal loans amounted to RMB130,705.1 million, representing an increase of RMB20,333.6 million from that as of December 31, 2019, accounting for 96.0% of the total loans and advances to customers. Special mention loans amounted to RMB2,891.0 million, representing a decrease of RMB77.6 million from that as of December 31, 2019, accounting for 2.2% of total loans and advances to customers. NPLs amounted to RMB2,508.7 million, representing an increase of RMB366.3 million from that as of December 31, 2019. The NPL ratio was 1.84%, representing a decrease of 0.02 percentage point from that as of December 31, 2019. The increase in the total amount of NPLs and decrease in the NPL ratio were mainly because economic downturn is superimposed by the impact of the epidemic, and some industries and enterprises are under tremendous operating pressure and their repayment ability has declined. Although the Bank proactively adopted assistance measures such as deferred repayment of principal and interest, extensions, etc., the intrinsic problems of poorly-operated enterprises have not been changed, leading to an increase in the total NPLs. Since the beginning of 2020, the Bank has intensified its efforts in disposals of NPLs, strengthened the collection of non-performing assets in cash, promoted packaged disposal and write-off of non-performing assets, and adopted various methods to resolve risk-bearing assets and achieved high-efficiency and compliance with NPLs disposal. Meanwhile, total loans and advances to customers increased. Therefore, the NPL ratio at the end of 2020 was lower than that at the beginning of the year in 2020.

Management Discussion and Analysis

Distribution of Loans by Collateral

The following table sets forth the distribution of the Group's loans and advances to customers by types of collateral as of December 31, 2019 and 2020.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Pledged loans ⁽¹⁾	34,407.9	25.3	29,074.1	25.2
Collateralized loans ⁽¹⁾	20,277.7	14.9	15,528.9	13.4
Guaranteed loans ⁽¹⁾	69,195.1	50.8	62,031.5	53.7
Unsecured loans	12,224.1	9.0	8,848.0	7.7
Total loans and advances to customers	136,104.8	100.0	115,482.5	100.0

Note:

- (1) Represent the total amount of loans fully or partially secured by collateral, pledges or guarantees in each category. If a loan is secured by more than one form of security interest, the categorization is based on the primary form of security interest.

Distribution of Corporate Loans by Industry

The following table sets forth the distribution of the Group's corporate loans by industry as of the dates indicated.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Manufacturing	28,018.4	33.2	22,784.9	31.2
Mining	19,032.8	22.5	16,645.9	22.8
Real estate	10,416.0	12.3	11,386.9	15.6
Public administration, social security and social organization	6,016.2	7.1	4,328.3	5.9
Wholesale and retail	5,868.1	6.9	5,964.9	8.2
Leasing and business services	5,812.2	6.9	4,900.7	6.7
Construction	4,964.0	5.9	3,950.0	5.4
Electricity, gas and water production and supply	1,361.8	1.6	1,006.7	1.4
Transportation, warehousing and postal services	858.2	1.0	1,136.4	1.6
Agriculture, forestry, animal husbandry and fishery	558.4	0.7	114.4	0.2
Education	38.2	0.1	38.4	0.1
Others ⁽¹⁾	1,515.2	1.8	680.3	0.9
Total corporate loans	84,459.5	100.0	72,937.8	100.0

Note:

- (1) Consist primarily of the following industries: (i) information transmission, software and information technology services, (ii) health, social security and social welfare, (iii) resident services, maintenance and other services, (iv) culture, sports and entertainment, and (v) scientific research and technical services.

Management Discussion and Analysis

For the year ended December 31, 2020, the Bank further optimized its credit structure and actively supported the development of the real economy. As of December 31, 2020, the Group's five major components of corporate loans were offered to customers in the following industries: manufacturing, mining, real estate, public administration, social security and social organization, and wholesale and retail, the balance of loans to corporate customers in the top five industries amounted to RMB69,351.5 million, accounting for 82.0% of the total corporate loans and advances to customers issued by the Group. As of December 31, 2019, the Group's five major components of corporate loans were offered to customers in the following industries: manufacturing, mining, real estate, wholesale and retail, and leasing and business services, and the balance of loans to corporate customers in the top five industries amounted to RMB61,683.3 million, accounting for 84.5% of the total corporate loans and advances to customers issued by the Group.

Distribution of Non-Performing Corporate Loans by Industry

The following table sets forth the distribution of the Group's NPLs to corporate customers by industry as of the dates indicated.

	As of December 31, 2020			As of December 31, 2019		
	Amount	% of total	NPL ratio ⁽¹⁾ (%)	Amount	% of total	NPL ratio ⁽¹⁾ (%)
	<i>(in millions of RMB, except percentages)</i>					
Manufacturing	760.3	33.9	2.71	790.7	41.4	3.47
Mining	713.5	31.9	3.75	562.9	29.4	3.38
Wholesale and retail	596.6	26.6	10.17	395.0	20.7	6.62
Leasing and business services	63.5	2.8	1.09	64.2	3.3	1.31
Real estate	29.0	1.3	0.28	16.4	0.9	0.14
Construction	23.6	1.1	0.48	22.7	1.2	0.57
Public administration, social security and social organization	20.8	0.9	0.35	25.4	1.3	0.59
Agriculture, forestry, animal husbandry and fishery	17.7	0.8	3.17	18.7	1.0	16.35
Transportation, warehousing and postal services	6.5	0.3	0.76	6.3	0.3	0.55
Education	5.6	0.2	14.66	5.6	0.3	14.58
Electricity, gas and water production and supply	1.4	0.1	0.10	1.4	0.1	0.14
Others ⁽²⁾	1.9	0.1	0.13	1.9	0.1	0.28
Total non-performing corporate loans	2,240.4	100.0	2.65	1,911.2	100.0	2.62

Notes:

- (1) Calculated by dividing NPLs to corporate customers in each industry by gross loans to corporate customers in that industry.
- (2) Mainly comprised of information transmission, software and information technology services and accommodation and catering.

Management Discussion and Analysis

As of December 31, 2020, the Group's non-performing corporate loans were mainly from manufacturing, mining, and wholesale and retail industry. As of December 31, 2019 and 2020, the NPL ratio for corporate loans in the manufacturing industry was 3.47% and 2.71%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 41.4% and 33.9% of the total non-performing corporate loans, respectively, mainly because the Bank proactively withdrew from backward manufacturing capacity in accordance with the national industrial policy while reinforcing the disposal of non-performing loans.

As of December 31, 2019 and 2020, the NPL ratio for corporate loans in the mining industry was 3.38% and 3.75%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 29.4% and 31.9% of the total non-performing corporate loans, respectively. Due to financial disputes, certain uncertainties existed regarding the ability of some borrowers in the mining industry to remain a going concern, and therefore based on prudent consideration, the Bank classified such loans into the non-performing category, which resulted in the increase in non-performing loans in the mining industry.

As of December 31, 2019 and 2020, the NPL ratio for corporate loans in the wholesale and retail industry was 6.62% and 10.17%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 20.7% and 26.6% of the total non-performing corporate loans, respectively. The increase in NPL ratio for corporate loans to borrowers in the wholesale and retail industry was mainly due to the fact that affected by the impact of COVID-19 epidemic, certain customers' loans in wholesale, retail and other industries have deteriorated and the balance of non-performing loans has increased rapidly.

Management Discussion and Analysis

Distribution of NPLs by Product Type

The table below sets forth the distribution of NPLs by product type as of the dates indicated.

	As of December 31, 2020			As of December 31, 2019		
	Amount	% of total	NPL ratio ⁽¹⁾ (%)	Amount	% of total	NPL ratio ⁽¹⁾ (%)
<i>(in millions of RMB, except percentages)</i>						
Corporate loans						
Working capital loans	1,633.0	65.1	2.93	1,794.3	83.7	3.63
Fixed asset loans	593.3	23.6	2.21	102.6	4.8	0.47
Other loans ⁽²⁾	14.1	0.6	0.81	14.3	0.7	0.89
Subtotal	2,240.4	89.3	2.65	1,911.2	89.2	2.62
Personal loans						
Residential mortgage loans	41.8	1.7	0.29	13.7	0.6	0.13
Personal consumption loans	59.8	2.4	3.51	100.6	4.8	6.18
Personal business loans	74.4	3.0	3.48	86.4	4.0	3.36
Credit cards	89.9	3.5	2.33	28.0	1.3	0.98
Subtotal	265.9	10.6	1.21	228.7	10.7	1.28
Discounted bills						
Bank acceptance bills	2.4	0.1	0.01	2.5	0.1	0.01
Commercial acceptance bills	-	-	-	-	-	-
Subtotal	2.4	0.1	0.01	2.5	0.1	0.01
Total NPLs	2,508.7	100.0	1.84	2,142.4	100.0	1.86

Notes:

- (1) Calculated by dividing NPLs in each product type by gross loans and advances to customers in that product type.
- (2) Mainly comprised of advances for bank acceptance bills.

The NPL ratio for corporate loans increased from 2.62% as of December 31, 2019 to 2.65% as of December 31, 2020, while the balance of non-performing corporate loans increased by 17.2% from RMB1,911.2 million to RMB2,240.4 million. The increase in non-performing corporate loans was mainly because economic downturn is superimposed by the impact of the epidemic, and some industries and enterprises are under tremendous operating pressure and their repayment ability has declined. Although the Bank proactively adopted assistance measures such as deferred repayment of principal and interest, extensions, etc., the problems of poorly-operated enterprises have not been changed, leading to an increase in the total NPLs of the Bank.

Management Discussion and Analysis

The NPL ratio for personal loans decreased from 1.28% as of December 31, 2019 to 1.21% as of December 31, 2020, and the balance of NPLs for personal loans increased by 16.3% from RMB228.7 million as of December 31, 2019 to RMB265.9 million as of December 31, 2020. The increase in the balance of NPLs and the decrease in the NPL ratio for personal loans was mainly because of the ability of individuals to repay declined and the probability of default increased by the impact of the epidemic, leading to an increase in the balance of non-performing personal loans. Among them, the NPL ratio for personal consumption loans decreased from 6.18% as of December 31, 2019 to 3.51% as of December 31, 2020, mainly because that the Bank optimized its personal loan portfolio, controlled the scale of personal consumption loans with high risk, and simultaneously focused on the development of other personal loan business with relatively low risk; the NPL ratio for personal business loans increased from 3.36% as of December 31, 2019 to 3.48% as of December 31, 2020, mainly because of a continuous increase in the default of the personal business loan caused by the impact of the epidemic.

Distribution of NPLs by Geographical Region

The following table sets forth the distribution of the Group's NPLs by geographical region as of December 31, 2019 and 2020.

	As of December 31, 2020			As of December 31, 2019		
	Amount	% of total	NPL ratio ⁽¹⁾ (%)	Amount	% of total	NPL ratio ⁽¹⁾ (%)
	<i>(in millions of RMB, except percentages)</i>					
Taiyuan	2,006.4	80.0	1.94	1,705.6	79.6	1.97
Outside Taiyuan	502.3	20.0	1.53	436.8	20.4	1.52
Total NPLs	2,508.7	100.0	1.84	2,142.4	100.0	1.86

Note:

(1) Calculated by dividing NPLs in each region by gross loans and advances to customers in that region.

Management Discussion and Analysis

Borrowers Concentration

Loans to the Ten Largest Single Borrowers

In accordance with applicable PRC Banking Industry guidelines, the Group is subject to a lending limit of 10% of its net capital base to any single borrower. As of December 31, 2020, the Group's loans to the largest single borrower accounted for 8.5% of its net capital base, which was in compliance with regulatory requirements.

The following table sets forth the Group's loan exposure to the ten largest single borrowers as of the date indicated, which were all classified as normal on that date.

		As of December 31, 2020			
Industry		Amount	% of total loans	% of net capital base ⁽¹⁾	Classification
		<i>(in millions of RMB, except percentages)</i>			
Borrower A	Finance	1,946.1	1.5	8.5	Normal
Borrower B	Mining	1,713.1	1.3	7.5	Normal
Borrower C	Manufacturing	1,288.2	1.0	5.6	Normal
Borrower D	Manufacturing	1,254.0	1.0	5.5	Normal
Borrower E	Manufacturing	1,247.8	1.0	5.5	Normal
Borrower F	Finance	1,244.3	0.9	5.5	Normal
Borrower G	Manufacturing	1,229.9	0.9	5.4	Normal
Borrower H	Real estate	1,204.9	0.9	5.3	Normal
Borrower I	Scientific research and technical services	1,199.7	0.9	5.3	Normal
Borrower J	Manufacturing	1,152.7	0.9	5.1	Normal
Total		13,480.7	10.3	59.2	

Note:

- (1) Represents loan balances as a percentage of the Group's net capital base. The net capital base is calculated in accordance with the requirements of the Capital Administrative Measures for Commercial Banks (Provisional) and based on the financial statements prepared in accordance with PRC GAAP.

As of December 31, 2020, the balance of the Group's loan to the largest single borrower amounted to RMB1,946.1 million, accounting for 1.5% of the gross loans and advances to customers; the total loans to the ten largest single borrowers amounted to RMB13,480.7 million, accounting for 10.3% of the gross loans and advances to customers.

Management Discussion and Analysis

Loan Aging Schedule

The following table sets forth the Group's loan aging schedule as of the dates indicated.

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Current loan	133,430.2	98.0	110,827.1	96.0
Loans past due for				
Up to 3 months ⁽¹⁾	493.1	0.4	2,548.0	2.2
Over 3 months up to 6 months ⁽¹⁾	829.7	0.6	812.6	0.7
Over 6 months up to 1 year ⁽¹⁾	716.2	0.5	239.2	0.2
Over 1 year up to 3 years ⁽¹⁾	461.4	0.4	596.8	0.5
Over 3 years ⁽¹⁾	174.2	0.1	458.8	0.4
Subtotal	2,674.6	2.0	4,655.4	4.0
Gross loans and advances to customers	136,104.8	100.0	115,482.5	100.0

Note:

(1) Represents the principal amount of the loans on which principal or interest overdue as of the dates indicated.

Management Discussion and Analysis

Changes to Allowance for Impairment Losses

Allowance for impairment losses on loans to customers increased by 13.7% from RMB4,283.0 million as of January 1, 2020 to RMB4,868.5 million as of December 31, 2020, mainly because the allowance for impairment losses of the Bank was made based on the corresponding increase in new loans of RMB20,622.3 million as of December 31, 2020.

	As of December 31, 2020 Amount <i>(in millions of RMB)</i>	As of December 31, 2019 Amount
Beginning of the period (January 1)	4,283.0⁽¹⁾	4,038.8 ⁽³⁾
Charge for the period	1,000.3	1,008.9
Released for the period	(7.8)	0.0
Transfer out	(353.7)	(545.7)
Recoveries	21.1	0.9
Write-offs	(15.0)	(170.9)
Other changes	(59.4)	(49.0)
End of the period	4,868.5⁽²⁾	4,283.0

Notes:

- (1) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,260.9 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB22.1 million.
- (2) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,854.2 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB14.3 million.
- (3) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,017.3 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB21.5 million.

7 GEOGRAPHICAL SEGMENTS REPORT

In presenting information on the basis of geographic segments, operating income is gathered according to the locations of the branches or subsidiary that generated the income. For the purpose of presentation, the Group categorizes such information by geographic regions.

The table below sets forth the total operating income of each geographical region for the periods indicated.

	For the year ended December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Taiyuan	4,160.3	85.5	4,304.5	84.6
Outside Taiyuan	707.7	14.5	784.4	15.4
Total operating income	4,868.0	100.0	5,088.9	100.0

Management Discussion and Analysis

8 CAPITAL ADEQUACY RATIO ANALYSIS

The Group is subject to capital adequacy requirements as promulgated by the CBIRC. The following table sets forth, as of the dates indicated, relevant information relating to the Group's capital adequacy ratio, calculated in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) of the CBIRC and PRC GAAP.

	As of December 31, 2020	As of December 31, 2019
	<i>(in millions of RMB, except percentages)</i>	
Core tier-one capital		
– Share capital	5,838.7	5,838.7
– Qualifying portion of capital reserve	6,627.6	6,627.6
– Surplus reserve	3,623.3	3,467.0
– General reserve	2,809.4	2,788.4
– Other comprehensive income	(52.2)	(6.1)
– Retained earnings	2,166.8	1,419.6
– Qualifying portions of non-controlling interests	14.9	14.0
Total core tier-one capital	21,028.5	20,149.2
Core tier-one capital deductions	(186.8)	(168.0)
Net core tier-one capital	20,841.7	19,981.2
Other tier-one capitals	2.0	1.9
Net tier-one capital	20,843.7	19,983.1
Tier-two capital	1,958.1	3,703.3
Net capital base	22,801.8	23,686.4
Total risk-weighted assets	194,498.5	174,157.4
Core tier-one capital adequacy ratio (%)	10.72	11.47
Tier-one capital adequacy ratio (%)	10.72	11.47
Capital adequacy ratio (%)	11.72	13.60

As of December 31, 2020, the Group's capital adequacy ratio was 11.72%, down 1.88 percentage points from the end of 2019; both the tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 10.72%, down 0.75 percentage point from the end of 2019. The decrease in capital adequacy ratio was mainly due to the redemption of RMB2 billion of tier-two capital debts in 2020 and the corresponding increase in risk-weighted assets resulting from loans and other asset issuance.

As of December 31, 2020, the Group's leverage ratio was 6.53%, representing a decrease of 0.63 percentage point from 7.16% as of December 31, 2019. Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks (Revision) issued by the CBIRC, which has been effective since April 2015, leverage ratio shall be no less than 4%.

Management Discussion and Analysis

9 RISK MANAGEMENT

The primary risks related to the Bank's operations include: credit risk, market risk, liquidity risk, operational risk, information technology risk, reputation risk and strategic risk. In 2020, the Bank continued to strengthen its comprehensive risk management system and adhered to a prudent risk appetite to constantly promote and improve a vertical and independent risk management system. Through this system, the Bank was able to satisfy the relevant regulatory requirements and to ensure the sustainable development of its business. In particular, the Bank was committed to maintaining a risk management system for a balance between risk and return, to maintain flexibility while strictly controlling the risks faced by the Bank, and to achieve business innovation while controlling asset quality.

Credit Risk

Credit risk refers to the risk of loss that may arise from the default by, or downgrade of credit rating of, an obligor or counterparty, or from its reduced capacity of fulfilling its contractual obligations. The Bank is exposed to credit risks primarily associated with corporate loan business, personal loan business and financial market business.

The Bank has built and continually improves its bank-wide credit risk management system to identify, measure, monitor, mitigate and control risks that arise from its credit extension business. The Bank has established an effective credit management system, which covers the entire credit extension process, from application and pre-loan investigation to disbursement of funds and post-loan monitoring. The Bank implemented a unified credit system covering credit business and financial market business. All types of credit granting method and credit granting categories are included in the unified credit management, and the approver who has obtained the corresponding authorization exercises the credit approval authority.

In addition, the Bank closely monitors the quality of loans and may reclassify its corporate loans based on the results of routine and ad hoc inspections. The Bank also attaches great importance to the disposal of non-performing assets and invests in the continual improvement of non-performing assets disposal mechanism through a broad range of measures such as establishing and updating policy according to the prevailing regulatory environment, innovation of collection scheme, introduction of professional staff, and enhancing its review of collection by its branches and sub-branches.

The Bank is committed to using advanced information technology systems to improve our credit risk management. The Bank's credit management system enables account managers to efficiently collect and analyze customer data, such as historical affairs, historical records and financial conditions, and provides close monitoring and timely alert on loans reaching maturity. The information technology system automatically matches credit applications to the corresponding approval procedures based on the amount of credit requested, which reduces the risk of unauthorized approval. In addition, account managers and management departments at all levels can access real-time information of overdue loans through the Bank's information technology system to control risks stemming from overdue loans.

The Bank is dedicated to striking a balance between achieving steady loan growths and maintaining a prudent culture of risk management. The Bank prepared detailed guidance on credit risk management based on the provincial, national and international economic conditions, as well as government policies and regulatory requirements. In formulating the credit policies, the Bank studies the macroeconomic environment in the PRC and Shanxi province and analyzes the risks and uncertainties relevant to the Bank's operations. The Bank also closely follows the updates in national and local economic development plans, financial regulations and monetary policies, and adjusts the Bank's credit guidelines accordingly.

Management Discussion and Analysis

Market Risk

Market risk refers to the risk of changes in market prices caused by interest rates, exchange rates and other market factors. The Bank is exposed to market risks primarily through the assets and liabilities on the balance sheet and the commitments and guarantees off the balance sheet. The Bank's market risk management involves the identification, measuring, monitoring and control of market risks. The Bank primarily employs risk sensitivity and stress tests in measuring and monitoring market risks. The Bank adopts different quantitative measures to manage various types of market risks in the Bank's banking and trading books.

Specifically, the Bank has formulated and implemented relevant interest rate management policies to manage interest rate risks. The Bank sets the pricing of deposit and loan products following relevant laws and regulations. The Bank uses the PBoC benchmark interest rates, funding costs, asset risks and other indicators as the basis for pricing, and determines the prices of products by considering the demand and business operations of customers, the industry in which the customers operate, the prices of competitors' similar products as well as the business relationship between the customers and the Bank. In light of changing market interest rates, the Bank makes dynamic adjustments to the size and structure of assets in response to changes in the market environment, so that the maturities of the Bank's assets and liabilities can match and its various market risk indicators can meet regulatory requirements and operational needs.

As of December 31, 2020, the Bank operated a small foreign exchange business and held an insignificant amount of U.S. dollars. The Bank has put together various policies and operational procedures for its foreign exchange businesses, such as foreign currency settlement, sales and payment, and foreign currency trading, to control the relevant exchange rate risk.

Liquidity Risk

Liquidity risk is the risk of failure to obtain sufficient funds in a timely manner or at a reasonable cost to fulfill payment obligations when due. The liquidity management of the Bank is primarily to provide timely payment of funds for lending, trading and investment activities in business development to meet capital needs, and to fulfill payment obligations when due.

The Bank has established a liquidity risk management system and an organizational structure where its Board of Directors bears the ultimate responsibilities for the Bank's liquidity risk management and the senior management is responsible for formulating liquidity risk management strategies and policies. The Bank manages liquidity risk through monitoring the maturities of assets and liabilities to ensure it has sufficient funds readily available or at a reasonable cost to fulfill the payment obligations as they become due. The Assets and Liabilities Management Department monitors the Bank's capital position on a daily basis, and provides risk alerts and reminders in a timely manner. The Bank strictly observes the relevant regulatory requirements, closely monitors each liquidity indicator, formulates crisis management plans, enhances daily liquidity risk management and regularly applies stress tests.

Management Discussion and Analysis

In 2020, the Bank closely monitored the changes in the market interest rates, strengthened monitoring and management of the regular liquidity risks, and rationally adjusted the strategies of liquidity risk management by strengthening its day time fund position management and rationally adjusted liquidity risk management strategies based on external market environment, to ensure that the liquidity risk is safe and controllable. Liquidity risk management was strengthened mainly in the following aspects: 1. The Bank strengthened the routine monitor of liquidity risks. The Bank improved the monitor and analysis of large-amount fund through the information system of liquidity risks, rationally adjusted and controlled its day time excess reserves level to ensure that payment and settlement and other businesses can be operated normally. Meanwhile, the Bank strengthened the management and control of liquidity risk indicators and rationally adjusted the structure of its assets and liabilities to ensure that the Bank's liquidity indicators continued to be stable and meet regulatory requirements. 2. The Bank adopted the management of liquidity risk limit indicators, and set the limit indicators based on the external market and the actual development of the Bank's business. 3. The Bank strengthened the management of quality liquidity assets to ensure that there were sufficient reserves of quality liquidity assets to meet external financing needs under stress scenarios. 4. The Bank had erected a liquidity risk monitoring table reporting mechanism to ensure that the Board of Directors and senior management can understand the Bank's liquidity status in a timely manner. 5. The Bank regularly conducted liquidity stress tests and timely adjusted the structure of assets and liabilities based on the results of the stress tests to ensure that there were sufficient high-quality liquid assets to cope with external liquidity pressures.

Operational Risk

Operational risk is the risk of losses arising from inadequate or defective internal procedures, personnel and information systems, or external events, mainly covering internal and external frauds, misconduct of employees, security failure, business interruptions, information system breakdown, and so on.

The Bank has established an operational risk management and governance structure with the Board of Directors, the Board of Supervisors and senior management, and clarified "three lines of defense" of operational risk management system for various business departments at our head office and branches, the Legal and Compliance Department and the Audit Department. The Bank has formulated policies and system of operational risk management, established operational risk self-assessment, key risk monitoring Indicators and management tools of loss data collection, and built a comprehensive management system that includes internal control management, compliance management, operational risk, case prevention and control and other functions. The Bank organized and implemented business process review, risk self- assessment, investigation for loss incident and off-site monitoring, actively identified, analyzed, and evaluated operational risks and improved the construction of internal process, so as to enhance its capabilities of operational risk management.

On the basis of strengthening internal control and implementing compliance management, the Bank continuously strengthened operational risk management through measures such as system improvement, compliance inspection and supervision, investigation for employee behavior, and compliance warning education. Meanwhile, the Bank continued to improve its business continuity and emergency management mechanism, organize and conduct the persistent drills for business to enhance its capabilities to response emergency.

Management Discussion and Analysis

Information Technology Risk

Information technology risks include operational risk, reputational risk, legal risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from the Bank's use of information technology. The Bank has set up an Information Technology Management Committee and the Legal and Compliance Department and Information Technology Department at the head office which are responsible for managing information technology risks. The Bank strives to continuously improve the information technology infrastructure and the Bank's information technology management system to comply with the national standards and regulatory requirements.

To ensure the security of information technology, the Bank has hired professionals to supervise the information security system and established a series of information security management measures to prevent any unauthorized network intrusions, attacks, data leakage or third-party tampering with the Bank's information system. As part of the Bank's business continuity management measures, the Bank has established a disaster backup and recovery system comprising two local active application-level centers and one off-site data-level disaster recovery center. The Bank has also established detailed contingency plans regarding the potential breakdown of the information system to ensure the continuity of operations. The Bank conducts periodic disaster drills for business continuity for important businesses.

Reputational Risk

Reputational risk refers to the risk of negative publicity and comments on the Bank due to the Bank's operations, management, and other activities or external events. The Bank takes its reputation seriously and has established an effective reputational risk management mechanism to monitor, identify, report, control, and assess the reputational risk, and at the same time manage the reputational risk emergency handling, and minimize any loss and negative impact on the Bank due to such incidents.

The Office of the Board of Directors of the Bank is responsible for undertaking management of overall reputational risks, including establishing a bank-wide reputational risk management system, and formulating basic internal policies. The Bank has also set up reputational risk incidents emergency response teams at the branches and sub-branches, so that the head office can be promptly informed upon the occurrence of material and urgent incidents and take appropriate actions accordingly.

Strategic Risk

Strategic risk is caused by inappropriate business strategies or changes in the external operating environment during the establishing and implementing of the strategy, which may have a negative impact on the current, or future, profit, capital, reputation or market position of the Bank.

The Bank actively conducts the evaluation of strategy implementation, keeps the adaptation between strategic plans and external environment constantly, actively implements the formulation of strategic plans for 2021-2025 comprehensively and makes scientific plans for development of the Bank in the next five years, so as to enhance the Bank's adaptability in the face of unexpected market changes. The Development and Strategy Office under the Board of Directors is responsible for managing the Bank's strategic risks. The Bank identifies strategic risk factors through cooperation between the Development and Strategy Office under the Board of Directors and the Risk Management Department; conducts regular review and study on prevailing market conditions and the Bank's business operation status to timely identify potential risks, makes prompt adjustment to the strategies and relevant implementation measures accordingly, and closely monitors the implementation of the strategies.

Management Discussion and Analysis

10 BUSINESS REVIEW

For the year ended December 31, 2020, the Group's principal business lines comprised corporate banking, retail banking and financial markets.

For corporate banking business, the Bank focuses on serving the governmental and institutional customers as well as high-quality enterprises in the industries, continuously improves the level of corporate customers management by measures such as intensifying the cooperation between governments and the Bank, enriching trade financial products, deepening reform of the corporate financial team and accelerating the development of investment banking; for retail banking business, the Bank adheres to the philosophy of "building a bank founded on the basis of deposit (存款立行)" and continues to consolidate the foundation of personal deposits, promotes the rapid development of businesses such as credit card, personal loan, and wealth management services, and significantly improves the market competitiveness and influence of retail banking; for financial market business, the Bank adjusts the asset structure of its bond and bill business proactively, expands credit granting to peer institutions actively, and strengthens the management of counterparties.

The following table sets forth the breakdown of the Group's operating income by business lines for the years ended December 31, 2019 and 2020.

	For the year ended December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>			
Corporate banking	3,120.0	64.1	3,191.5	62.7
Retail banking	1,225.2	25.2	1,067.5	21.0
Financial markets	507.7	10.4	701.0	13.8
Others ⁽¹⁾	15.1	0.3	128.9	2.5
Total operating income	4,868.0	100.0	5,088.9	100.0

Note:

(1) Consist primarily of income that is not directly attributable to any specific segment.

Corporate banking

The Bank positions itself as a "financial steward" and a "partner of the real economy" for local governments in Shanxi province, practiced green concept of development, gave our full support to the energy revolution and transformation and comprehensive reform in Shanxi province, actively provided financing support for key projects in Shanxi province and other cities, constantly provided corporate banking customers with diversified products and services, including deposits, loans, trade financing, cash management, remittance and settlement, bonds and bills service.

For the year ended December 31, 2020, the Group's operating income from corporate banking was RMB3,120.0 million, representing a year-on-year decrease of 2.2% and accounting for 64.1% of the total operating income for the same period. The decrease in operating income from corporate banking was mainly due to supporting the resumption of work and production of small and micro enterprises, returning interest to small and micro enterprises and reducing interest rate; the discount rate for bills business decreased due to the impact of market condition.

Management Discussion and Analysis

As of December 31, 2020, the balance of corporate loans amounted to RMB84,459.5 million, representing an increase of 15.8% from December 31, 2019. As of the same date, total corporate deposits amounted to RMB73,221.2 million, representing an increase of 6.5% from December 31, 2019.

As of the end of 2020, the Bank continued to improve its ability of catering to corporate banking customers' needs for differentiated financial products, and vigorously developed investment banking and supply chain financial services. The Bank also focused on development of the intelligent online products centering on the improvement of customer experiences, innovated green financing methods and broadened the channels of capital sources, so as to continuously optimize the business structure, enrich its product portfolio and enhance comprehensive service capacity.

Retail banking

Capitalizing on its deep knowledge of the local market and the preferences of retail banking customers, the Bank focused on developing and launching various well-received retail banking products and services and established strong competitiveness in terms of distribution channels, customer base, product mix, and innovative capacities. The Bank provided a range of products and services to retail banking customers, including personal loans, deposit taking services, personal wealth management services and remittance services.

For the year ended December 31, 2020, the Group's operating income from retail banking was RMB1,225.2 million, representing a year-on-year increase of 14.8% and accounting for 25.2% of the total operating income for the same period. As of December 31, 2020, the personal loan balance was RMB22,044.9 million, accounting for 16.2% of the total loans and advances to customers. As of December 31, 2020, residential mortgage loans, personal consumption loans, personal business loans, and credit card balance were RMB14,340.6 million, RMB1,705.3 million, RMB2,140.6 million and RMB3,858.4 million, accounting for 65.1%, 7.7%, 9.7% and 17.5% of the total personal loans of the Bank, respectively. As of the same date, the Group's total personal deposits amounted to RMB82,113.9 million, representing an increase of 19.9% from December 31, 2019.

Relying on quality services, the number of retail banking customers of the Group further increased during the Reporting Period, from 2,589.8 thousand as of December 31, 2019 to 2,738.7 thousand as of December 31, 2020. After years of persistent efforts, the Bank has established an extensive business network in regions within Shanxi province showing strong economic growth. As of December 31, 2020, the Bank had one head office, ten branches, 150 sub-branches (including four sub-branches directly administered by the head office, 124 city-level sub-branches, and 22 county-level sub-branches) and one 51.0% owned subsidiary, Qingxu Jinshang Village and Township Bank Co., Ltd. In total, the Bank had 160 outlets, which covered all 11 prefecture-level cities in Shanxi province.

During the Reporting Period, based on the comprehensive coverage of the business network, the Bank is committed to making use of advanced technologies to provide customers with convenient online and mobile financial products and services. During the Reporting Period, the Bank continuously enriched its online banking services and attracted customers with a good tailor-made user experience through technological upgrade. In addition, by integrating high-quality resources, the Bank provided professional and comprehensive financial services to high net worth individuals in the province. The newly established private banking center won the "Outstanding Private Bank of the Year" issued by National Business Daily and "Best China Private Banking Brand Award" issued by Wealth magazine for its outstanding services in the family trust field.

Management Discussion and Analysis

In order to brand the Bank's private banking and maintain customers of private banking properly, the Private Banking Center focuses on the service system of "promoting the future (升攞未來)", "promoting various privileges (升享尊貴)", "promoting the level of wellbeing (升生之道)", and "promoting extraordinary experience (升鑑不凡)", actively explores the development model of private banking in line with its own development strategy, scale and management capabilities, deepens the service market of family wealth planning, creates a differentiated and distinctive private banking brand, and accelerates the steady and robust development of private banking in the region.

Financial markets

The financial markets business of the Group includes inter-bank money market transactions, repurchases transactions, inter-bank investments, bond investment and trading. It also covers management of the Group's overall liquidity position, including the issuance of debts.

During the Reporting Period, the Bank closely monitored the changes in the macroeconomic situation, adhered to the direction of financial market policies, strengthened the monitoring and analysis of market conditions, seized business development opportunities, and rationally formulated investment strategies and actively carried out innovative business under the premise of risk control, while continuously optimizing the investment portfolio, increasing the investment in standardized bonds, and gradually adjusting the asset structure.

The financial market business continued to focus on liquidity management and to improve profitability, constantly promote new businesses, maintain risk prevention and compliance management, and continuously enhance the Bank's market activity and influence. For the year ended December 31, 2020, the Bank was granted the qualifications of "2020 Renminbi Financial Bond Underwriting Market-Making Group of National Development Bank", which further expanded the scope of the Bank's bond underwriting and distribution business and credit risk prevention and control capabilities.

For the year ended December 31, 2020, operating income from the Bank's financial markets business amounted to RMB507.7 million, accounting for 10.4% of its total operating income, representing a decrease of 27.6% from RMB701.0 million in the same period in 2019, mainly due to a decrease in the valuation of bonds, funds and other held-for-trading financial assets, as a result of the fluctuation in the bond market in 2020.

Small and micro enterprise

During the Reporting Period, the Bank actively carried out the economic policies of the Central Party Committee and the State Council on financial support for epidemic prevention and control and relending to support development of micro and small enterprises, and a series of bail-out policies for small and micro enterprises of the Shanxi Provincial Government during the epidemic period to lower the new lending rates of small and micro enterprises, fully supported the epidemic prevention and control and assisted the micro and small enterprises to return to work and production, which promoting the development of the Bank's small and micro business effectively.

As of December 31, 2020, our head office and branches have set up small and micro financial departments or small and micro financial teams, and three small and micro business franchised sub-branches in our institution outlets.

As of December 31, 2020, the balance of loans to small and micro enterprises of the Bank amounted to RMB44,440.1 million, representing an increase of RMB5,889.3 million from December 31, 2019; the number of loan customers of small and micro enterprises was 4,022, representing an increase of 1,268 from December 31, 2019.

Management Discussion and Analysis

As of December 31, 2020, the balance of inclusive loans to small and micro enterprises of the Bank amounted to RMB6,743.2 million, representing an increase of RMB2,164.5 million from December 31, 2019; the number of inclusive small and micro enterprise customers was 3,796, representing an increase of 1,197 from December 31, 2019, achieving the target of “two increases”.

Interbank Market Transactions

The Group’s interbank market transactions business primarily consists of: (i) interbank deposits; (ii) interbank placements; and (iii) purchase under resale agreement and sale under repurchase agreement, which mainly involves bonds and bills.

As of December 31, 2020, deposits with banks and other financial institutions were RMB2,244.0 million, accounting for 0.8% of the Group’s total assets as of December 31, 2020. As of the same date, deposits from banks and other financial institutions amounted to RMB1,905.8 million, accounting for 0.8% of the Group’s total liabilities as of December 31, 2020.

As of December 31, 2020, placements with banks and other financial institutions were RMB1,100.5 million, accounting for 0.4% of the Group’s total assets as of December 31, 2020. As of the same date, placements from banks and other financial institutions were RMB800.7 million, accounting for 0.3% of the Group’s total liabilities as of December 31, 2020.

As of December 31, 2020, financial assets purchased under resale agreements were RMB18,915.3 million, accounting for 7.0% of the Group’s total assets as of December 31, 2020. As of the same date, financial assets sold under repurchase agreements were RMB13,430.5 million, accounting for 5.4% of the Group’s total liabilities as of December 31, 2020.

Investment Management

The Group’s investment management business mainly consists of debt securities investment and SPV investment. Specifically, debt securities include debt securities issued by PRC government, policy banks, commercial banks and other financial institutions, and enterprises. SPV investment refers to investments in trust plans, asset management plans, wealth management products, and investment funds. When making debt securities investment and SPV investment, the Bank takes into account a broad range of factors, including but not limited to risk appetite, capital consumption level and expected yields of relevant products, as well as overall economic conditions and relevant regulatory development, to achieve a better balance between risk and return.

As of December 31, 2020, the balance of debt securities investment was RMB42,555.4 million, representing an increase of 25.7% from December 31, 2019, mainly because the overall asset scale of our Bank maintained a stable growth and the balance of debt securities investment maintained a corresponding growth.

As of December 31, 2020, the balance of SPV investment was RMB37,780.5 million, representing a decrease of 24.9% from December 31, 2019, mainly because some asset management plans were due in 2020.

Management Discussion and Analysis

Wealth Management

During the Reporting Period, the Bank actively expanded its wealth management products and services to attract a wider range of customers with different financial needs and risk tolerance, and effectively respond to the challenges of traditional banking services amid interest rate marketization. For the year ended December 31, 2020, the amount of wealth management products issued by the Group was RMB98,693.3 million, representing an increase of 46.7% from the year ended December 31, 2019, mainly because the transactions of wealth management products under cash management were active and the scale of subscription on the trading day was large. As of December 31, 2020, the Group had more than 290,000 wealth management customers, a further increase from the end of 2019.

As of December 31, 2020, the outstanding balance of the non-principal guaranteed wealth management products issued by the Group was RMB38,334.9 million, representing an increase of 22.6% from December 31, 2019, mainly because the Bank actively implemented the requirements of the new asset management regulations and strengthened the transformation of net worth wealth management products, and the issuance scale and proportion of net worth wealth management products in the balance of wealth management products increased. For the year ended December 31, 2020, the fee and commission net income from the wealth management products issued by the Group was RMB148.6 million, representing an increase of 4.8% from the year ended December 31, 2019, mainly due to the increased net income driven by the increased issuance and holdings of net worth wealth management products compared with the previous year because the transformation of net worth of wealth management products has achieved preliminary effect, and the decreased funding costs in a low interest rate environment.

Debt Securities Distribution

The Bank's investment banking team provides customers with comprehensive financial services through the debt securities distribution business, to further leverage the Bank's strong capacity in managing capital market transactions, and to broaden its customer base.

The Bank obtained the preliminary and Class-B qualification for underwriting debt financing instruments issued by non-financial enterprises in October 2016 and February 2019, respectively, the latter of which allows the Bank to act as a lead underwriter in the regional market. For the year ended December 31, 2020, the aggregate principal amount of debt securities the Bank distributed amounted to RMB58,333.0 million, representing an increase of 40.4% from the year ended December 31, 2019, mainly due to below reasons: in 2020, as affected by the epidemic, traditional gathering places of financial institutions such as Beijing and Shanghai returned to work late, our debt securities sales team immediately resumed debt securities sales while doing a good job in epidemic prevention and control, and the debt securities distribution we completed in the first quarter of 2020 amounted to RMB20,222.0 million, representing an increase of 111.8% from the same period of last year which lays the foundation for the whole year.

Changes in Share Capital and Information of Shareholders

I. CHANGES IN SHARE CAPITAL

As at December 31, 2020, the Bank issued a total of 5,838,650,000 shares, including 4,868,000,000 Domestic Shares and 970,650,000 H Shares.

	December 31, 2019		Changes during the Reporting Period	December 31, 2020	
	Number of shares	Percentage of total share capital		Number of shares	Percentage of total share capital
Domestic state-owned shares	466,142,486	7.98%	-	466,142,486	7.98%
Domestic state-owned legal person shares	2,732,041,542	46.79%	-	2,732,041,542	46.79%
Domestic social legal person shares	1,590,785,918	27.25%	-	1,590,785,918	27.25%
Domestic natural person shares	79,030,054	1.35%	-	79,030,054	1.35%
H Shares	970,650,000	16.62%	-	970,650,000	16.62%
Total shares	5,838,650,000	100.00%	-	5,838,650,000	100.00%

Note: The difference between the figures in the list and the aggregate figures is due to rounding.

II. INFORMATION OF SHAREHOLDERS

1. Total number of domestic shareholders

As at December 31, 2020, the total number of domestic shareholders of the Bank was 7,300.

2. Top 10 holders of Domestic Shares

As at December 31, 2020, the Top 10 holders of Domestic Shares are as follows:

No.	Name of Shareholder	Nature of Shareholder	Total number of shares held at the end of the Reporting Period (shares)	Percentage of total share capital at the end of the Reporting Period (%)	Share pledged or frozen	Share status	Quantity
1	Shanxi Financial Investment Holding Group Co., Ltd. (山西金融投資控股集團有限公司) ⁽²⁾	State-owned legal person shares	715,109,200	12.25%	Normal	-	-
2	Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	State-owned legal person shares	600,000,000	10.28%	Normal	-	-
3	Taiyuan Municipal Finance Bureau (太原市財政局)	State-owned shares	466,142,486	7.98%	Normal	-	-
4	Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司) (“Changzhi Nanye”)	Social legal person shares	450,657,435	7.72%	Normal	-	-

Changes in Share Capital and Information of Shareholders

No.	Name of Shareholder	Nature of Shareholder	Total number of shares held at the end of the Reporting Period (shares)	Percentage of total share capital at the end of the Reporting Period (%)	Share pledged or frozen	Share status	Quantity
5	Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	State-owned legal person shares	359,091,687	6.15%	Normal		-
6	Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司)	State-owned legal person shares	300,000,000	5.14%	Normal		-
7	Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司)	State-owned legal person shares	291,339,054	4.99%	Normal		-
8	Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司) (“ Changzhi Huashengyuan ”)	Social legal person shares	234,569,820	4.02%	Normal		-
9	Taiyuan Steel (Group) Co., Ltd. (太原鋼鐵(集團)有限公司)	State-owned legal person shares	200,000,000	3.43%	Normal		-
10	Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司) ⁽³⁾	State-owned legal person shares	200,000,000	3.43%	Normal		-
Total			3,816,909,682	65.39% ⁽¹⁾	-		-

Notes:

- (1) The inconsistency between the figures and the total sum stated in this table is caused by rounding.
- (2) Shanxi Financial Investment Holding Group Co., Ltd. has transferred all its 715,109,200 Domestic Shares of the Bank to Shanxi Finance Bureau for nil consideration. On December 28, 2020, the CBIRC Shanxi Office approved Shanxi Finance Bureau to become the shareholder of the Bank. The transfer of the relevant shares from Shanxi Financial Investment Holding Group Co., Ltd. to Shanxi Finance Department is subject to the registration procedures with CSDCC. After completion of the registration of such share transfer, Shanxi Finance Bureau will become the shareholder and hold 715,109,200 Domestic Shares of the Bank.
- (3) Shanxi Jincheng Anthracite Coal Mining Group Co., Ltd. (山西晉城無煙煤礦業集團有限責任公司) renamed as Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司) during the Reporting Period.

Changes in Share Capital and Information of Shareholders

3. Interests and short positions under the SFO in Hong Kong

As at December 31, 2020, according to the register maintained by the Bank pursuant to section 336 of the SFO, and to the best knowledge of the Bank, the following persons (other than the Directors, Supervisors and chief executive of the Bank) will have or be deemed or taken to have interests and/or short positions in the Shares or underlying Shares of the Bank which would be required to be disclosed to our Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital of the Bank carrying rights to vote in all circumstances at the general meetings of any other members of our Bank:

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Shanxi State-owned Capital Operation Co., Ltd. (山西省國有資本運營有限公司) ⁽¹⁾ ("SSCO")	Interest in controlled corporations	Domestic Shares	1,206,430,741		20.66%	24.78%
Shanxi Financial Investment Holding Group Co., Ltd. (山西金融投資控股集團有限公司)	Beneficial owner	Domestic Shares	715,109,200		12.25%	14.69%
China Huaneng Group Co., Ltd. (中國華能集團有限公司) ⁽²⁾	Interest in controlled corporations	Domestic Shares	600,000,000		10.28%	12.33%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	Beneficial owner	Domestic Shares	600,000,000		10.28%	12.33%
Taiyuan Municipal Finance Bureau (太原市財政局)	Beneficial owner	Domestic Shares	466,142,486		7.98%	9.58%
	Interest in controlled corporations	H Shares	102,400,000		1.75%	10.54%
Taiyuan State-owned Investment Group Limited (太原國有投資集團有限公司)	Beneficial owner	H Shares	102,400,000		1.75%	10.54%
Changzhi Nanye ⁽³⁾	Beneficial owner	Domestic Shares	450,657,435		7.72%	9.26%
	Interest in controlled corporations	Domestic Shares	234,569,820		4.02%	4.82%
Mr. LI Yang ⁽³⁾	Interest in controlled corporations	Domestic Shares	685,227,255		11.74%	9.26%
Ms. WANG Yanli ⁽³⁾	Interest in controlled corporations	Domestic Shares	685,227,255		11.74%	9.26%
Changzhi Huashengyuan ⁽³⁾	Beneficial owner	Domestic Shares	234,569,820		4.02%	4.82%
	Interest in controlled corporations	Domestic Shares	450,657,435		7.72%	9.26%
Shanxi Lu'an Mining (Group) Co., Ltd.	Beneficial owner	Domestic Shares	359,091,687		6.15%	7.38%
Jinneng Holdings Group Ltd. ⁽⁴⁾	Interest in controlled corporations	Domestic Shares	500,000,000		8.56%	10.27%
Jinneng Group Co., Ltd. (晉能控股電力集團有限公司) ⁽⁴⁾	Interest in controlled corporations	Domestic Shares	300,000,000		5.14%	6.16%
Shanxi International Electricity Group Limited Company	Beneficial owner	Domestic Shares	300,000,000		5.14%	6.16%
Shanxi Coking Coal Group Co., Ltd.	Beneficial owner	Domestic Shares	291,339,054		4.99%	5.98%
Shanxi Qinxin Energy Group Co., Ltd. (山西沁新能源集團股份有限公司)	Beneficial owner	H Shares	102,297,000		1.75%	10.54%

Changes in Share Capital and Information of Shareholders

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Taiyuan Industrial Park Investment Holdings Co., Ltd. (太原工業園區投資控股有限公司)	Beneficial owner	H Shares	102,297,000		1.75%	10.54%
Guotai Junan Securities Co., Ltd. ⁽⁵⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Financial Holdings Limited ⁽⁵⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Holdings Limited ⁽⁵⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) ⁽⁵⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan (Hong Kong) Limited(國泰君安(香港)有限公司) ⁽⁵⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Financial Products Limited (國泰君安金融產品有限公司) ⁽⁵⁾	Beneficial owner	H Shares	61,300,000		1.05%	6.32%
	Beneficial owner	H Shares		61,300,000	1.05%	6.32%
China Credit Trust Co., Ltd. (中誠信託有限責任公司) ⁽⁶⁾	Interest in controlled corporations	H Shares	102,297,000		1.75%	10.54%
Harvest Fund Management Co., Ltd (嘉實基金管理有限公司) ⁽⁶⁾	Investment manager	H Shares	102,297,000		1.75%	10.54%
Orient Fund Management Co., Ltd. (東方基金管理有限責任公司)	Trustee	H Shares	102,430,000		1.75%	10.55%
China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司)	Trustee	H Shares	102,297,000		1.75%	10.54%
Shanxi Qinxin Energy Group Co.,Ltd.	Beneficial owner	H Shares	102,297,000		1.75%	10.54%
Guotai Asset Management Co., Ltd. (國泰基金管理有限公司)	Investment manager	H Shares	62,044,000		1.06%	6.39%
GF Asset Management – Xumao Single Investment Asset Management Plan (廣發資管 – 旭茂投資單一資產管理計劃)	Trustee	H Shares	57,830,000		0.99%	5.95%

Changes in Share Capital and Information of Shareholders

Notes:

- (1) During the Reporting Period, Shanxi State-owned Capital Investment and Operation Co., Ltd. was renamed as Shanxi State-owned Capital Operation Co., Ltd. The controlling shareholder of Taiyuan Steel (Group) Co., Ltd. changed to China Baowu Steel Group Corporation Limited from SSCO.

SSCO indirectly held 1,206,430,741 Domestic Shares, representing 20.66% equity interest in our Bank. SSCO's shareholding in our Bank was held through certain subsidiaries, including (i) Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司) with 6.15% equity interest in our Bank; (ii) Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司) with 4.99% equity interest in our Bank; (iii) Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司) with 5.14% equity interest in our Bank; (iv) Jinneng Holding Equipment Manufacturing Group Co., Ltd. with 3.43% equity interest in our Bank; and (v) Shanxi Investment Group Co., Ltd. (山西省投資集團有限公司) with 0.96% equity interest in our Bank.

- (2) China Huaneng Group Co., Ltd. indirectly held 600,000,000 Domestic Shares, representing 10.28% equity interest in our Bank through Huaneng Capital Services Co., Ltd., in which China Huaneng Group Co., Ltd. held 61.22% equity interest. By virtue of SFO, China Huaneng Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Huaneng Capital Services Co., Ltd.
- (3) Mr. LI Yang held 90% equity interest in Changzhi Nanye, and Ms. WANG Yanli held 70% equity interest in Changzhi Huashengyuan. In January 2021, Mr. LI Yang transferred his 90% equity interest in Changzhi Nanye to Mr. LI Jianming who is father of Mr. LI Yang.

Changzhi Nanye and Changzhi Huashengyuan are parties acting-in-concert according to their respective confirmation. Therefore, Mr. LI Yang, Ms. WANG Yanli, Changzhi Nanye and Changzhi Huashengyuan will be deemed to be interested in 685,227,255 Domestic Shares, representing 11.74% equity interest in our Bank. By virtue of SFO, Mr. LI Yang and Ms. WANG Yanli are deemed to be interested in the Domestic Shares held by both Changzhi Nanye and Changzhi Huashengyuan, while Changzhi Nanye and Changzhi Huashengyuan are deemed to be interested in the Domestic Shares held by each other.

- (4) SSCO held 100% equity interest in Jinneng Holding Group Co. Ltd. (晉能控股集團有限公司).Jinneng Group Co., Ltd., a subsidiary of Jinneng Holding Group Co. Ltd with 64% equity interest, indirectly held 300,000,000 Domestic Shares, representing 5.14% equity interest in our Bank through its wholly-owned subsidiary, Shanxi International Electricity Group Limited Company. By virtue of SFO, Jinneng Holding Group Co., Ltd. and Jinneng Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Shanxi International Electricity Group Limited Company.

Jinneng Holding Group Co. Ltd. indirectly held 200,000,000 Domestic Shares, representing 3.43% equity interest in our Bank, through Jinneng Holding Equipment Manufacturing Group Co., Ltd., a subsidiary of Jinneng Holding Group Co. Ltd with 70% equity interest. By virtue of SFO, Jinneng Holding Group Co. Ltd. is deemed to be interested in the Domestic Shares held by Jinneng Holding Equipment Manufacturing Group Co., Ltd.

- (5) Guotai Junan Securities Co., Ltd was interested in the long position of 61,300,000 H Shares, representing 1.05% equity interest in our Bank, and 61,300,000 short positions in H Shares, representing 1.05% equity interest in our Bank through its wholly-owned subsidiaries, Guotai Junan Financial Holdings Limited, Guotai Junan Holdings Limited, Guotai Junan International Holdings Limited with 68.10% equity interest indirectly, Guotai Junan (Hong Kong) Limited(wholly-owned subsidiary) and Guotai Junan Financial Products Limited indirectly. By virtue of SFO, Guotai Junan Securities Co., Ltd, Guotai Junan Financial Holdings Limited, Guotai Junan Holdings Limited,Guotai Junan International Holdings Limited and Guotai Junan (Hong Kong) Limited are deemed to be interested in the H Shares held by Guotai Junan Financial Products Limited.
- (6) China Credit Trust Co., Ltd. was interested in the long position of 102,297,000 H Shares, representing 1.75% equity interest in our Bank through its wholly-owned subsidiary Harvest Fund Management Co., Ltd. By virtue of SFO, China Credit Trust Co., Ltd. is deemed to be interested in the H Shares held by Harvest Fund Management Co., Ltd.

Changes in Share Capital and Information of Shareholders

III. SUBSTANTIAL SHAREHOLDERS DURING THE REPORTING PERIOD

According to the Interim Measures for the Equity Management of Commercial Banks issued by the CBIRC, substantial shareholders of a commercial bank refer to shareholders holding or controlling 5% or more of shares or voting right of the commercial bank, or holding less than 5% of total capital or total shares of the commercial bank but having significant impact on the operational management of the commercial bank. The significant impact mentioned above includes but not limited to dispatching directors, supervisors or senior management to a commercial bank, influencing the financial and operational management decisions of commercial banks through agreements or other means and other circumstances identified by the CBIRC or its local offices.

1. Shareholders holding 5% or more of the Bank's share capital

Shanxi Financial Investment Holding Group Co., Ltd. is wholly-owned by the Shanxi Provincial Department of Finance; the actual controller is the Shanxi Provincial Department of Finance, and the ultimate beneficiary is Shanxi Financial Investment Holding Group Co., Ltd., without person acting-in-concert. Shanxi Financial Investment Holding Group Co., Ltd. has transferred all its 715,109,200 Domestic Shares of the Bank to Shanxi Finance Bureau for nil consideration. On December 28, 2020, the CBIRC Shanxi Office approved Shanxi Finance Bureau to become the shareholder of the Bank. The transfer of the relevant shares from Shanxi Financial Investment Holding Group Co., Ltd. to Shanxi Finance Department is subject to the registration procedures with CSDCC. After completion of the registration of such share transfer, Shanxi Finance Bureau will become the shareholder and hold 715,109,200 Domestic Shares of the Bank.

The controlling shareholder of Huaneng Capital Services Co., Ltd. is China Huaneng Group Co., Ltd.; the actual controller is the State-owned Assets Supervision and Administration Commission of the State Council, and the ultimate beneficiary is Huaneng Capital Services Co., Ltd., without person acting-in-concert.

Taiyuan Municipal Finance Bureau is a government authority legal person, and the ultimate beneficiary is the Taiyuan Municipal Finance Bureau, without person acting-in-concert.

The controlling shareholder of Changzhi Nanye Industry Group Co., Ltd. is Li Yang; the actual controller is Li Yang, and the ultimate beneficiary is Changzhi Nanye Industry Group Co., Ltd., being persons acting-in-concert with Changzhi Huashengyuan Mining Industry Co., Ltd.

Shanxi Lu'an Mining (Group) Co., Ltd. is wholly-owned by Lu'an Chemical Industry Group Co. Ltd (潞安化工集團有限公司); the actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province, and the ultimate beneficiary is Shanxi Lu'an Mining (Group) Co., Ltd., without person acting-in-concert.

Shanxi International Electricity Group Limited Company is wholly-owned by Jinneng Group Co., Ltd.; the actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province, and the ultimate beneficiary is Shanxi International Electricity Group Limited Company, without person acting-in-concert.

For shareholders holding 5% or more of the Bank's share capital, please see II. Information of Shareholders above.

Changes in Share Capital and Information of Shareholders

2. Other substantial shareholders

In addition to the Shanxi Financial Investment Holding Group Co., Ltd., Huaneng Capital Services Co., Ltd., Taiyuan Municipal Finance Bureau, Changzhi Nanye, Shanxi Lu'an Mining (Group) Co., Ltd. and Shanxi International Electricity Group Limited Company disclosed above, Shanxi Coking Coal Group Co., Ltd. and Jinneng Holding Equipment Manufacturing Group Co., Ltd. hold less than 5% of the Bank's shares but dispatch directors or supervisors to the Bank.

Shanxi Coking Coal Group Co., Ltd. is wholly-owned by SSCO. The actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province and the ultimate beneficiary is Shanxi Coking Coal Group Co., Ltd., without person acting-in-concert.

The controlling shareholder of Jinneng Holding Equipment Manufacturing Group Co., Ltd. is Jinneng Holding Group Co. Ltd. The actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province, and the ultimate beneficiary is Jinneng Holding Equipment Manufacturing Group Co., Ltd., without person acting-in-concert.

IV. SHAREHOLDERS' NOMINATION OF DIRECTORS AND SUPERVISORS

- (1) Shanxi Financial Investment Holding Group Co., Ltd. nominated LI Shishan as a Director of the Bank;
- (2) Huaneng Capital Services Corporation Ltd. nominated XIANG Lijun as a Director of the Bank;
- (3) Taiyuan Municipal Finance Bureau nominated LIU Chenxing as a Director of the Bank;
- (4) Changzhi Nanye nominated LI Yang as a Director of the Bank;
- (5) Shanxi Lu'an Mining (Group) Co., Ltd. nominated WANG Jianjun as a Director of the Bank;
- (6) Jinneng Holding Equipment Manufacturing Group Co., Ltd. nominated Bi Guoyu as a Supervisor of the Bank;
- (7) Shanxi Coking Coal Group Co., Ltd. nominated XU Jin as a Supervisor of the Bank;
- (8) Shanxi International Electricity Group Limited Company nominated XIA Guisuo as a Supervisor of the Bank.

V. PURCHASE, SALE AND REDEMPTION OF ANY OF THE BANK'S LISTED SECURITIES

As at the date of this Annual Report, the Bank or any of its subsidiaries did not purchase, sell or redeem any of the Bank's listed securities.

Directors, Supervisors, Senior Management and Employees

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Directors

Our Board of Directors consists of eleven Directors, including five non-executive Directors and six independent non-executive Directors. Our Directors are elected for a term of three years and are subject to re-election, provided that the cumulative term of an independent non-executive Director shall not exceed six years in accordance with PRC laws and regulations. The following table sets forth certain information regarding our Directors.

Name	Age	Position(s)	Date of appointment ⁽¹⁾
Mr. LI Shishan (李世山)	56	Non-executive Director	June 21, 2017
Mr. XIANG Lijun (相立軍)	44	Non-executive Director	August 8, 2018
Mr. LIU Chenhang (劉晨行)	56	Non-executive Director	December 30, 2019
Mr. LI Yang (李楊)	34	Non-executive Director	May 4, 2018 ⁽²⁾
Mr. WANG Jianjun (王建軍)	45	Non-executive Director	August 8, 2018
Mr. JIN Haiteng (金海騰)	69	Independent non-executive Director	June 5, 2017
Mr. SUN Shihu (孫試虎)	76	Independent non-executive Director	February 24, 2017
Mr. WANG Liyan (王立彥)	64	Independent non-executive Director	September 14, 2018
Mr. DUAN Qingshan (段青山)	63	Independent non-executive Director	May 4, 2018 ⁽²⁾
Mr. SAI Zhiyi (賽志毅)	51	Independent non-executive Director	August 7, 2018
Mr. YE Xiang (葉翔)	57	Independent non-executive Director	August 8, 2019

Notes:

- (1) The date of appointment as a Director stated here represents the date on which the relevant Director obtained the qualification approval from CBIRC Shanxi Office.
- (2) The date of appointment as a Director for Mr. LI Yang and Mr. DUAN Qingshan stated here represents the date on which each of them was elected as a Director at the relevant Shareholders' general meeting of our Bank. Their qualifications of directorship are subject to the approval by the CBIRC Shanxi Office.

Directors, Supervisors, Senior Management and Employees

2. Supervisors

The PRC Company Law requires a joint stock company to establish a board of supervisors that is responsible for supervising performance of the board of directors and senior management, its financial operations, internal control and risk management. Our Board of Supervisors consists of nine Supervisors, including three employees' representative Supervisors, three Shareholders' representative Supervisors and three external Supervisors. Our Supervisors are elected for a term of three years and may be subject to re-election, and the cumulative term of an external Supervisor shall not exceed six years. The following table sets forth certain information about our Supervisors.

Name	Age	Position(s)	Date of appointment
Mr. XIE Liying (解立鷹)	53	Employees' representative Supervisor Chairman of the Board of Supervisors	July 24, 2009 (as a Supervisor) December 8, 2016 (as the chairman of the Board of Supervisors)
Mr. BI Guoyu (畢國鈺)	56	Shareholders' representative Supervisor	February 5, 2009
Ms. XU Jin (徐瑾)	44	Shareholders' representative Supervisor	December 18, 2015
Mr. XIA Guisuo (夏貴所)	58	Shareholders' representative Supervisor	May 4, 2018
Mr. WEN Qingquan (溫清泉)	47	Employees' representative Supervisor	May 13, 2019
Mr. GUO Zhenrong (郭振榮)	56	Employees' representative Supervisor	May 13, 2019
Mr. LIU Shoubao (劉守豹)	54	External Supervisor	December 18, 2015
Mr. WU Jun (吳軍)	67	External Supervisor	May 4, 2018
Mr. LIU Min (劉旻)	58	External Supervisor	May 4, 2018

Directors, Supervisors, Senior Management and Employees

3. Senior management

Name	Age	Position(s)	Date of appointment ⁽¹⁾
Ms. HAO Qiang (郝強)	48	Vice president	November 20, 2017
Mr. ZHANG Yunfei (張雲飛)	50	Chief risk officer	May 26, 2011
Ms. HOU Xiuping (侯秀萍)	53	Chief financial officer	October 8, 2015
Mr. WEN Gensheng (溫根生)	55	Chief human resources officer	December 8, 2016 ⁽²⁾
Mr. ZHAO Jiquan (趙基全)	47	Assistant to the president	November 22, 2019
Mr. LI Weiqiang (李為強)	56	Secretary to the Board of Directors	December 9, 2019
Mr. NIU Jun (牛俊)	53	Chief operation officer	January 2, 2020
Mr. SHANGGUAN Yujiang (上官玉將)	48	Assistant to the president	December 9, 2019
Ms. LI Wenli (李文莉)	51	Chief audit officer	March 26, 2021 ⁽³⁾

Notes:

- (1) Unless otherwise stated, the date of appointment stated here represents the date on which the relevant senior management members obtained the qualification approval from the CBIRC Shanxi Office.
- (2) Mr. WEN Gensheng is our chief human resources officer whose qualification does not need to obtain the qualification approval from CBIRC Shanxi Office. The date stated here represents the date of appointment by the Board of Directors.
- (3) The date stated here represents the date of appointment to the Board of Directors of Ms. LI Wenli, which is subject to the qualification approval by the CBIRC Shanxi Office.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Between the Reporting Period and the date of this report, the following changes have been made to the Directors, Supervisors and senior management of the Bank.

Changes in Directors

On January 8, 2020, due to work re-arrangement, Mr. YAN Junsheng resigned as an executive Director, the chairman of the Board, the chairperson and a member of the Development and Strategy Committee, a member of the Nomination, Remuneration and HR Committee and an authorized representative of the Bank. Such resignation took effect on January 8, 2020. For details, please refer to the announcement entitled “Resignation of Executive Director and Chairman” issued by the Bank on January 8, 2020.

On January 17, 2020, the Board considered and approved the proposed appointment of Mr. WANG Junbiao as an executive Director of the Bank. Such appointment was approved by the shareholders of the Bank at an extraordinary general meeting on March 10, 2020. For details, please refer to the announcement entitled “PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR”, the shareholders’ circular entitled “(1) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR; AND (2) NOTICE OF THE EGM”, and the announcement entitled “(I) POLL RESULTS OF THE 2020 FIRST EXTRAORDINARY GENERAL MEETING TO BE HELD ON MARCH 10, 2020 (TUESDAY) (II) APPOINTMENT OF DIRECTOR (III) ELECTION OF CHAIRMAN AND (IV) CHANGE OF BOARD COMMITTEE MEMBERS” issued by the Bank on January 17, 2020, January 23, 2020 and March 10, 2020, respectively.

Directors, Supervisors, Senior Management and Employees

On November 20, 2020, Mr. RONG Changqing tendered his resignation as an executive Director of the Bank, a member of the Related Parties Transactions Control Committee of the Board and a vice president of the Bank due to work re-arrangement with effect from November 20, 2020. For details, please refer to the announcement entitled “RESIGNATION OF EXECUTIVE DIRECTOR AND VICE PRESIDENT” issued by the Bank on November 20, 2020.

On December 9, 2020, Mr. TANG Yiping tendered his resignation as an executive Director of the Bank, the vice chairman of the Board, a member of the Development and Strategy Committee of the Board, a member of the Risk Management Committee of the Board, a member of the Consumer Rights Protection Committee of the Board, the president and an authorized representative of the Bank due to work re-arrangement with effect from December 9, 2020. For details, please refer to the announcement entitled “RESIGNATION OF EXECUTIVE DIRECTOR, VICE CHAIRMAN OF THE BOARD, PRESIDENT AND AUTHORISED REPRESENTATIVE” issued by the Bank on December 9, 2020.

On January 20, 2021, Mr. WANG Peiming tendered his resignation as an executive Director of the Bank and a member of the Related Parties Transactions Control Committee of the Board due to retirement with effect from January 20, 2021. For details, please refer to the announcement entitled “RESIGNATION OF EXECUTIVE DIRECTOR” issued by the Bank on January 20, 2021.

On April 26, 2021, due to work re-arrangement, Mr. WANG Junbiao tendered his resignation as an executive Director, the chairman of the Board, the chairperson and a member of the Development and Strategy Committee, and a member of the Nomination, Remuneration and HR Committee of the Bank. Such resignations took effect since April 26, 2021. For details, please refer to the announcement entitled “RESIGNATION OF EXECUTIVE DIRECTOR AND CHAIRMAN” issued by the Bank on April 26, 2021.

Changes in Supervisors

Between the Reporting Period and the date of this report, there was no change in the Supervisors.

Changes in Senior Management

On January 2, 2020, Mr. ZHAO Fu obtained qualification approval from CBIRC Shanxi Office as a chief marketing officer.

On January 2, 2020, Mr. NIU Jun obtained qualification approval from CBIRC Shanxi Office as a chief operation officer.

On October 19, 2020, the Board no longer appointed Mr. ZHAO Jiquan as the chief audit (compliance) officer due to work re-arrangement. Mr. ZHAO Jiquan still serves as the assistant to the president.

On March 19, 2021, Mr. GAO Jiliang tendered his resignation as a vice president of the Bank due to work re-arrangement with effect from March 19, 2021.

On March 26, 2021, Ms. LI Wenli was appointed as the chief audit officer by the Board of Directors, which is subject to the qualification approval by the CBIRC Shanxi Office.

On April 9, 2021, Mr. ZHAO Fu tendered his resignation as a chief marketing officer of the Bank due to work re-arrangement with effect from April 9, 2021.

Save as disclosed above, there is no other relevant information required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules during the Reporting Period.

Directors, Supervisors, Senior Management and Employees

Changes in Joint Company Secretaries

On September 11, 2020, Ms. HAO Qiang continued to serve as vice president of the Bank but no longer served as joint company secretary of the Bank since September 11, 2020 due to work re-arrangement. The Board appointed Mr. LI Weiqiang as the new joint company secretary of the Bank, and he formally took office as the joint company secretary of the Bank from September 11, 2020. For details, please refer to the announcement entitled “CHANGE OF JOINT COMPANY SECRETARY” issued by the Bank on September 14, 2020.

On March 26, 2021, Ms. YANG Jingwen ceased to serve as joint company secretary of the Bank. As at the same date, Mr. WONG Wai Chiu was appointed as joint company secretary of the Bank. For details, please refer to the announcement entitled “Change of Joint Company Secretary, Authorized Representative and Process Agent and Waiver from Strict Compliance with Rules 3.28 and 8.17 of the Listing Rules and Change of Building Name of Principal Place of Business in Hong Kong” issued by the Bank on March 26, 2021.

III. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

1. Directors

Executive Director, WANG Junbiao

Mr. WANG Junbiao (王俊彪), aged 50, was elected as an executive Director and the chairman of the Board of Directors in March 2020. In April 2021, Mr. Wang resigned as an executive Director and the chairman of the Board of the Bank due to work re-arrangement. Mr. Wang has more than 25 years of experience in banking industry and has been elected as the deputy at the Thirteenth National People's Congress since January 2018. From January 2020 to April 2021, he has been serving as the secretary to the party committee of the Bank. Mr. Wang served as the secretary to the party committee and chairman of the board of directors of Shanxi State-owned Capital Investment and Operation Co., Ltd. (山西省國有資本投資運營有限公司) from July 2017 to December 2019; vice chairman of the board of directors, deputy secretary to the party committee and general manager of Shanxi Financial Investment Holding Group Co., Ltd. (山西金融投資控股集團有限公司) from May 2016 to July 2017; the deputy mayor of Yuncheng City, Shanxi Province from May 2013 to May 2016. Mr. Wang served as the deputy director and a member of the party committee of the Shanxi Provincial Agricultural Credit Cooperative (山西省農村信用社聯合社) from September 2009 to May 2013; the director and secretary to the leading party members' group of the Datong Office (大同辦事處) of the Shanxi Provincial Agricultural Credit Cooperative from December 2006 to September 2009; the leader of the preparatory team of the Datong Office of the Shanxi Provincial Agricultural Credit Cooperative from May to December 2006; the deputy general manager of the credit loan management department (信貸管理部) of the Shanxi Provincial Agricultural Credit Cooperative from November 2005 to May 2006; the assistant to the president of the head office of Taiyuan City Commercial Bank Co., Ltd. (太原市商業銀行股份有限公司) (“**Taiyuan Commercial Bank**”) from July to November 2005; the president and secretary of the Bingzhou South Road main branch (並州南路管轄支行) of Taiyuan Commercial Bank from January to September 2003; the president of the Yingze Street sub-branch (迎澤街支行) of Taiyuan Commercial Bank from July 2000 to January 2003; the deputy president of the Xikuang Street sub-branch (西礦街支行) of Taiyuan Commercial Bank from October 1998 to July 2000; the assistant to the director of the Wenmiao Urban Credit Cooperative (文廟城市信用社) in Taiyuan City from October 1996 to October 1998; and a staff member, the director and the deputy manager of the Tiangong Hotel of the Taiyuan Finance Committee (太原市財委天公賓館) from August 1992 to October 1996.

Mr. Wang studied in the Shanxi University (山西大學) in philosophy of scientific technology from September 2003 to July 2005 and obtained a master's degree in philosophy. He was engaged in his on-the-job postgraduate study in Shanxi University in management science and engineering from September 2005 to July 2008 and obtained a doctor's degree in management. He was engaged in the post-doctoral research in finance at the Guanghua School of Management of Peking University (北京大學光華管理學院) from October 2008 to September 2011. He was accredited as a senior accountant in December 2017.

Directors, Supervisors, Senior Management and Employees

Executive Director, TANG Yiping

Mr. TANG Yiping (唐一平), aged 53, served as an executive Director, the vice chairman of the Board of Directors and our president of the Bank from February 2017 to December 2020.

Mr. Tang has over 26 years of experience in banking industry. He joined our Bank in August 2016. Prior to joining our Bank, Mr. Tang worked at Agricultural Bank of China Limited (中國農業銀行股份有限公司) (“ABC”) (a company listed on the Shanghai Stock Exchange with stock code 601288, and on the Hong Kong Stock Exchange with stock code 1288) for over 24 years. He was the leader of the preparatory team of Moscow branch of ABC from February 2013 to March 2015 and then served as the director and the general manager of ABC (Moscow) Ltd. (中國農業銀行(莫斯科)有限公司) from March 2015 to August 2016. Mr. Tang worked at ABC Shenzhen branch and served as the principal and then the general manager of human resources department from December 2008 to September 2009, and as a vice president from September 2009 to February 2013. Mr. Tang served as the president of ABC Longgang sub-branch (龍崗支行) in Shenzhen from March 2006 to June 2006 and the president of ABC Overseas Chinese Town sub-branch (華僑城支行) in Shenzhen from June 2006 to December 2008. He worked as the division director (處長) of the assets and liabilities management division (資產負債管理處) of ABC Shenzhen branch (深圳分行) from February 2004 to March 2006. From October 1998 to February 2004, he worked as a deputy division director (副處長) of different departments of ABC Shenzhen branch (深圳分行), including market development division (市場開發處), comprehensive planning division (綜合計劃處), personal business division (個人業務處), and assets and liabilities management division (資產負債管理處). Mr. Tang worked as a vice president of ABC Hongling North Road sub-branch (紅嶺北路支行) from March 1997 to October 1998. He worked as the section chief (科長) and then the assistant to division director (處長助理) of the planning division (計劃處) of ABC Shenzhen branch (深圳分行) from September 1995 to March 1997. Mr. Tang worked at the personnel division (人事處) of ABC Shenzhen branch as a deputy section chief (副科長) from March 1995 to September 1995. He worked as a staff member (科員) and then a deputy section chief (副科長) of the planning division of ABC Shenzhen branch from July 1992 to March 1995.

Mr. Tang obtained a bachelor’s degree in economics from East China Normal University (華東師範大學) in Shanghai, the PRC, in July 1989. He obtained a master’s degree in economics from Finance Research Institute of Head Office of the People’s Bank of China (中國人民銀行總行金融研究所) (currently known as PBC School of Finance, Tsinghua University (清華大學五道口金融學院)) in Beijing, in July 1992. He is a senior economist granted by ABC in December 2011.

Directors, Supervisors, Senior Management and Employees

Executive Director, WANG Peiming

Mr. WANG Peiming (王培明), aged 60, served as an executive Director of the Bank from February 2013 to January 2021.

Mr. Wang has over 30 years of experience in banking industry. He joined our Bank in May 2009 and worked as an assistant to the president from May 2009 to February 2014. Mr. Wang was the chairman of the board of directors of Jinshang Consumer Finance Co., Ltd. (晉商消費金融股份有限公司) from February 2016 to November 2018. Mr. Wang served as a vice president of our Bank from March 2014 to September 2016. Prior to joining our Bank, Mr. Wang worked at Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司) (“ICBC”) (a company listed on the Shanghai Stock Exchange with stock code 601398, and on the Hong Kong Stock Exchange with stock code 1398) from May 1985 to May 2009. He worked as a deputy section chief (副科長) of the security department (保衛科) and then a deputy section chief (副科長) of the commercial credit division (商業信貸科) of ICBC Changzhi sub-branch (長治市支行) from May 1985 to October 1988. Mr. Wang served as the president of ICBC Zhangzi county sub-branch (長子縣支行) from October 1988 to March 1991. He served as the director (主任) of Changbei office (長北辦事處) of ICBC in Changzhi from March 1991 to February 1997. Mr. Wang worked as an assistant to president and the office head (辦公室主任) of ICBC Changzhi sub-branch from February 1997 to April 1998. He worked as a vice president of ICBC Yuci branch (榆次分行) from April 1998 to September 2000. Mr. Wang worked at ICBC Yuncheng branch (運城分行) as a vice president and then the president from September 2000 to September 2005. Mr. Wang served as the president of ICBC Changzhi branch from October 2005 to May 2009.

Mr. Wang graduated from the Graduate School of the Central Communist Party School of the CPC (中共中央黨校研究生學院) in the PRC, in July 2011, majoring in economics. He is a senior economist granted by ICBC in November 1994.

Executive Director, RONG Changqing

Mr. RONG Changqing (容常青), aged 51, served as an executive Director of our Bank from September 2018 to November 2020, and a vice president of our Bank from December 2018 to November 2020.

Mr. Rong has over 27 years of experience in auditing and corporate management. Prior to joining our Bank, he worked at Huaneng Capital Service Co., Ltd. for about 14 years since June 2004, as the director (主管) and then the deputy division director (副處長) of the audit and supervision department (審計監察部), the deputy division director (副處長) and then the deputy manager (副經理) of the general manager work department (總經理工作部), the manager of the risk control department (風險控制部), and the general counsel (總法律顧問). Prior to that, he worked at Beijing Wandong Medical Equipment Co., Ltd. (北京萬東醫療裝備股份有限公司) (currently known as Huarun Wandong Medical Equipment Co., Ltd. (華潤萬東醫療裝備股份有限公司)) (a company listed on the Shanghai Stock Exchange with stock code 600055) as the deputy manager of the finance department from April 2004 to June 2004. From October 2003 to April 2004, Mr. Rong served at Beijing Rongtai Hengjia Real Estate Development Co., Ltd. (北京榮泰恒嘉房地產開發有限公司) (currently known as Beijing Kaiya Real Estate Development Co., Ltd. (北京凱亞房地產開發有限公司)) as the chief auditor (審計總監). He worked at mobile digital department (移動數碼事業部) of BOE Technology Group Co., Ltd. (京東方科技集團股份有限公司) as a staff (職員) from February 2003 to October 2003. Prior to that, Mr. Rong once worked at Wuhan special commissioner’s office of the Audit Office (審計署武漢特派辦).

Mr. Rong obtained a bachelor’s degree in economics from Wuhan University (武漢大學) in Hubei Province, the PRC, in July 1991. He obtained a master’s degree in management from Zhongnan University of Economics and Law (中南財經政法大學) in Hubei Province, the PRC, in December 2002. He is a senior auditor granted by the National Audit Office of the PRC (中華人民共和國審計署) in September 2005. Mr. Rong was granted the Qualification of Corporate Legal Counsel by Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局) in October 2009.

Directors, Supervisors, Senior Management and Employees

Non-executive Director, LI Shishan

Mr. LI Shishan (李世山), aged 56, has been a non-executive Director since June 2017.

Mr. Li has more than 36 years of experience in economic management. Mr. Li worked in Shanxi Finance Bureau for over 30 years from November 1984 to August 2016. He has been employed by Shanxi Financial Investment Holding Group Co., Ltd. (山西金融投資控股集團有限公司) and its subsidiary Shanxi Equity Exchange Center Co., Ltd. (山西股權交易中心有限公司) and was nominated by Shanxi Financial Investment Holding Group Co., Ltd. as a director of our Board in July 2016. He was the division director (處長) of economic development division I (經濟建設一處) from August 2015 to August 2016. He was the division director (處長) of the agricultural division from November 2009 to August 2015. Prior to that, Mr. Li worked in the information and internet center (信息網絡中心) from August 2005 to November 2009 as the director (主任). From August 2003 to August 2005, he served as the deputy division director (副處長) of the international matters division (國際處) and the deputy director (副主任) of the loan management office (貸款管理辦公室). Mr. Li was the deputy division director (副處長) of the external debts division (外債處) from August 2000 to August 2003. From April 1997 to August 2000, he was the deputy division director (副處長) of the foreign trade division (對外經濟貿易處). Prior to that, Mr. Li worked as a staff member, senior staff member (副主任科員), and then principal staff member (主任科員) in the industrial transportation division (工交處) of Shanxi Finance Bureau from November 1984 to April 1997.

Mr. Li graduated from Correspondence Institute of the Central Committee Party School of the CPC (中共中央黨校函授學院) through correspondence study in December 2000, majoring in politics and law. He is an accountant granted by Ministry of Finance of the PRC (中華人民共和國財政部) in October 1994.

Non-executive Director, XIANG Lijun

Mr. XIANG Lijun (相立軍), aged 44, has been a non-executive Director since August 2018.

Mr. Xiang has over 20 years of experience in accounting. He holds positions at several subsidiaries of China Huaneng Group Co., Ltd. (中國華能集團有限公司) (“**China Huaneng Group**”), including the chairman of the board of directors of Huaneng Baocheng Wuhua Co., Ltd. (華能寶城物華有限公司) since January 2019, a director of Beijing Yuncheng Financial Information Services Co., Ltd. (北京雲成金融信息服務有限公司) from January 2018 to May 2019, a director of Huaneng Carbon Assets Management Co., Ltd. (華能碳資產經營有限公司) from October 2017 to April 2019, and a deputy general manager of Huaneng Capital Service Co., Ltd. (華能資本服務有限公司) from March 2016 to December 2020. Mr. Xiang has been the vice chairman of the board of directors of Huaxi Securities Co., Ltd. (華西證券股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 002926) since August 2017. Mr. Xiang worked at China Huaneng Group from July 2005 to March 2016, as an officer (幹部) of the information services center (信息服務中心) from July 2005 to November 2005, as a deputy division director (副處長) of the finance and accounting division I (財會一處), as a deputy division director (副處長) of the accounting division (會計處) and the division director (處長) of the general administration division (綜合處) from November 2005 to May 2012, as the division director (處長) of the general administration and statistics division (綜合與統計處) and the budget and general planning department (預算與綜合計劃部) from May 2012 to October 2012, and as a secretary of the secretary office of general office (辦公廳秘書處) and the division director (處長) of the general administration division (綜合處) from October 2012 to March 2016. From January 2003 to July 2005, Mr. Xiang worked as an accountant and a deputy manager for planning and finance department of Huaneng Information Industry Holding Co., Ltd. (華能信息產業控股有限公司) (“**Huaneng Information Industry**”). From July 2000 to January 2003, he was an assistant accountant (助理會計師) of the assets management department of Huaneng Comprehensive Industry Co., Ltd. (華能綜合產業有限公司). Prior to that, Mr. Xiang worked as an officer (幹部) at the corporate management department of China Huaneng Technology Development Co., Ltd. (中國華能技術開發有限公司) (currently known as Huaneng Comprehensive Industry Co., Ltd. (華能綜合產業有限公司)) (“**Huaneng Comprehensive Industry**”) from April 2000 to July 2000. Huaneng Information Industry and Huaneng Comprehensive Industry both are subsidiaries of China Huaneng Group.

Directors, Supervisors, Senior Management and Employees

Mr. Xiang obtained a bachelor's degree in accounting from Renmin University of China (中國人民大學) in Beijing, the PRC, in July 1998. He obtained a master's degree in business administration from Tsinghua University (清華大學) in Beijing, the PRC, in July 2004. Mr. Xiang is a senior accountant granted by China Huaneng Group in December 2006.

Non-executive Director, LIU Chenhang

Mr. LIU Chenhang (劉晨行), aged 56, has served as a non-executive Director since December 2019.

Mr. Liu has more than 35 years of experience in economic management. He has been serving as the general manager of Taiyuan Haixin Assets Management Co., Ltd. (太原市海信資產管理有限公司) since February 2018 and as a director of Taiyuan Haixin Public Rental Housing Real Estate Development Co., Ltd. (太原海信公租房置業發展有限公司) (currently known as Taiyuan Haixin Rental Housing Construction Management Co., Ltd. (太原市海信租賃住房建設管理有限公司)) since July 2018. Mr. Liu served as the deputy manager of Taiyuan Finance Assets Management Center (太原市財政資產管理中心) from February 2018 to December 2020, as the general manager of Taiyuan Linhaitong Technology and Innovation Corporate Management Co., Ltd. (太原林海通科創企業管理有限公司) from May 2018 to September 2019, and as the vice chairman of the board of directors of Taiyuan Shuilang Road Network Construction Co., Ltd. (太原水廊路網建設工程有限公司) from July 2018 to December 2019. Mr. Liu worked at Taiyuan Municipal Finance Bureau from August 1985 to February 2018 and served as a staff member of city construction section (城建科) from August 1985 to May 1995, as a deputy section chief (副科長) of other corporations section (其他企業科) from June 1995 to September 1998, as a deputy section chief (副科長) of city construction section from September 1998 to June 2002, as a deputy division director (副處長) of city construction division from June 2002 to March 2013, and as the office director (辦公室主任) of Taiyuan Municipal Finance Bureau from March 2013 to February 2018.

Mr. Liu completed studies at junior college level (專科) through correspondence study and graduated from Central Institute of Finance and Banking (中央財政金融學院) (currently known as Central University of Finance and Economics (中央財經大學)) in Beijing, the PRC, in July 1992, majoring in finance. Mr. Liu graduated from Shanxi University of Finance and Economics (山西財經大學) in Shanxi Province, the PRC, in July 1999, majoring in marketing (市場營銷). He is an accountant granted by Ministry of Finance of the PRC (中華人民共和國財政部) in October 1994.

Non-Executive Director, LI Yang

Mr. LI Yang (李楊), aged 34, was elected as a non-executive Director in May 2018.

Mr. Li has more than ten years of experience in corporate management. He has been serving as the deputy general manager of China Coal Insurance Co. Ltd. since February 2021 and as vice chairman of the board of directors of China Coal Insurance Co. Ltd. since March 2021. He served as the assistant to the chairman of the board of directors of Changzhi Nanye from December 2010 to June 2020.

Directors, Supervisors, Senior Management and Employees

Mr. Li obtained a bachelor's degree in law from Shanxi University (山西大學) in Shanxi Province, the PRC, in July 2015. Mr. Li was previously the legal representative, managing director or supervisor of the companies shown in the table below before their respective revocation of business license or deregistration.

Name of the Company	Place of establishment	Position(s)	Status	Date of revocation of business license
Changzhi Nanye Mining Industry Co., Ltd. (長治市南燁礦業有限責任公司) ("Changzhi Nanye Mining Industry")	PRC	Legal representative and managing director	Business license revoked	April 25, 2008
Changzhi Huashengrong Mining Industry Co., Ltd. (長治市華晟榮礦業有限公司) ("Changzhi Huashengrong")	PRC	Supervisor	Dissolved and deregistered	June 30, 2012

Mr. Li confirmed that the business license of Changzhi Nanye Mining Industry was revoked due to its failure to undergo annual inspection under the relevant PRC regulations because of its unfamiliarity with the relevant laws and regulations. Mr. Li confirmed that he did not incur any debt and/or liabilities because of such revocation of business license, and that the revocation of business license did not have any negative effect on our Bank.

Mr. Li confirmed that Changzhi Huashengrong was absorbed by Shanxi Huashengrong Coal Mine Co., Ltd. (山西華晟榮煤礦有限公司) in June 2012 and the debts and obligations of Changzhi Huashengrong were all transferred to Shanxi Huashengrong Coal Mine Co., Ltd. Mr. Li confirmed that after the absorption, Changzhi Huashengrong was deregistered and it was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Bank.

Non-Executive Director, WANG Jianjun

Mr. WANG Jianjun (王建軍), aged 45, has been a non-executive Director since August 2018.

Mr. Wang has over 23 years of experience in accounting. He holds positions at several subsidiaries of Lu'an Mining Industry (Group) Co., Ltd. (潞安礦業(集團)有限責任公司), including a director of Lu'an Group Finance Co., Ltd. (潞安集團財務有限公司) since August 2018, a director of Shanxi Lu'an Ruitai Investment Co., Ltd. (山西潞安瑞泰投資有限責任公司) since December 2017, and the head (部長) of the finance department (財務部) of Shanxi Lu'an Environmental-friendly Energy Development Co., Ltd. (山西潞安環保能源開發股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 601699) since November 2017. From March 2015 to November 2017, Mr. Wang worked at Wangzhuang pit (王莊煤礦) of Lu'an Mining Group, as the section chief (科長) of the finance section (財務科) from March 2015 to February 2017, and as the chief accountant (總會計師) from February 2017 to November 2017. He was the financial director (財務總監) of Shanxi Shouyang Luyang Ruilong Coal Industry Co., Ltd. (山西壽陽潞陽瑞龍煤業有限公司) from July 2012 to March 2015. Prior to that, Mr. Wang worked as the financial director of Shanxi Shouyang Luyang Changtai Coal Industry Co., Ltd. (山西壽陽潞陽昌泰煤業有限公司) from December 2009 to July 2012. He worked at the finance section (財務科) of Changcun pit (常村煤礦) of Lu'an Mining Group, as a staff member (科員) and then a deputy section chief (副科長) from May 1997 to December 2009.

Directors, Supervisors, Senior Management and Employees

Mr. Wang graduated from Harbin Normal University (哈爾濱師範大學) through correspondence study in Heilongjiang Province, the PRC, in July 2013, majoring in financial management (財務管理). Mr. Wang has been a member of the Chinese Institute of Certified Public Accountants since December 2009. Mr. Wang is a middle level accountant granted by the Ministry of Finance of the PRC in May 2002.

Independent Non-Executive Director, JIN Haiteng

Mr. JIN Haiteng (金海騰), aged 69, has been an independent non-executive Director since June 2017.

Mr. Jin has more than 35 years of experience in banking industry and administrative management. He has been the founder of Shanghai Rongzhidao Investment Management and Consulting Co., Ltd. (上海融至道投資管理諮詢有限公司) since November 2011. Mr. Jin has been a supervisor of Guangzhou Rongzhiyi Education Information Consulting Co., Ltd. (廣州融至益教育信息諮詢有限公司) since January 2014. From March 2005 to December 2011, Mr. Jin served as a vice president of China Guangfa Bank Co., Ltd. (“CGB”). From June 1997 to December 2007, he was the president of Hangzhou branch, CGB. From January 1990 to May 1994, Mr. Jin served as the acting president (代縣長) and then the president (縣長) of Yin County (鄞縣). Prior to that, he was the vice director (副主任) of the finance office (財辦) of Ningbo Municipal Government from February 1987 to January 1990, during which time he also served as the head (局長) of commercial bureau (商業局) of Ningbo from May 1988 to January 1990. Mr. Jin worked at the Commodities Pricing Bureau (物價局) of Ningbo from February 1981 to February 1987, as a deputy section chief (副科長) from February 1981 to June 1985, and as a deputy head (副局長) from June 1985 to February 1987.

Mr. Jin is an independent non-executive Director of the companies shown in the table below.

Name of the Company	Place of Establishment	Nature of Business	Term of Service
Beijing Xin'an Century Technology Co., Ltd. (北京信安世紀科技股份有限公司)	PRC	Technology services	November 2017 to present
Suzhou Bank Co., Ltd. (蘇州銀行股份有限公司), listed on the Shenzhen Stock Exchange (stock code: 002966)	PRC	Banking	February 2015 to March 2020
Guangdong Wanzhang Jinshu Information and Technology Co., Ltd. (廣東萬丈金數信息技術股份有限公司)	PRC	Science studies and technology services	December 2018 to February 2021

Mr. Jin obtained a junior college level (專科) degree in basics for party and government leaders (黨政幹部基礎科) from Hangzhou University (杭州大學) in Zhejiang Province, the PRC, in June 1987.

Independent Non-Executive Director, SUN Shihu

Mr. SUN Shihu (孫試虎), aged 76, has been an independent non-executive Director since February 2017.

Directors, Supervisors, Senior Management and Employees

Mr. Sun has more than 30 years of experience in banking industry. Mr. Sun served as an independent non-executive Director of Tangshan Bank Co., Ltd. (唐山銀行股份有限公司) from August 2013 to September 2020. Mr. Sun worked at the head office of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司) (“ICBC”) (a company listed on the Shanghai Stock Exchange with stock code 601398, and the Hong Kong Stock Exchange with stock code 1398) from April 1997 to March 2005 and served as the deputy general manager (副總經理) of the commercial credit loan department (商業信貸部) from April 1997 to April 1998, as the deputy general manager (副總經理) of the industrial and commercial credit loan department (工商信貸部) from April 1998 to July 2001, as the deputy general manager (副總經理) of the credit loan management department (信貸管理部) from July 2001 to February 2004, and as a researcher of the credit loan management department (信貸管理部) from February 2004 to March 2005. Prior to that, Mr. Sun worked at the Hubei branch of ICBC and served as the deputy division director of commercial credit loan division (商業信貸處) from July 1985 to August 1991, as the director of real estate credit loan department (房地產信貸部) from August 1991 to September 1993, as the general manager of Trust and Investment Company of Hubei Branch of ICBC (中國工商銀行湖北分行信託投資公司) from April 1992 to March 1996, as the division director (處長) of the audit division (稽核處) from March 1996 to October 1996 and as the chief economist (總經濟師) from October 1996 to April 1997.

Mr. Sun graduated from China Hubei University (中國湖北大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in Hubei Province, the PRC, in August 1969, majoring in statistics. He is a senior economist (經濟師) granted by ICBC in December 1987.

Independent non-executive Director, WANG Liyan

Mr. WANG Liyan (王立彥), aged 64, has been an independent non-executive Director since September 2018.

Mr. Wang has been working at Peking University for over 30 years since 1985 and consecutively served as a teaching assistant (助教), teacher (講師), associate professor and professor of accounting. Mr. Wang is a professor and Ph.D. supervisor of Accounting Faculty of Guanghua School of Management, Peking University. Mr. Wang is also the director of the Research Center for International Accounting and Finance of Peking University. Mr. Wang is the editor-in-chief of China Accounting Review《中國會計評論》 and China Management Accounting《中國管理會計》.

Directors, Supervisors, Senior Management and Employees

Mr. Wang is an independent non-executive director of the listed companies shown in the table below.

Name of the Company	Place of Establishment	Nature of Business	Term of Service
China Shengmu Organic Milk Ltd. (中國聖牧有機奶業有限公司), listed on the Hong Kong Stock Exchange (stock code: 1432)	Cayman Islands	Dairy industry	June 2017 to present
Unigroup Guoxin Microelectronics Co., Ltd. (紫光國芯微電子股份有限公司), listed on the Shenzhen Stock Exchange (stock code: 002049)	PRC	Circuit chip design and development	March 2017 to present
Gettop Acoustic Co., Ltd. (共達電聲股份有限公司), listed on the Shenzhen Stock Exchange (stock code: 002655)	PRC	Audio engineering industry	April 2018 to April 2021
Huaxin Cement Co., Ltd. (華新水泥股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600801)	PRC	Cement industry	April 2015 to April 2021
Shenzhen Sunwin Intelligent Co., Ltd. (深圳市賽為智能股份有限公司), listed on the Shenzhen Stock Exchange (stock code: 300044)	PRC	Software development	September 2014 to August 2017

Mr. Wang obtained a doctor's degree in economics from Peking University in Beijing, the PRC, in July 1992. He has been a non-practicing member of the Chinese Institute of Certified Public Accountants since April 1994.

Independent non-executive Director, DUAN Qingshan

Mr. DUAN Qingshan (段青山), aged 63, was elected as an independent non-executive Director by the Shareholders' general meeting in May 2018.

Mr. Duan has more than 20 years of experience in banking industry. He worked at the head office of China Minsheng Bank Corp., Ltd. (中國民生銀行股份有限公司) ("**China Minsheng Bank**") (a company listed on the Shanghai Stock Exchange with stock code 600016, and on the Hong Kong Stock Exchange with stock code 1988) from November 2007 to February 2017, and served as the general manager of human resources department from November 2007 to September 2012, as the chief financial director (財務總監) from April 2010 to April 2012, and as the chairman of the board of supervisors from April 2012 to January 2018. Mr. Duan worked at Taiyuan branch, China Minsheng Bank from November 1996 to November 2007, as a vice president from November 1996 to August 2000, and as the president from August 2000 to November 2007.

Mr. Duan obtained a master's degree in business administration from Wuhan University in Hubei Province, the PRC, in December 2006.

Directors, Supervisors, Senior Management and Employees

Independent non-executive Director, SAI Zhiyi

Mr. SAI Zhiyi (賽志毅), aged 51, has been an independent non-executive Director since August 2018.

Mr. Sai has over 29 years of experience in banking industry and corporate management. Mr. Sai has been the executive director of Shandong Hi-speed Group Limited (山東高速集團有限公司) since July 2020, and the chairman of the board of directors of its subsidiary Shandong Hi-speed Co., Ltd. (山東高速股份有限公司) (“**Shandong Hi-speed**”, a company listed on the Shanghai Stock Exchange with stock code 600350) since July 2018.

Mr. Sai served as deputy general manager of Shandong Hi-speed Group Limited from August 2017 to July 2020. Mr. Sai worked as the vice chairman of the board of directors and the general manager of Shandong Hi-speed from June 2017 to July 2018. Prior to that, Mr. Sai worked as the vice chairman of the board of directors and the president of Weihai Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司) (“**Weihai Bank**”) from May 2011 to June 2017. He was the general manager of Shandong Re-guarantee Group Co., Ltd. (山東再擔保集團有限公司) from November 2009 to June 2011. Mr. Sai served as a vice president of Weihai Bank from January 2002 to October 2009. From December 1998 to January 2002, Mr. Sai served as the president of a sub-branch of Weihai Bank. From August 1997 to December 1998, he was the director (主任) of credit loan department (信貸部) of Weihai City Cooperative Bank Co., Ltd. (威海市城市合作銀行股份有限公司) (currently known as Weihai City Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司)). Mr. Sai worked for the Weihai branch of ICBC as an officer at deputy section level (副科級幹部) from February 1996 to August 1997. From November 1995 to February 1996, Mr. Sai served as the vice plant manager of Weihai Hua’ao Aluminum Windows Co., Ltd. (威海華澳鋁塑門窗有限公司). He worked at Weihai branch of ICBC and consecutively served as an accountant, an office clerk (辦事員) and an operation officer (業務主任) from January 1992 to November 1995.

Mr. Sai obtained a master’s degree in management from Tongji University (同濟大學) in Shanghai, the PRC, in May 2004. He obtained a doctor’s degree in management from Tongji University in Shanghai, the PRC, in June 2008. Mr. Sai is a senior economist granted by Department of Human Resources of Shandong Province (山東省人事廳) in March 2007.

Independent non-executive Director, YE Xiang

Mr. YE Xiang (葉翔), aged 57, has been an independent non-executive Director since August 2019.

Mr. Ye has nearly 20 years of experience in financial industry. He is the founder and has been the managing director (董事總經理) of Vision Gain Capital Co., Ltd. (匯信資本股份有限公司) since January 2018. From August 2001 to November 2007, Mr. Ye worked at the China affairs department (中國事務部) of the SFC, as a senior manager from August 2001 to July 2005, as an associate director from August 2005 to July 2006, and as the director from August 2006 to November 2007.

Directors, Supervisors, Senior Management and Employees

Mr. Ye is an independent non-executive director of the listed companies shown in the table below.

Name of the Company	Place of Establishment	Nature of Business	Term of Service
51 Credit Card Inc. (51信用卡有限公司), listed on the Hong Kong Stock Exchange (stock code: 2051)	Cayman Islands	Peer to peer (P2P) lending platform	July 2018 to present
Datang Environment Industry Group Co., Ltd. (大唐環境產業集團股份有限公司), listed on the Hong Kong Stock Exchange (stock code: 1272)	PRC	Development of environmental protection and energy conservation business	November 2016 to present
Wuling Motors Holdings Limited (五菱汽車集團控股有限公司), listed on the Hong Kong Stock Exchange (stock code: 0305)	Bermuda	Automobile industry	October 2008 to present
Digital China Group Co., Ltd. (神州數碼集團股份有限公司), listed on the Shenzhen Stock Exchange (stock code: 000034)	PRC	Information Technology services	June 2011 to April 2016

Mr. Ye obtained a bachelor's degree in engineering from Zhejiang University (浙江大學) in Zhejiang Province, the PRC, in July 1983. He obtained a master's degree in economics from Zhejiang University in January 1991. Mr. Ye obtained a doctor's degree in economics from Finance Research Institute of Head Office of the People's Bank of China (中國人民銀行總行金融研究所) (currently known as PBC School of Finance, Tsinghua University (清華大學五道口金融學院)) in Beijing, the PRC, in April 1995. He is a chartered financial analyst granted by CFA Institute in September 2004.

Mr. Ye was previously a director of the company shown in the table below before its deregistration.

Name of the company	Place of establishment	Position	Status	Date of revocation of business license
VisionGain Capital Partners Limited	Hong Kong	Director	Dissolved and deregistration	September 25, 2015

Mr. Ye confirmed that the company never commenced operations and its deregistration was voluntary by the resolutions of the shareholders of the company. The above company was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Bank.

Directors, Supervisors, Senior Management and Employees

2. Supervisors

The PRC Company Law requires a joint stock company to establish a board of supervisors that is responsible for supervising performance of the board of directors and senior management, its financial operations, internal control and risk management. Our Board of Supervisors consists of nine Supervisors, including three employees' representative Supervisors, three Shareholders' representative Supervisor and three external Supervisors. Our Supervisors are elected for a term of three years and may be subject to re-election, and the cumulative term of an external Supervisor shall not exceed six years. The following table sets forth certain information about our Supervisors.

Mr. XIE Liying (解立鷹), aged 53, has been an employees' representative Supervisor since July 2009 and the chairman of the Board of Supervisors since December 2016.

Mr. Xie has over 20 years of experience in administrative and corporate management. He has been the chief human resources officer (首席人力資源官) of our Bank since January 2014. He served as the general manager of the human resources department (人力資源部) of our Bank from May 2009 to January 2014. Mr. Xie was seconded to the preparatory team of our Bank from September 2008 to May 2009, when he worked as the deputy director (副主任) in the cadre report center (幹部舉報中心) of the organization department of the Shanxi Provincial Party Committee (山西省委組織部) from April 2006 to May 2009. Mr. Xie was a principal staff member (主任科員) in the cadre (under direct management) section (省直幹部處) of the organization department of the Shanxi Provincial Party Committee from April 2003 to April 2006. Prior to that, he worked as an officer at the expert services center (專家服務中心) of the organization department of the Shanxi Provincial Party Committee (山西省委組織部) from February 1998 to April 2003. Mr. Xie worked as the deputy director (副主任) and then the director (主任) of the office of the training center (培訓中心辦公室) of Shanxi Administration for Industry and Commerce (山西省工商行政管理局) from December 1994 to February 1998, during which period he was seconded to the expert services center (專家服務中心) of the organization department of the Shanxi Provincial Party Committee (山西省委組織部) from October 1996 to February 1998.

Mr. Xie obtained a bachelor's degree in economics from Beijing College of Finance and Commerce (北京財貿學院) in Beijing, the PRC, in July 1989.

Mr. BI Guoyu (畢國鈺), aged 56, has been a Shareholder's representative Supervisor since February 2009.

Mr. Bi has over 30 years of experience in accounting. Mr. Bi was the head of comprehensive department of the financial center (財務中心) of Shanxi Jincheng Anthracite Coal Mining Group Co., Ltd. (山西晉城無煙煤礦業集團有限責任公司) from August 2019 to August 2020. He had been working as an accountant of the financial center of Shanxi Jincheng Anthracite Coal Mining Group Co., Ltd. since July 1986 and then a deputy manager accountant (副主任會計師) until July 2019.

Mr. Bi graduated from Hohai University (河海大學) in Jiangsu Province, the PRC, through correspondence study in July 2004, majoring in accounting. He is an accountant granted by Ministry of Finance of the PRC (中華人民共和國財政部) in October 1994.

Directors, Supervisors, Senior Management and Employees

Ms. XU Jin (徐瑾), aged 44, has been a Shareholders' representative Supervisor since December 2015.

Ms. Xu has over 20 years of experience in accounting. Ms. Xu has been working as the head of the Capital Operation Department of Shanxi Coking Coal Co., Ltd. (山西焦煤集團有限責任公司) (the “**Shanxi Coking Coal**”) since December 2020, as director of China Coal Insurance Co. Ltd since February 2021 and was the deputy director of the finance department of Shanxi Coking Coal from June 2013 to December 2020. From November 2017 to November 2018, Ms. Xu also served as the director (主任) of the preparatory office of finance shared center (財務共享中心籌備辦公室) of Shanxi Coking Coal. Ms. Xu was the section chief (科長) of the finance department (財務部) of Shanxi Coking Coal from December 2009 to May 2013. Prior to that, she worked at Xishan Coal and Electricity Group Co., Ltd. (西山煤電集團有限責任公司) and served as a staff member (科員) of the finance division (財務處) from December 1999 to December 2005, and as a deputy section chief (副科長) of the capital settlement and management center (資金結算管理中心) from January 2006 to December 2009.

Ms. Xu obtained a bachelor's degree in engineering in June 2003 from Taiyuan University of Technology (太原理工大學) in Shanxi Province, the PRC. She obtained a bachelor's degree in accounting from Taiyuan University of Technology in January 2008 through correspondence study. Ms. Xu obtained a master's degree in business administration in June 2011 from Shanxi University of Finance and Economics (山西財經大學) in Shanxi Province, the PRC. Ms. Xu has been a non-practicing member of the Chinese Institute of Certified Public Accountants since December 2009. She is also a holder of the certificate of senior level of accounting granted by Department of Human Resource and Social Security of Shanxi Province (山西省人力資源和社會保障廳) in April 2011.

Mr. XIA Guisuo (夏貴所), aged 58, has been a Shareholders' representative Supervisor since May 2018.

Mr. Xia has more than 25 years of experience in accounting and financial industry. Mr. Xia has been a director of Shanxi Securities Co., Ltd. (山西證券股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 002500) since July 2018. He served as a deputy head (副部長) of finance management department (財務管理部) of Jinneng Group Co., Ltd. (晉能集團有限公司) from November 2017 to February 2020. Mr. Xia served as director of Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司) (“**Shanxi International Electricity**”) from April 2017 to August 2020, and served as the head (部長) of its finance department (財務部) from November 2017 to February 2020. Mr. Xia has been a director of Shanxi Top Energy Co., Ltd. (山西通寶能源股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600780) since May 2016. Mr. Xia was the manager of finance department of Shanxi International Electricity from July 2010 to November 2017, during which period he also served as the chief accountant (總會計師) at Jinneng Electricity Group Co., Ltd. (晉能電力集團有限公司) from February 2014 to March 2017, and as a director of Shanxi Zhangze Electric Power Co., Ltd. (山西漳澤電力股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 000767) from April 2014 to May 2016. He was a director of Beijing Jinneng Power Co., Ltd. (北京京能電力股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600578) from August 2013 to December 2017. Mr. Xia worked as the chief accountant at Shanxi International Electricity Power Distribution Management Co., Ltd. (山西國際電力配電管理有限公司) (dissolved) from February 2008 to July 2010. From November 1992 to February 2008, he worked at Shanxi Top Energy Co., Ltd. (山西通寶能源股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600780), as the chief accountant (主管會計) from November 1992 to November 1996, as a deputy manager of finance department from November 1996 to January 1998, as the manager of finance department from January 1998 to November 2001, as an assistant to the general manager from August 2000 to November 2001, as the chief accountant from November 2001 to February 2008, and as the deputy general manager from March 2004 to February 2008.

Directors, Supervisors, Senior Management and Employees

Mr. Xia graduated from Shanxi Finance College (山西財經學院) (currently known as Shanxi University of Finance and Economics (山西財經大學)) in Shanxi Province, the PRC, in May 1989, majoring in finance (財政). He is a senior accountant granted by Department of Human Resources of Shanxi Province (山西省人事廳) in December 2000.

Mr. Xia was previously a director of the companies shown in the table below before their respective deregistration or revocation of business license.

Name of the company	Place of establishment	Nature of business	Position	Status	Date of revocation of business license
Shanghai Tongbao Venture Investment Co., Ltd. (上海通寶創業投資有限公司)	PRC	Business service industry	Director	Dissolved and deregistered	March 31, 2006
Shanxi Tongbao Industry and Trade Co., Ltd. (山西通寶工貿有限公司)	PRC	Wholesale and retail	Director	Business license revoked	December 25, 2003

Mr. Xia confirmed that the deregistration of Shanghai Tongbao Venture Investment Co., Ltd. (上海通寶創業投資有限公司) was voluntary by the shareholders of the company. The Company was solvent at the time of deregistration.

Mr. Xia confirmed that the business license of Shanxi Tongbao Industry and Trade Co., Ltd. (山西通寶工貿有限公司) was revoked due to its failure to undergo annual inspection under the relevant PRC regulations.

Mr. Xia confirmed that he did not incur any debt and/or liabilities because of such deregistration/revocation of business license, and that the deregistration/revocation of business license did not have any negative effect on our Bank.

Mr. WEN Qingquan (溫清泉), aged 47, has been an employees' representative Supervisor since May 2019.

Mr. Wen has over ten years of experience in banking industry. Mr. Wen has been the director (主任) of the president's office (行長辦公室) of our Bank since February 2019. Mr. Wen joined our Bank in March 2011. He worked as the deputy general manager (副總經理) of the HR department (人力資源部) of our Bank from May 2015 to February 2019, during which period he also served as the deputy director (副主任) of the assessment office (考核辦公室) of our Bank from November 2016 to February 2018 and then the general manager (總經理) of the assessment training department (考核培訓部) of our Bank from February 2018 to February 2019. Mr. Wen served as the assistant to the general manager (總經理助理) of the HR department (人力資源部) of our Bank from April 2011 to May 2015. Prior to joining our Bank, Mr. Wen worked at Shanxi Elderly Cadre Bureau of Shanxi Provincial Party Committee (山西省委老幹部局) from September 2001 to March 2011 and served as a senior staff member (副主任科員) from November 2002 to October 2005, as a principal staff member (主任科員) from October 2005 to February 2009 and as an associate editor (副主編) and the vice president (副社長) of Shanxi Elderly Magazine (老年雜誌社) of Shanxi Elderly Cadre Bureau of Shanxi Provincial Party Committee from February 2009 to March 2011. Mr. Wen worked at the party school of Heshun County Party Committee (和順縣委黨校) from August 1998 to October 2000 and then worked at the organization department of Heshun County Party Committee (和順縣委組織部) from October 2000 to November 2001.

Mr. Wen obtained a bachelor's degree in economics from Shanxi Agricultural University (山西農業大學) in Shanxi Province, the PRC, in July 1998.

Directors, Supervisors, Senior Management and Employees

Mr. GUO Zhenrong (郭振榮), aged 56, has been an employees' representative Supervisor since May 2019.

Mr. Guo has more than 30 years of experience in banking industry. Mr. Guo has been the general manager of the Financial Services Guarantee Department (金融服務保障部) (Consumer Rights Protection Department) since November 2019. Mr. Guo joined our Bank in May 2009 and worked as the general manager of the No. 2 business department (業務二部) of our Bank from May 2009 to March 2011, as the president of our Linfen branch (臨汾分行) from March 2011 to January 2014, as the general manager of the personal credit assets department (個人信貸資產部) of our Bank from January 2014 to January 2017, as the general manager of the institutional development department (機構發展部) of our Bank from January 2017 to February 2019 and as the candidate of the president of our Comprehensive Reform Demonstration Zone sub-branch (太原綜改示範區支行) from February 2019 to November 2019. Prior to joining our Bank, Mr. Guo worked at China Construction Bank Corporation (中國建設銀行股份有限公司) ("CCB") (a company listed on the Shanghai Stock Exchange with stock code 601939 and on the Hong Kong Stock Exchange with stock code 939) for over 20 years. He served as a cadre (幹部), a staff member (科員) and then a senior staff member (副主任科員) of the central investment division (中央投資處) of CCB Shanxi branch from July 1986 to July 1993, as a senior staff member (副主任科員) of the credit management division (信貸管理處) from July 1993 to August 1994 and as the section chief (科長) of the business audit section (業務審計科) of the inspection and review division (稽審處) of CCB Shanxi branch from August 1994 to February 1998. He then worked as the assistant to president (行長助理), the chief inspection and approval officer (總稽核) and then the deputy director (副主任) of the audit office (審計辦事處) of CCB Linfen branch from February 1998 to April 2002. Mr. Guo worked at CCB Shanxi branch as the deputy division director (副處長) of the comprehensive business division (綜合業務處) of the general audit office (總審計室) from April 2002 to June 2003 and then as the deputy general manager (副總經理) of the planning and finance department (計劃財務部) from June 2003 to June 2007. He worked as the vice president of CCB Linfen branch for nearly two years since June 2007.

Mr. Guo obtained a bachelor's degree in economics from Dongbei University of Finance & Economics (東北財經大學) in Liaoning Province, the PRC, in July 1986. Mr. Guo completed graduate studies and graduated from Beijing Technology and Business University (北京工商大學) in Beijing, the PRC in January 2004, majoring in industry economics. He further completed studies and graduated from Central Committee Party School of the CPC (中共中央黨校) in July 2006. Mr. Guo is a China Registered Senior Business Strategist certified by China Commercial Occupational Skill Testing and Instruction Center (中國商業聯合會商業職業技能鑑定指導中心) in January 2008. He is a senior economist granted by CCB in December 1998.

Mr. LIU Shoubao (劉守豹), aged 54, has been an external Supervisor since December 2015.

Mr. Liu has over 20 years of experience in law. Mr. Liu has been working as the director (主任) at Beijing P.H. Law Firm LLP (北京市普華律師事務所) since December 1996. Prior to that, he served as the director (主任) and partner at Beijing Huangdu Law Firm LLP (北京市皇都律師事務所) for about two years from December 1994. Mr. Liu once served as an officer of the International Institute (國際研究所) of CITIC Trust Investment Co., Ltd. (中國國際信託投資公司). Mr. Liu obtained a bachelor's degree in law from Jiangxi University (江西大學) (currently known as Nanchang University (南昌大學)) in Jiangxi Province, the PRC, in July 1987. He obtained a master's degree in economic law from Southwest College of Political Science and Law (西南政法學院) (currently known as Southwest University of Political Science and Law (西南政法大學)) in Chongqing, the PRC, in July 1990. Mr. Liu obtained a doctor's degree in civil and commercial law from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC, in June 1993. Mr. Liu has been a practicing lawyer of the PRC since December 1995.

Directors, Supervisors, Senior Management and Employees

Mr. Liu worked as an independent non-executive director of the listed companies shown in the table below.

Name of the Company	Place of Establishment	Nature of Business	Term of Service
Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600376)	PRC	Property Development and Sale	August 2010 to August 2016
China Television Media Co., Ltd. (中視傳媒股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600088)	PRC	Advertisement, media and tourism	June 2010 to June 2016
Ourpalm Co., Ltd. (北京掌趣科技股份有限公司), listed on the Shenzhen Stock Exchange, stock code: 300315)	PRC	Mobile games, online games and e-sports	October 2019 to present

Mr. WU Jun (吳軍), aged 67, has been an external Supervisor since May 2018.

Mr. Wu worked at School of Banking & Finance (金融學院) (“SoBF”) of University of International Business and Economics for over 25 years since 1992 and once served as deputy professor, professor, Ph.D. supervisor and dean of SoBF.

Mr. Wu was and is an independent non-executive director of the listed companies shown in the table below.

Name of the Company	Place of Establishment	Nature of Business	Term of Service
Southwest Securities International Securities Ltd. (西證國際證券股份有限公司), listed on the Hong Kong Stock Exchange (stock code: 0812)	Bermuda	Financial services	January 2015 to present
Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司), listed on the main board of The Hong Kong Stock Exchange, stock code: 0416)	PRC	Financial services	November 2019 to present
Southwest Securities Co., Ltd. (西南證券股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600369)	PRC	Financial services	March 2009 to March 2017

Mr. Wu obtained a junior college (專科) degree in finance from the finance department, Yunnan Finance and Trade College in Yunnan Province, the PRC, in July 1981. He obtained a master’s degree in finance from the Finance Research Institute of Head Office of the People’s Bank of China (中國人民銀行總行金融研究所) (currently known as PBC School of Finance, Tsinghua University (清華大學五道口金融學院)) in Beijing, the PRC, in July 1987. Mr. Wu obtained a doctor’s degree in finance from the Finance Research Institute of Head Office of the People’s Bank of China in May 1995.

Directors, Supervisors, Senior Management and Employees

Mr. LIU Min (劉旻), aged 58, has been an external Supervisor since May 2018.

Mr. Liu has over 20 years of experience in accounting. Mr. Liu has been the responsible person of Shanxi Branch, BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所) (the “BDO”) since August 2008. He once served as the deputy general manager of Beijing BDO. Prior to that, he was the vice director (副所長) of Taiyuan Certified Public Accountants (太原會計師事務所) from July 1997 to December 1998, the director (所長) of Shanxi Jinyuan Certified Public Accountants (山西晉元會計師事務所) (“**Shanxi Jinyuan**”) from January 1999 to December 2000 and the chief accountant (主任會計師) of Shanxi Tianyuan Certified Public Accountants (山西天元會計師事務所) (“**Shanxi Tianyuan**”) from January 2001 to May 2005. Shanxi Jinyuan was established in the PRC and it merged with Shanxi Zhongyuan Certified Public Accountants (山西中元會計師事務所) and formed Shanxi Tianyuan as approved by Shanxi Finance Bureau (山西省財政廳) in July 2000. Shanxi Tianyuan was then deregistered voluntarily by the resolutions of the shareholders of the company in July 2005. Shanxi Tianyuan was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Bank.

Mr. Liu graduated from Shijiazhuang Army Command College, China P.L.A. (中國人民解放軍石家莊陸軍指揮學院) in Hebei Province, the PRC, in July 1982, majoring in military command (軍事指揮). He passed the self-taught higher education exams of accounting at undergraduate level (會計專業本科高等教育自學考試) and was approved for graduation by Shanxi Finance College (山西財經學院) (currently known as Shanxi University of Finance and Economics (山西財經大學)) in Shanxi Province, the PRC, in December 1991. Mr. Liu has been a member of the Chinese Institute of Certified Public Accountants since October 2006. He is also a holder of the certificate of senior level of accounting granted by Department of Human Resources of Shanxi Province (山西省人事廳) in January 2003.

3. Senior Management

Ms. HAO Qiang (郝強), aged 48, has been a vice president of our Bank since November 2017.

Ms. Hao has over 25 years of experience in banking industry. She joined our Bank in September 2008 and worked at the preparatory team of our Bank from September 2008 to May 2009. Afterwards, Ms. Hao served as the general manager of the credit review department (授信審查部) of our Bank from May 2009 to May 2013, as the principal (負責人) and then the president of Jinyang sub-branch of our Bank from May 2013 to January 2015, as the assistant to the president of our Bank and the general manager of the corporate finance department (公司金融部) from January 2015 to November 2017, during which period she was also the general manager of the investment banking department (投資銀行部) of our Bank from April 2015 to January 2017 and as the secretary to the Board of Directors from June 2017 to April 2019. Prior to joining our Bank, Ms. Hao worked at ICBC (a company listed on the Shanghai Stock Exchange with stock code 601398, and on the Hong Kong Stock Exchange with stock code 1398) from December 1993 to September 2008. She served as an officer of the international business department (國際業務部) of ICBC Taiyuan branch from December 1993 to January 1996. From January 1996 to September 2008, Ms. Hao worked at several departments of ICBC Shanxi branch, including the industry and transportation credit department (工交信貸部), the projects credit section (項目信貸處), the corporate business department (公司業務部) and the credit approval department (授信審批部) and consecutively served as a staff member (科員), a senior staff member (副主任科員), a principal staff member (主任科員) and a full-time reviewer (專職審議委員). Ms. Hao once worked as a senior staff member (副主任科員) of the projects credit department (項目信貸部) at the headquarter of ICBC in 2000.

Directors, Supervisors, Senior Management and Employees

Ms. Hao obtained a bachelor's degree in English from Shanxi Normal University (山西師範大學) in Shanxi Province, the PRC, in June 1993. She completed the on-the-job postgraduate study in finance of Shanxi University of Finance and Economics (山西財經大學) in Shanxi Province, the PRC, in July 2003. Ms. Hao completed the EMBA core courses training program of ICBC and obtained the training certificate in November 2005.

Mr. GAO Jiliang (高計亮), aged 55, has been a vice president of our Bank from May 2018 to March 2021.

Mr. Gao has over 25 years of experience in banking industry. He was the chief operation officer of our Bank from October 2015 to April 2019. He was the general manager of small enterprises financial services center (小企業金融服務中心) of our Bank from March 2015 to November 2017. He was the general manager of the corporate finance department (公司金融部) of our Bank from May 2013 to March 2015. From October 2010 to May 2013, Mr. Gao worked as the general manager of small enterprises finance department (小企業金融部) of our Bank. He was also the general manager of small enterprises financial services center of our Bank from June 2012 to May 2013. Mr. Gao worked at the SMEs financial center (中小企業金融服務中心) of our Bank and consecutively served as the principal (負責人) and the general manager from May 2009 to October 2010. He served as the principal (負責人) of the president's office (行長辦公室) and the office of the Board of Directors (董事會辦公室) of our Bank from February 2009 to May 2009. Prior to that, Mr. Gao served as the president of our Jiefang North Road sub-branch (解放北路支行) from October 1998 to February 2009. He worked at Taiyuan South Inner Cycle Street Credit Union (太原市南內環街信用社) as the vice general manager from February 1993 to April 1997 and then as the principal (負責人) from April 1997 to October 1998.

Mr. Gao obtained a bachelor's degree in economics from Shanxi University of Finance and Economics (山西財經學院) in Shanxi Province, the PRC, in July 1985. He obtained a master's degree in economics from Zhongnan University of Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in Hubei Province, the PRC, in June 1994.

Mr. ZHANG Yunfei (張雲飛), aged 50, has been the chief risk officer of our Bank since May 2011.

Mr. Zhang has more than 25 years of experience in banking industry. Mr. Zhang joined our Bank in September 2009 and worked at our Bank's risk management department from September 2009 to January 2014 and served as the general manager of the risk management department of our Bank from May 2013 to January 2014. Prior to joining our Bank, Mr. Zhang worked as a deputy general manager (副總經理) of the credit management department (信貸管理部) and the general manager (總經理) of the small enterprises finance business department (小企業金融業務部) of Shanxi branch of ICBC (a company listed on the Shanghai Stock Exchange with stock code 601398, and on the Hong Kong Stock Exchange with stock code 1398) from December 2006 to August 2009. Mr. Zhang seconded as a chief reviewer of Credit Review Department (信用審批部主審查人) of ICBC from December 2005 to December 2006. Mr. Zhang worked as a principle staff member (主任科員) of the personal finance business department (個人金融業務部) and a deputy general manager (副總經理) of credit management department (信貸管理部) of ICBC Shanxi branch from December 2003 to December 2005. Mr. Zhang worked as an assistant to president (行長助理) of ICBC Changzhi branch from July 2002 to December 2003. He served as a senior staff member of the industrial and commercial credit division (工商信貸處) and a senior staff member of the credit management department from November 2000 to July 2002. Mr. Zhang worked as a staff member and then a deputy division director (副處長) of the industrial and commercial credit division (工商信貸處) of ICBC Shanxi branch from June 1998 to November 2000. Mr. Zhang worked as a staff member (科員) of the commercial credit section (商業信貸科) of ICBC Taiyuan branch Jiefang Road office (太原市分行解放路辦事處) from July 1994 to June 1998.

Directors, Supervisors, Senior Management and Employees

Mr. Zhang obtained a bachelor's degree in international trade from Shanxi Economics Management College (山西經濟管理學院) (currently known as Shanxi University of Finance and Economics (山西財經大學)) in Shanxi Province, the PRC, in July 1994. Mr. Zhang is a middle level economist granted by ICBC in July 1999.

Mr. Zhang received a warning from CBRC Shanxi Office as our chief risk officer in March 2018 due to our head office's failure to properly check underlying assets or ultimate financing parties of relevant SPV investment which resulted in insufficient impairment provision and failure to conduct sufficient due diligence on the use of proceeds of working capital loans.

Ms. HOU Xiuping (侯秀萍), aged 53, has been the chief financial officer of our Bank since October 2015 and the general manager of the financial accounting department (財務會計部) of our Bank since October 2015.

Ms. Hou has more than 20 years of experience in financial accounting. She worked at the funding financial department of our Bank from January 2015 to October 2015 and served as the department's general manager from April 2015 to October 2015. Prior to joining our Bank, Ms. Hou worked as the general manager of Taigang (Tianjin) Financial Leasing Co., Ltd. (太鋼(天津)融資租賃有限公司) from April 2014 to January 2015. Ms. Hou worked as a director of Taiyuan Steel (Group) Finance Co., Ltd. (太原鋼鐵(集團)財務有限公司) and Shanxi Taigang Insurance Agency Co., Ltd. (山西太鋼保險代理有限公司) from January 2013 to April 2014. Ms. Hou worked at Taiyuan Steel (Group) Co., Ltd. (太原鋼鐵(集團)有限公司) ("Taiyuan Steel") as a staff member (科員) of the finance division (財務處) from July 1989 to August 1997, and as a deputy section chief (副科長) of the finance section in Qiya (駐七軋財務科) from August 1997 to June 1998. She worked at Shanxi Taigang Stainless Steel Co., Ltd. (山西太鋼不銹鋼股份有限公司) from June 1998 to June 2008, as the director (主管) of the finance and development department (計財發展部) from June 1998 to May 2004, and as an assistant to head (部長助理) of the finance and development department (計財發展部) from May 2004 to June 2008. She worked at Taiyuan Steel as a deputy head (副部長) of the accounting and finance department (計財部) from June 2008 to April 2014.

Ms. Hou obtained a bachelor's degree in economics from Nankai University (南開大學) in Tianjin, the PRC in July 1989. Ms. Hou obtained a master's degree in business administration from Renmin University of China (中國人民大學) in Beijing, the PRC in July 2000. Ms. Hou is a senior accountant granted by Department of Human Resources of Shanxi Province (山西省人事廳) in December 2001.

Mr. WEN Gensheng (溫根生), aged 55, has been the chief human resources officer of our Bank since December 2016.

Mr. Wen has more than 20 years of experience in administrative management. Mr. Wen joined our Bank in November 2016. He worked as the general manager (head) (總經理(部長)) of the human resources department (organization department of the party committee) (人力資源部(黨委組織部)) from November 2016 to December 2016. Prior to joining our Bank, Mr. Wen worked as a deputy division director (副處長) and researcher (調研員) of the cadre section II (幹部二處) of the organization department of Shanxi Provincial Party Committee (山西省委組織部) from July 2015 to November 2016. Mr. Wen worked as a deputy division director (副處長) and researcher (調研員) of local cadre section (地方幹部處) of the organization department of Shanxi Provincial Party Committee (山西省委組織部) from October 2010 to July 2015. Mr. Wen worked as a principal staff member (主任科員) and a deputy researcher (副調研員) of the organization guide section (組織指導處) of the organization department of Shanxi Provincial Party Committee (山西省委組織部) from July 2003 to October 2010. Mr. Wen worked as a principal staff member (主任科員) of fundamental politics section (基政處) and personnel education section (人事教育處) of Shanxi Civil Affairs Bureau (山西省民政廳) from January 1997 to July 2003.

Directors, Supervisors, Senior Management and Employees

Mr. Wen graduated from Taiyuan Normal College (太原師範專科學校) in Shanxi Province, the PRC, majoring in geography, in July 1985. Mr. Wen graduated from the Correspondence Institute of the Central Communist Party School of the CPC (中央黨校函授學院) through correspondence study in December 1996, majoring in economics management.

Mr. ZHAO Jiquan (趙基金), aged 47, was appointed as the assistant to the president of our Bank since November 2019.

Mr. Zhao has over 15 years of experience in banking industry. He served as general manager of the audit department of our Bank from April 2019 to July 2019 and as the chairman of Jinshang Consumer Finance Co., Ltd. since July 2019. Mr. Zhao joined our Bank in May 2009. Mr. Zhao worked as the candidate of the president (行長擬聘人選) and then the president of Linfen branch (臨汾分行) of our Bank from January 2014 to January 2015 and then as the president of Jinyang sub-branch (晉陽支行) of our Bank from January 2015 to April 2019. He worked at the audit department of our Bank from May 2009 to June 2010. He worked as the general manager of the internal control department of our Bank from June 2010 to May 2013, during which period he also served as the general manager of the audit department of our Bank from November 2011 to May 2013. He served as the general manager of the credit review department of our Bank from May 2013 to January 2014. Prior to joining our Bank, Mr. Zhao worked at Shanxi Provincial Agricultural Credit Cooperative (山西省農村信用社聯合社) as a vice general manager (副總經理) of the due diligence department (稽核部) from November 2005 to May 2009. He worked as a principal staff member (主任科員) of the working division of the board of supervisors (監事會工作處) of Shanxi SASAC from May 2004 to November 2005 and during this period he also once served as the chief accountant (總會計師) of Shanxi Guorui Investment Co., Ltd. (山西國瑞投資有限公司). He consecutively served as a senior staff member (副主任科員) and principal staff member (主任科員) of the working division of the board of supervisors (監事會工作處) of Shanxi Enterprises Working Committee (山西省企業工作委員會) from November 2000 to April 2004. Mr. Zhao worked as a senior staff member (副主任科員) of the finance division (財務處) of Shanxi Province Textile Union (山西省紡織總會) from May 1998 to November 2000, and served as an officer (幹部) of the finance department (財務部) of Taiyuan Heavy Machinery Group Co., Ltd. (太原重型機械集團有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 600169) from July 1996 to May 1998.

Mr. Zhao earned a master's degree in engineering from Shanxi University (山西大學) in Shanxi Province, the PRC in June 2012. He obtained a bachelor's degree in economics from Lanzhou University (蘭州大學) in Gansu Province, the PRC in June 1996. Mr. Zhao has been a non-practicing member of the Chinese Institute of Certified Public Accountants since December 2001. Mr. Zhao was certified as a senior accountant by the Shanxi Senior Accountants Technical Position Evaluation Committee (山西省高級會計師技術職務評審委員會) in December 2003 and was awarded the Certificate for Chinese Registered Financial Analysts (Level II) (中國註冊金融分析師(二級)證書) by the China Enterprise Confederation (中國企業聯合會) in September 2010.

Directors, Supervisors, Senior Management and Employees

Mr. LI Weiqiang, aged 56, has been as secretary of the Board of Directors since December 2019 and as joint company secretary of the Bank since September 2020.

Mr. Li has more than 30 years of experience in banking industry. Mr. Li has been the director (主任) of the Board's office (董事會辦公室) of our Bank since March 2019, and was the director (主任) of the president's office (行長辦公室) of our Bank from February 2012 to February 2019. He served as an employees' representative Supervisor from January 2016 to May 2019. From March 2011 to February 2012, he was also the director (主任) of the assessment office (考核辦公室) of our Bank. He served for ABC before joining our Bank. From January 2007 to July 2011, he was the director (處長) of credit management division (信貸管理處) in ABC Shanxi branch. From December 2003 to January 2007, Mr. Li was the deputy director and then the director of the party committee office (黨委辦公室) of ABC Shanxi branch. Mr. Li was a vice president (副行長) of ABC Yangquan branch from October 1998 to December 2003. He was the office director of ABC Yangquan branch from February 1997 to October 1998. Before that, he worked as a vice president of ABC Yangquan suburban district sub-branch from November 1995 to February 1997. Mr. Li served as the office staff member (辦公室科員) and then the deputy director (副主任) of ABC Yangquan branch from July 1988 to November 1995.

Mr. Li obtained a bachelor's degree from Hebei Finance College (河北財經學院) (currently known as Hebei University of Economics and Business (河北經貿大學)) in Hebei Province, the PRC, in July 1988, majoring in rural finance (農村金融). He is a senior economist (高級經濟師) granted by ABC in December 2001.

Directors, Supervisors, Senior Management and Employees

Mr. ZHAO Fu (趙富), aged 53, has been the chief marketing officer of our Bank since January 2020 to April 2021.

Mr. Zhao has over 30 years of experience in banking industry. He has been the general manager of the institutional clients department of our Bank since April 2019 to April 2021. Mr. Zhao joined our Bank in January 2008. Mr. Zhao worked as the general manager of the personal finance department (個人金融部) of Taiyuan City Commercial Bank Co., Ltd. (太原市商業銀行股份有限公司) from January 2008 to May 2009. He worked at our credit cards business department from May 2009 to February 2011, during which period he served as the vice general manager of our credit cards business department from August 2009 to February 2011 and also as the vice general manager of our retail banking department from June 2010 to February 2011. He served as a member of the preparatory team (籌備組) of our Datong branch (大同分行) from February 2011 to July 2012, as the president of our Datong branch (大同分行) from July 2012 to January 2014, as the president of our Taiyuan Longcheng sub-branch (太原龍城支行) from January 2014 to February 2018 and as the president of our Taiyuan Transformation and Comprehensive Reform Demonstration Zone sub-branch (太原綜改示範區支行) from February 2018 to March 2019. Prior to joining our Bank, Mr. Zhao once served as the vice general manager (副總經理) of retail banking department (零售銀行部) of Taiyuan branch (太原分行) of China Merchants Bank Co. Ltd. (招商銀行股份有限公司) (a company listed on the Hong Kong Stock Exchange with stock code 03968). Mr. Zhao worked at ICBC (a company listed on the Shanghai Stock Exchange with stock code 601398, and on the Hong Kong Stock Exchange with stock code 1398) from August 1987 to May 2007. He worked as a vice president of ICBC Datong Mining Bureau sub-branch (大同市礦務局支行) from February 2006 to May 2007. Mr. Zhao served as the president of ICBC Datong Mudan sub-branch (大同市牡丹支行) from June 2005 to February 2006. He served as the president of ICBC Datong Yuhe North Road sub-branch (大同市御河北路支行) from May 2002 to June 2005. He worked as the director (主任) of ICBC Datong branch Yunzhong Mall sub-operating office (大同市分行雲中商城分理處) from June 2000 to May 2002. He worked at ICBC Datong branch (大同市分行) and served as the deputy manager (副經理) of the marketing development department (市場開發部) from July 1997 to January 1999 and then as a deputy section chief (副科長) of the corporate deposit section (對公存款科) from January 1999 to June 2000. He worked at the ICBC Datong branch Yuhe North Road sub-branch (大同分行御河北路支行) and served as the section chief (科長) of the secretarial section (秘書科) from June 1993 to July 1995 and then as the manager of the management department (管理部) from July 1995 to July 1997. Mr. Zhao worked at the business department (營業部) of ICBC Yanbei district central sub-branch (雁北地區中心支行) and served as an accountant (會計員) of the accounting segment (會計股) from August 1987 to April 1988, as a clerk (幹事) of the secretarial segment (秘書股) from April 1988 to September 1988, as the credit clerk (信貸員) of the credit segment (信貸股) from September 1988 to October 1992, and as the deputy section chief (副科長) of the secretarial section (秘書科) from October 1992 to June 1993.

Mr. Zhao completed junior college level (專科) studies and graduated from Shanxi Finance and Economics College (山西財經學院) (currently known as Shanxi University of Finance and Economics (山西財經大學)) in Shanxi Province, the PRC in December 1990, majoring in finance. Mr. Zhao graduated from Correspondence Institute of the Central Committee Party School of the CPC (中共中央黨校函授學院) through correspondence study in December 2000, majoring in economics management. Mr. Zhao completed top-up (專升本) studies and graduated from Central Broadcasting and Television University (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) in June 2005, majoring in finance. Mr. Zhao obtained a master's degree in control engineering from Shanxi University (山西大學) in Shanxi Province, the PRC in June 2013. Mr. Zhao was certified as an economist by ICBC Shanxi branch in December 1994.

Directors, Supervisors, Senior Management and Employees

Mr. NIU Jun (牛俊), aged 53, has been the chief operation officer of our Bank since January 2020.

Mr. Niu has over 30 years of experience in banking industry. Mr. Niu joined our Bank in January 2013. Mr. Niu worked as the president of Longcheng sub-branch (太原龍城支行) of our Bank from February 2018 to April 2019. He has been the president of Lvliang branch (呂梁分行) of our Bank since April 2019 to May 2020. He consecutively served as the leader of the preparatory group (籌備組) of Xinzhou branch (忻州分行) of our Bank from January 2013 to August 2013 and as a vice president and then the president of Xinzhou branch (忻州分行) of our Bank from August 2013 to February 2018. Prior to joining our Bank, Mr. Niu worked at ABC (a company listed on the Shanghai Stock Exchange with stock code 601288, and on the Hong Kong Stock Exchange with stock code 1288) for approximately 20 years. He was appointed as the president of ABC Dai County sub-branch (代縣支行) in January 2008. He worked as a vice president and then the president of ABC Yuanping sub-branch (原平市支行) from July 2003 to January 2008. He served as a vice president of ABC Dai County sub-branch (代縣支行) from January 1999 to July 2003. Mr. Niu served as the deputy director (副主任) and then the director (主任) of Xingao business office (新高營業所) of ABC Dai County sub-branch (代縣支行) from September 1988 to January 1999.

Mr. Niu completed junior college level (專科) studies and graduated from Renmin University of China (中國人民大學) in Beijing, the PRC in 1994, majoring in administrative management. Mr. Niu graduated from Shanxi University (山西大學) in Shanxi Province, the PRC in December 2001, majoring in administrative management.

Mr. SHANGGUAN Yujiang (上官玉將), aged 48, has been serving as assistant to the president of our Bank since December 2019.

Mr. Shangguan has about 25 years of experience in banking industry. He has been the general manager of energy division of the Bank since March 2019, and was the president of Bingzhou branch (並州支行) of our Bank from January 2018 to February 2019. He served as an employees' representative Supervisor from June 2018 to May 2019. From October 2012 to January 2018, Mr. Shangguan worked at Changzhi branch (長治分行) of our Bank, as the leader of the preparatory team from October 2012 to August 2013, as a vice president from August 2013 to July 2015, and as the president from July 2015 to January 2018. Prior to joining our Bank, Mr. Shangguan worked for China Bohai Bank Co., Ltd. (渤海銀行股份有限公司) ("**Bohai Bank**") from December 2007 to October 2012, as an account manager (客戶經理) of the corporate business department (公司業務部) at Beijing branch, Bohai Bank from December 2007 to October 2008, as an account manager at Weigongcun branch (魏公村支行), Bohai Bank from October 2008 to November 2009, as the deputy general manager of the risk management department and the corporate business management department (公司業務管理部) at Beijing branch, Bohai Bank from November 2009 to October 2012. He was the president of rural area sub-branch (郊區支行), Changzhi City Commercial Bank Co., Ltd. (長治市商業銀行股份有限公司) ("**Changzhi City Commercial Bank**") from August 2007 to November 2007. From March 2003 to August 2007, Mr. Shangguan worked as the president of Taixi sub-branch (太西支行), Changzhi City Commercial Bank. Mr. Shangguan worked as an assistant to the director (主任助理) of Yingxiong Road Urban Credit Cooperative (英雄路城市信用社) from March 2001 to March 2003. He served as an assistant to the director (主任助理) of Square Urban Credit Cooperative (廣場城市信用社) from September 1999 to March 2001. He worked at Taihang Road Urban Credit Cooperative (太行路城市信用社) from August 1995 to August 1999 and consecutively served as accounting section chief (會計科長), the director of operation office (營業室主任) and an assistance to the director (主任助理).

Directors, Supervisors, Senior Management and Employees

Mr. Shangguan completed studies at junior college level (專科) through correspondence study and graduated from Shanxi University of Finance and Economics (山西財經大學) in Shanxi Province, the PRC, in July 1999, majoring in accounting. He graduated from Beijing Institute of Technology (北京理工大學) in Beijing, the PRC, in July 2007, majoring in business administration. Mr. Shangguan obtained a master's degree in business administration from Xiamen University (廈門大學) in Fujian Province, the PRC, in September 2018. He is a middle level economist granted by Ministry of Human Resources of the PRC (中華人民共和國人事部) in November 2000.

Ms. LI Wenli (李文莉), aged 51, was appointed as the chief audit officer by the Board of Directors since April 2021.

Ms. Li has over 30 years of experience in banking industry. She joined our Bank in February 2009 and has been the general manager of the audit department of our Bank since July 2019. She served as the secretary to the party committee of Jinshang Consumer Finance Co., Ltd. (晉商消費金融股份有限公司) from October 2018 to July 2019. She served as the general manager of the audit department of our Bank from July 2014 to October 2018, as the general manager of the internal control department (內控合規部) of our Bank from January 2014 to January 2017, as the general manager of the financial market department of our Bank from September 2011 to January 2014, and as the director of the clearing center (票據中心) of our Bank from June 2011 to September 2011. She consecutively served as the vice president of Jingangli sub-branch (金剛里支行) under Jinyang sub-branch (晉陽支行) and vice president of Jinyang sub-branch of our Bank from February 2009 to July 2011. She worked at Taiyuan City Commercial Bank Co., Ltd. from October 1998 to February 2009, and served as vice president and president of Xinghua Street sub-branch (興華街支行) from July 2000 to February 2009 successively.

Ms. Li graduated from master of business administration of Inner Mongolia University of Technology (內蒙古工業大學), and obtained a master's degree in business administration in June 2007. Ms. Li is a senior auditor granted by the Department of Human Resource and Social Security of Shanxi Province (山西省人力資源和社會保障廳) in November 2019.

IV. CONFIRMATION OF THE INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received the annual independence confirmation letter from each of the independent non-executive Directors and believes that all independent non-executive Directors are independent according to the relevant guidelines contained in Rule 3.13 of the Hong Kong Listing Rules.

V. INFORMATION ON REMUNERATION PAID TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the total amount of the remuneration of Directors and Supervisors during the Reporting Period, please refer to Note 9 to the financial statements. For the year ended December 31, 2020, no emolument was paid by the Bank to any of the Directors, Supervisors or the five highest paid individuals (including Directors, Supervisors and employees) as an inducement to join or upon joining the Bank or as compensation for loss of office.

Directors, Supervisors, Senior Management and Employees

VI. NUMBER OF EMPLOYEES, REMUNERATION POLICIES, EQUITY INCENTIVE PLAN AND TRAINING PROGRAMS

As of December 31, 2020, the total number of employees of the Group reached 4,492, of which 39.0% were employees aged 30 and below, and 86.9% were employees with bachelor's degree or above. Excellent age distribution and professional talent team can help cultivate a positive and innovative corporate culture and strengthen the ability to respond to market changes and seize market opportunities. As of December 31, 2020, the Bank had 337 employees qualified for AFP certification; 33 had CFP certificates.

The Bank earnestly implemented the national vocational skills improvement action plan, closely focused on financial hotspots and trend of international economic and the bank-wide management and development strategy, took into account the Bank's actual business development needs, formulated an annual training plan, and strived to build a high-quality professional talent team. The annual training work was aimed at providing strong talent support and system guarantee for the long-term development of the Bank. It has been carried out practically from the three dimensions of focusing on capacity building, improving the training system and strengthening the training management mechanism building. During the Reporting Period, the Bank consolidated the three-level training resources at its headquarters, branches and sub-branches, adhered to the principle of combining internal training with external training, and complemented each other online and offline, and carried out all-round and multi-angle training work for bank-wide employees focusing on front-line business operations, new products business promotion, customer marketing management, and case study of internal control compliance.

In compliance with the PRC laws and regulations, we contribute to our employees' social security and other benefits program including pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing allowances and corporate annuity. Our Bank has a labor union established in accordance with PRC laws and regulations, which represents the interests of our Bank's employees and works closely with our Bank's management on labor-related issues.

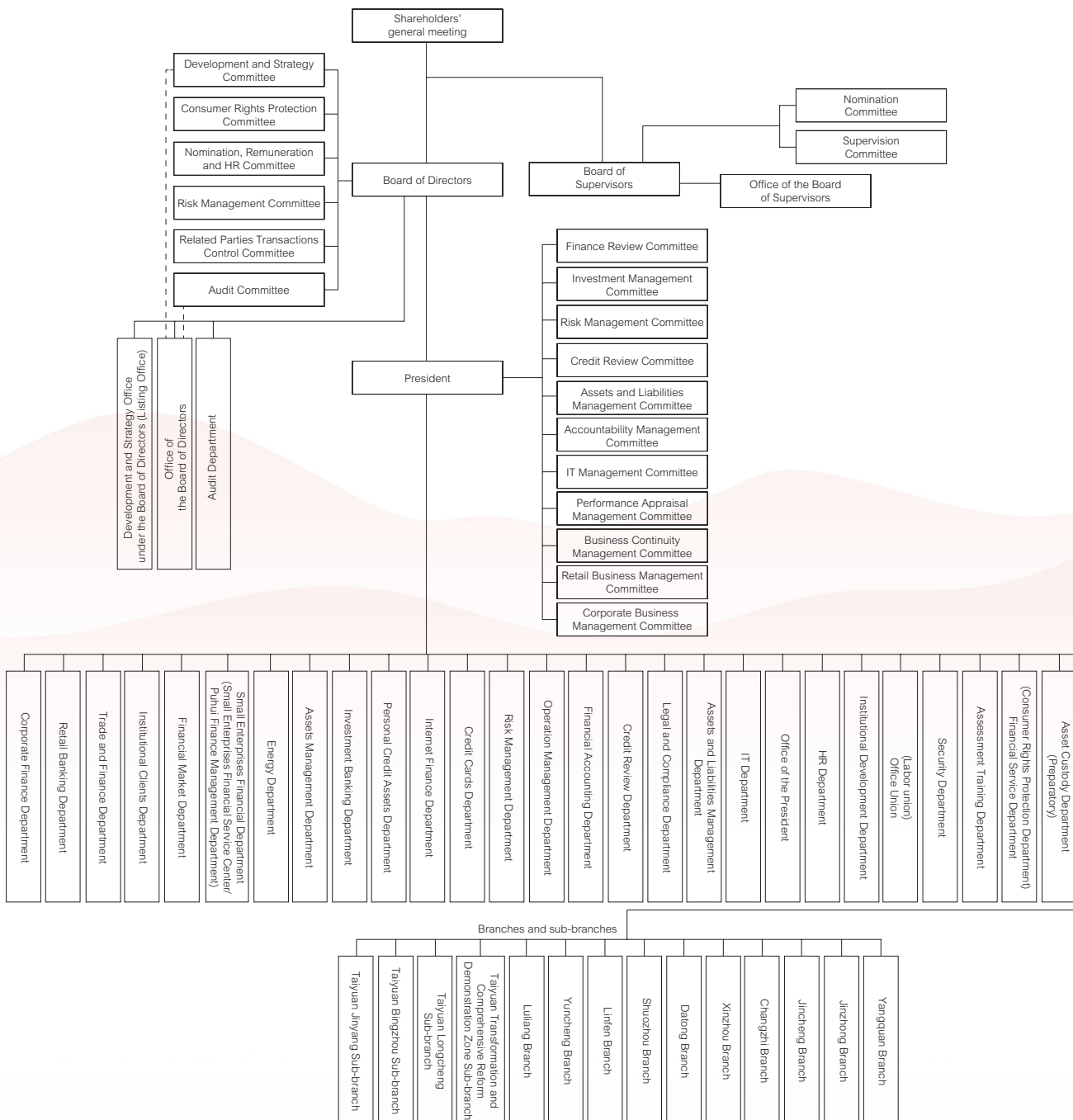
Please refer to Notes 8 and 9 to the financial statements for details of the total amount and composition of employee compensation and benefits expenses and remuneration of Directors, Supervisors and senior management of the Bank for 2020.

VII. SHARE INCENTIVE PLAN

During the Reporting Period, the Bank did not implement any share incentive plan.

Corporate Governance Report

ORGANIZATIONAL STRUCTURE FOR CORPORATE GOVERNANCE



Corporate Governance Report

I. CORPORATE GOVERNANCE CODE

During the Reporting Period, the Bank continued to improve the transparency and accountability of its corporate governance and ensured high-level corporate governance practices to protect the shareholders' interests and enhance the corporate value and commitment.

Our Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The compositions of the Board of Directors and the special committees under the Board of Directors are in compliance with the requirements of the Hong Kong Listing Rules. The Bank clearly divides the duties of the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management. The shareholders' general meeting is the supreme authority of the Bank. The Board of Directors is accountable to the shareholders' general meeting. The Board of Directors has established six special committees, which operate under the leadership of the Board of Directors and advise on the decisions of the Board. The Board of Supervisors is responsible for supervising the performance of duties by the Board of Directors and the senior management as well as the financial activities, risk management and internal control of the Bank. Under the leadership of the Board of Directors, the senior management is responsible for executing the resolutions of the Board and for the day-to-day business and management of the Bank, and reports to the Board of Directors and the Board of Supervisors on a regular basis. The president of the Bank is appointed by the Board of Directors to be responsible for the overall business operation and management of the Bank.

The Bank has adopted the Corporate Governance Code (the “Code”) in Appendix 14 to the Listing Rules, and has also met the requirements of the administrative measures and corporate governance for domestic commercial banks and established a good corporate governance system. During the Reporting Period, the Bank has observed all applicable code provisions set forth in Appendix 14 to the Listing Rules.

The Bank is committed to maintaining a high standard of corporate governance. The Bank will continue to review and enhance its corporate governance to ensure compliance with the Code and meet the expectations of shareholders and potential investors of the Bank.

Shareholders' general meeting

During the Reporting Period, the Bank held two shareholders' general meetings in total, namely, considered and approved the appointment of Mr. WANG Junbiao as an executive Director of the fifth session of the Board of Directors of the Bank on March 10, 2020, and considered and approved the Director's Report for 2019, the work Report of the Board of Supervisors for 2019, the Profit Distribution Plan for 2019, the Report of Final Financial Accounts for 2019, the Financial Budget for 2020, the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Directors during 2019, the Report of the Board of Supervisors on Assessment on the Performance of Duties by Supervisors during 2019, the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Senior Management during 2019, the Determination of the write-off Amount for Non-Performing Loans and Bad Debts for 2020, Huaneng Framework Supplemental Agreement entered into between the Bank and Huaneng Capital, the transactions contemplated thereunder and annual caps for the financial years ended December 31, 2020 and ending December 31, 2021 relating thereto, the SSCO Framework Supplemental Agreement entered into between the Bank and SSCO, the transactions contemplated thereunder and the annual caps for the financial years ended December 31, 2020 and ending December 31, 2021 relating thereto, the appointment of Auditors to audit Financial Statements for 2020, the Proposed Extension of the Term of Authorization for the Issuance of Financial Bonds, the Proposed Issuance of Green Financial Bonds, the Proposed Issuance of Tier-2 Capital Bonds, the Proposed Amendments to the Articles of Association and the Proposed Amendments to the Rules of Procedures for the shareholders' general meeting on June 9, 2020.

Corporate Governance Report

The notification, convening and voting procedures of the above shareholders' general meetings are all in compliance with the relevant provisions of the PRC Company Law and the Articles of Association.

Functions and powers of the shareholders' general meeting

Shareholders' general meeting is the organ of authority of our Bank. Its principal responsibilities include:

- determining the operation strategies and particularly significant investment plans of the Bank;
- electing and replacing directors and determining the remuneration of relevant directors;
- electing and replacing non-employee representative supervisors and determining the remuneration of relevant supervisors;
- reviewing and approving the reports of the Board of Directors;
- reviewing and approving the reports of the Board of Supervisors;
- listening to the evaluations of the Board of Directors on the directors and the evaluation reports by independent directors on each other;
- listening to the evaluations of the Board of Supervisors on supervisors and the evaluation reports by external supervisors on each other;
- reviewing and approving the annual financial budget plans and final accounting plans of the Bank;
- reviewing and approving the profit distribution plans and loss recovery plans of the Bank;
- reviewing and approving the Bank's particularly significant foreign investments, assets purchase and disposal, external guarantees and related party transactions;
- determining the increase or decrease in the registered capital of the Bank;
- determining the issuance of bonds or the listing of the Bank;
- determining the merger, spin-offs, dissolution and liquidation or change of corporate form of the Bank;
- amending the Articles of Association;
- determining the appointment, dismissal or non-reappointment of auditors of the Bank;
- reviewing the purchase or disposal of major assets by the Bank within one year with the transaction amount exceeding 30% of the latest audited total assets of the Bank;
- reviewing and approving the changes in the use of proceeds;
- reviewing the share incentive plans;
- reviewing the proposals by shareholders individually or in aggregate holding 3% or more of the voting shares of the Bank;

Corporate Governance Report

- reviewing and approving other matters which should be submitted to the shareholders' general meeting for consideration in accordance with the laws, administrative regulations, rules, the securities regulations of the place where the Bank's shares are listed and the Articles of Association.

Meetings of the Board of Directors and special committees

The Board shall hold at least four regular meetings annually, and arrange other meetings if necessary. Board meetings shall be held onsite or by means of teleconference. The Board of Directors shall send a meeting notice to all Directors in advance and timely provide all Directors with sufficient information (including background information about the proposals submitted and other information necessary for the Directors to make informed decisions). The notice of a regular Board meeting shall be given to all Directors at least 14 days before the date of the meeting, and the notices of all other Board meetings shall be given to all Directors five days before the date of the meetings. A good communication and reporting mechanism has been established among the Directors, Board of Directors and senior management. All Directors may seek independent professional opinions at the expense of the Bank. Our president reports to the Board on a regular basis and accepts the supervision thereof. At the Board meetings, Directors may freely express their opinions, but important decisions shall be subject to detailed discussion.

During the Reporting Period, the Board of Directors held 14 meetings, at which 60 resolutions were considered and adopted. The special committees under the Board of Directors held 16 meetings, including three meetings of the Development and Strategy Committee, three meetings of the Audit Committee, three meetings of the Related Party Transactions Control Committee, and four meetings of the Risk Management Committee, two meetings of the Nomination, Remuneration and HR Committee and one meeting of the Consumer Rights Protection Committee, at which 29 resolutions were considered and adopted.

The Board of Directors shall have a board office as its daily administrative body responsible for preparing shareholders' general meetings, Board meetings and meetings of various special committees under the Board and for handling other tasks assigned by the same. The Board of Directors and senior management exercise their respective powers within their terms of reference as specified in the Articles of Association. Directors who have significant interests in a proposal must waive their right to discuss and vote on the proposal and shall not be included in the quorum of the proposal. The Board of Directors has reviewed the effectiveness of the Bank's risk management and internal control system (covering finance, operation and compliance control). The risk management and internal control system is reviewed twice every year (for the period from January 1, 2020 to December 31, 2020). The Bank believes that relevant review is sufficient and effective.

The Board believes that the risk management and internal control system established and implemented by the Bank is sufficient and effective.

For details about the internal audit of the Bank, please refer to "Risk Management and Internal Control – Internal Audit" of this annual report.

Corporate Governance Report

Composition of the Board of Directors

As of the date of this annual report, the Board of Directors of the Bank comprises 11 Directors, including five non-executive Directors, namely Mr. LI Shishan, Mr. XIANG Lijun, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun; and six independent non-executive Directors, namely Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi and Mr. YE Xiang. The term of office of the Directors is three years. On January 8, 2020, due to work re-arrangement, Mr. YAN Junsheng resigned as an executive Director, the chairman of the Board, the chairperson and a member of the Development and Strategy Committee, a member of the Nomination, Remuneration and HR Committee and an authorized representative of the Bank. For details, please refer to the announcement entitled “Resignation of Executive Director and Chairman” issued by the Bank on January 8, 2020. On November 20, 2020, due to work re-arrangement, Mr. RONG Changqing resigned as an executive director, a member of the Related Party Transactions Control Committee under the Board of Directors and Vice President of the Bank. For details, please refer to the announcement titled “Resignation of Executive Director and Vice President” issued by the Bank on November 20, 2020. On December 9, 2020, due to work re-arrangement, Mr. TANG Yiping resigned as an executive director, Vice Chairman, a member of the Development and Strategy Committee under the Board of Directors, a member of the Risk Management Committee under the Board of Directors, a member of the Consumer Rights Protection Committee under the Board of Directors, President and an Authorized Representative of the Bank. For details, please refer to the announcement titled “Resignation of Executive Director, Vice Chairman of the Board, President and Authorized Representative” issued by the Bank on December 9, 2020. On January 20, 2021, due to retirement, Mr. WANG Peiming resigned as an executive director and a member of the Related Party Transactions Control Committee of the Bank. For details, please refer to the announcement entitled “Resignation of Executive Director” issued by the Bank on January 20, 2021. On April 26, 2021, due to work re-arrangement, Mr. WANG Junbiao resigned as an executive Director, the chairman of the Board, the chairperson and a member of the Development and Strategy Committee, and a member of the Nomination, Remuneration and HR Committee of the Bank. For details, please refer to the announcement entitled “Resignation of Executive Director and Chairman” issued by the Bank on April 26, 2021. The membership and composition of the Bank’s Board of Directors are in compliance with applicable laws and regulations.

Please refer to the section headed “Directors, Supervisors, Senior Management and Employees” of this annual report for the resumes and terms of office of Directors. None of the members of the Board is connected with other members.

Changes in Board members during the Reporting Period

For details of the changes in Directors of the Bank, see “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management during the Reporting Period” in this annual report.

Functions and powers of the Board of Directors

The Board of Directors shall be accountable to the shareholders’ general meeting, undertake final responsibility of operation and management of the Bank, and exercise the following functions and powers in accordance with law:

- to convene shareholders’ general meetings, report its performance at the shareholders’ general meetings, and implement resolutions of the shareholders’ general meetings;
- to decide on development strategies, operational plans and investment programs of the Bank;
- to formulate annual financial budget plans, final accounting plans, and risk capital allocation plan of the Bank;

Corporate Governance Report

- to formulate profit distribution plans and loss recovery plans of the Bank;
- to formulate proposals for increases in or reductions of registered capital, issuance of bonds or other securities and listing plans of the Bank;
- to formulate proposals for repurchase of the Bank's shares;
- to formulate plans for merger, spin-offs, dissolution, or change of corporate form of the Bank;
- to formulate proposals for any amendment to the Articles of Association;
- to formulate the basic management system of the Bank;
- to formulate and execute clear responsibility system and accountability system, and to assess and complete corporate governance of the Bank regularly;
- to decide asset and liability management (including but not limited to capital requirement), risk tolerability, risk management, and internal control policy of the Bank;
- to formulate capital planning, and undertake final responsibility of capital management;
- to formulate related party transaction management system, to examine and approve or accredit Related Party Transactions Control Committee to approve related party transactions;
- to examine and approve annual work report of the Bank;
- to decide long-term award plan, remuneration packages and salary plan of the Bank;
- to approve internal audit plan, annual work plan and audit budget of the Bank;
- to examine and approve proposals raised by each special committee of the Board of Directors;
- to decide the Bank's significant foreign investments, assets purchase and disposal, external guarantees, trust management and related party transactions, as well as large loans; to initially examine the Bank's particularly significant foreign investments, assets purchase and disposal, external guarantees, trust management and related party transactions, and submit them to the shareholders' general meeting for approval;
- to appoint or dismiss the president, the secretary to the Board, chief audit (compliance) officer and the person in charge of the audit department as nominated by the chairman; to appoint or dismiss the vice president, assistant to the president, chief finance officer, chief risk officer, chief operation officer, chief technology information officer, chief human resources officer, chief data officer, and marketing director, etc. as nominated by the president; and to decide remunerations, awards and punishments of the aforesaid persons;
- to authorize certain operation and management power to the president annually, and to review working reports of the president and to examine the performance of the president;
- to decide chairperson and members of each special committee of the Board as nominated by the Nomination, Remuneration and HR Committee;

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- to decide on the establishment of internal management structure of the Bank and establishment of branches of the Bank;
- to propose to the shareholders' general meeting the engagement, dismissal or discontinuation of the appointment of the accounting firm auditing the Bank, and to give explanation to the shareholders' general meeting on the non-standard audit opinions of certified public accountant on our financial report;
- to disclose information of the Bank and take ultimate responsibility for the authenticity, completeness, accuracy, and timeliness of our accounting and financial reports;
- to regularly debrief the internal audit department and compliance department's report on internal audit and examination result, and regulatory opinions of relevant regulatory authorities on the Bank, and to examine the Bank's rectification report on executing regulatory opinions; to regularly assess operation status of the Bank, comprehensively evaluate performance of senior management personnel according to assessment result, and to supervise and ensure effective management performance of senior management;
- to safeguard legal interests of depositors and other stakeholders;
- to establish an identification, investigation and management mechanism for the conflict of interest between the Bank and shareholders, especially substantial shareholders; and
- to exercise any other functions and powers prescribed by the laws, administrative regulations, and the Articles of Association and authorized by the shareholders' general meetings.

Directors' responsibility for preparing financial statements

Directors confirm that they shall be responsible for preparing the financial statements for the year ended December 31, 2020 that truly and fairly reflect the affairs and results of the Bank. When preparing financial statements, Directors select and implement appropriate accounting policies and make use of accounting estimates applicable to relevant circumstances. Under the assistance of accounting and financial personnel, Directors ensure that the Bank prepares financial statements in accordance with statutory provisions and applicable financial reporting standards. Reporting obligation statements of the external auditors on the Group's financial statements are set out in the independent auditors' report on pages 147 to 153.

Corporate Governance Report

Board meetings and Directors' attendances at the meetings

During the Reporting Period, the Bank convened a total of 14 Board meetings, and deliberated and approved 60 proposals, which mainly involved topics including profit distribution plan and batch disposal of non-performing loans in package. Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of the executive Directors during the year. Details of the Board meetings convened during the Reporting Period are as follows:

Meeting	Meeting date	Meeting form
The 3rd meeting of the fifth session of the Board of Directors	January 17, 2020	By means of teleconference
The 4th meeting of the fifth session of the Board of Directors	February 21, 2020	By means of teleconference
The 5th meeting of the fifth session of the Board of Directors	March 10, 2020	Onsite and by means of teleconference
The 6th meeting of the fifth session of the Board of Directors	March 26, 2020	Onsite and by means of teleconference
The 7th meeting of the fifth session of the Board of Directors	April 22, 2020	By means of teleconference
The 8th meeting of the fifth session of the Board of Directors	June 19, 2020	By means of teleconference
The 9th meeting of the fifth session of the Board of Directors	June 29, 2020	Onsite and by means of teleconference
The 10th meeting of the fifth session of the Board of Directors	July 23, 2020	By means of teleconference
The 11th meeting of the fifth session of the Board of Directors	August 27, 2020	Onsite and by means of teleconference
The 12th meeting of the fifth session of the Board of Directors	September 16, 2020	By means of teleconference
The 13th meeting of the fifth session of the Board of Directors	October 14, 2020	By means of teleconference
The 14th meeting of the fifth session of the Board of Directors	October 29, 2020	Onsite and by means of teleconference
The 15th meeting of the fifth session of the Board of Directors	November 11, 2020	By means of teleconference
The 16th meeting of the fifth session of the Board of Directors	November 19, 2020	By means of teleconference

Corporate Governance Report

Attendances of each Director at Board meetings during the Reporting Period are as follows:

Member of the Board	Number of scheduled attendances at Board meetings	Number of attendances in person at Board meetings	Number of attendances by proxy at Board meetings	Number of actual attendances at shareholders' general meetings/ number of required attendances at shareholders' general meetings
Mr. WANG Junbiao ⁽¹⁾	11	11	0	0/1
Mr. TANG Yiping ⁽²⁾	14	14	0	2/2
Mr. WANG Peiming ⁽³⁾	14	14	0	2/2
Mr. RONG Changqing ⁽⁴⁾	13	13	0	2/2
Mr. LI Shishan	14	14	0	2/2
Mr. XIANG Lijun	14	13	1	2/2
Mr. LIU Chenhang	14	14	0	2/2
Mr. LI Yang ⁽⁵⁾	-	-	-	-
Mr. WANG Jianjun	14	14	0	2/2
Mr. JIN Haiteng	14	14	0	2/2
Mr. SUN Shihu	14	14	0	2/2
Mr. WANG Liyan	14	14	0	2/2
Mr. DUAN Qingshan ⁽⁵⁾	-	-	-	-
Mr. SAI Zhiyi	14	14	0	2/2
Mr. YE Xiang	14	14	0	2/2

- Notes:*
- On January 17, 2020, the Board considered and approved the proposed appointment of Mr. WANG Junbiao as an executive Director of the Bank. Such appointment was approved by the shareholders of the Bank at an extraordinary general meeting on March 10, 2020. On April 26, 2021, due to work re-arrangement, Mr. WANG Junbiao resigned as an executive Director, the chairman of the Board, the chairperson of the Development and Strategy Committee, and a member of the Nomination, Remuneration and HR Committee of the Bank.
 - On December 9, 2020, due to work re-arrangement, Mr. TANG Yiping resigned as the Bank's executive Director, vice chairman, member of the Development and Strategy Committee of the Board, member of the Risk Management Committee of the Board, member of the Consumer Rights Protection Committee of the Board, president and authorized representative.
 - On January 20, 2021, due to retirement, Mr. WANG Peiming resigned as the Bank's executive Director and member of the Related Party Transactions Control Committee of the Board.
 - On November 20, 2020, due to work re-arrangement, Mr. RONG Changqing resigned as the Bank's executive Director, member of the Related Party Transactions Control Committee of the Board and vice president.
 - "-" means that they have not obtained approval from the regulatory authorities for the qualifications of directorship as of the meeting date, therefore they shall not perform duties according to regulatory requirements.

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Independent non-executive Directors

The Board of the Bank currently has six independent non-executive Directors in compliance with the provisions of Hong Kong Listing Rules on appointment of at least three independent non-executive Directors, who shall jointly account for at least one third of members of the Board of Directors and at least one of whom shall have appropriate professional qualifications or accounting or relevant financial management expertise.

During the Reporting Period, independent non-executive Directors performed their fiduciary and due diligence duties, as well as duties required to be performed under the Articles of Association, and protected the interests of the Bank and its shareholders as a whole. Independent non-executive Directors of the Bank earnestly attended meetings of the Board and special committees, put forward objective and independent opinions on a number of issues discussed at the meetings of the Board and related special committees, and actively participated in the decision-making of the Board and supervised the Board.

The Bank has received the annual confirmation from every independent non-executive Director concerning independence thereof in accordance with Hong Kong Listing Rules for written confirmation of their independence. Therefore, the Bank confirms that all the independent non-executive Directors have complied with Hong Kong Listing Rules regarding independence thereof.

Special committees of the Board of Directors

As of the date of this annual report, the Board of Directors has established six special committees, including the Development and Strategy Committee, Audit Committee, Risk Management Committee, Related Party Transactions Control Committee, Nomination, Remuneration and HR Committee, and Consumer Rights Protection Committee.

Development and Strategy Committee

As of the date of this annual report, the Development and Strategy Committee consisted of three Directors, being Mr. JIN Haiteng, Mr. LI Shishan and Mr. DUAN Qingshan. Mr. WANG Junbiao resigned as the chairperson of the Development and Strategy Committee on April 26, 2021, and the Board is considering the candidate for the new chairperson. Mr. LI Shishan is a non-executive Director, and Mr. JIN Haiteng and Mr. DUAN Qingshan are independent non-executive Directors. The primary duties of the Development and Strategy Committee include:

- formulating our development strategies and operational objectives, and making relevant recommendations to the Board of Directors;
- reviewing our annual budgets, strategic asset allocation plans, goals for assets and liabilities management, and development plans on various matters, and making relevant recommendations to the Board of Directors;
- making recommendations on plans for our organizational re-construction, material investment plans and merger and acquisition plans to the Board of Directors;
- assessing the soundness of our corporate structure to improve our financial reports, risk management and internal control in accordance with the standards of our corporate governance policies, and supervising the implementation of our annual operational and investment plans; and
- performing other duties as authorized by the Board of Directors and in accordance with applicable laws and regulations.

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During the Reporting Period, the Development and Strategy Committee convened three meetings, and deliberated and approved 8 proposals, which mainly involved topics including profit distribution, financial budget, and plans for management of capital adequacy ratio.

Attendances of each member at the meetings of the Development and Strategy Committee in 2020 are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. Mr. WANG Junbiao	3	3	0
Mr. JIN Haiteng	3	3	0
Mr. TANG Yiping	3	3	0
Mr. LI Shishan	3	3	0
Mr. DUAN Qingshan	–	–	–

Audit Committee

The Bank has established an Audit Committee with written terms of reference in compliance with the requirements under the Hong Kong Listing Rules. As of the date of this annual report, the Audit Committee consisted of five Directors, being Mr. WANG Liyan, Mr. SAI Zhiyi, Mr. LIU Chenhang, Mr. SUN Shihu and Mr. YE Xiang. The chairperson of the Audit Committee is Mr. WANG Liyan. Mr. LIU Chenhang is a non-executive Director, and Mr. WANG Liyan, Mr. SAI Zhiyi, Mr. SUN Shihu and Mr. YE Xiang are independent non-executive Directors. More than half of the members of the Audit Committee of the Bank are independent non-executive Directors and the chairperson of the Audit Committee is an independent non-executive Director. The primary duties of the Audit Committee include:

- reviewing our risk management and compliance conditions, accounting policies, financial conditions and financial report procedures;
- conducting inspections on our risk control system to make sure that the management has established an effective system;
- conducting inspections and reviewing the compliance and effectiveness of our material operational activities;
- being responsible for our annual audit work and material adjustments regarding the same;
- supervising the completeness of the audited financial reports, reviewing such reports before submitting them to our Board of Directors for review;
- making recommendations on appointment, re-appointment or removal of external auditors, and communicating with the external auditors on behalf of the Bank and providing responses to their management letter;

Corporate Governance Report

- raising concerns about possible improprieties in financial reporting, internal control or other matters, and making sure that proper arrangements are in place for fair and independent investigations; and
- performing other duties as authorized by the Board of Directors and in accordance with applicable laws and regulations.

During the Reporting Period, the Audit Committee convened three meetings, and deliberated and approved 5 proposals, which mainly involved topics including Final Financial Accounts, appointment of auditors, results announcement and annual report.

The Audit Committee also arranged preparation and review of the annual report 2019 and interim report 2020 according to the provisions on disclosure in the annual financial report. During the Reporting Period, the Audit Committee had several meetings and communications with external auditors in the absence of the executive Directors and senior management. As at March 26, 2021, the Audit Committee had reviewed the audited consolidated financial statements for the year ended December 31, 2020, which were prepared in accordance with the accounting principles and policies of the Bank. It also reviewed the effectiveness of the internal control system and internal audit functions of the Bank by regularly listening to the audit department's report on internal audit.

Attendances of each member at the meetings of the Audit Committee during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. WANG Liyan	3	3	0
Mr. SAI Zhiyi	3	3	0
Mr. LIU Chenhang	3	3	0
Mr. SUN Shihu	3	3	0
Mr. YE Xiang	3	3	0

Related Party Transactions Control Committee

The Bank has established a Related Party Transactions Control Committee with written terms of reference. As of the date of this annual report, the Related Party Transactions Control Committee consisted of three Directors, being Mr. JIN Haiteng, Mr. SUN Shihu, and Mr. WANG Liyan. The chairperson of the Related Party Transactions Control Committee is Mr. JIN Haiteng. Mr. JIN Haiteng, Mr. SUN Shihu and Mr. WANG Liyan are independent non-executive Directors. The primary duties of the Related Party Transactions Control Committee include:

- assisting the Board of Directors in performing duties in relation to related party transactions and connected transactions in accordance with applicable laws and regulations;
- reviewing, supervising and approving the lists of related parties and connected persons, and identifying and managing related party transactions and connected transactions, so as to control risks in relation to such transactions;

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- examining and supervising the control over our related party transactions and connected transactions and the implementation of systems in relation to related party transactions and connected transactions, and reporting to the Board of Directors;
- being responsible for the information disclosure of our related party transactions and connected transactions, and the authenticity, accuracy and completeness of the information in relation to such transactions; and
- performing other duties as authorized by the Board of Directors and in accordance with applicable laws and regulations.

During the Reporting Period, the Related Party Transactions Control Committee convened three meetings, and deliberated and approved four proposals, which mainly involved topics including credit business for material related party transactions in 2020 and identification of connected persons.

Attendances of each member at the meetings of the Related Party Transactions Control Committee during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. JIN Haiteng	3	3	0
Mr. SUN Shihu	3	3	0
Mr. WANG Peiming	3	3	0
Mr. RONG Changqing	3	3	0
Mr. WANG Liyan	3	3	0

Risk Management Committee

The Bank has established a Risk Management Committee with written terms of reference. As of the date of this annual report, the Risk Management Committee consisted of four Directors, being Mr. SAI Zhiyi, Mr. JIN Haiteng, Mr. WANG Jianjun and Mr. DUAN Qingshan. The chairperson of the Risk Management Committee is Mr. SAI Zhiyi. Mr. WANG Jianjun is a non-executive Director, and Mr. SAI Zhiyi, Mr. JIN Haiteng and Mr. DUAN Qingshan are independent non-executive Directors. The primary duties of the Risk Management Committee include:

- reviewing our overall risk management policies, measures and preferences in relation to various risks, and assessing the control over these risks by our senior management;
- periodically conducting assessment and listening to reports on our risk policies, management status and risk tolerance ability;

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- formulating working procedures and evaluating the working proficiency of our internal audit department and advising on improvement of our risk management and internal control system;
- conducting preliminary examination of the risk identification of various types of transactions, reviewing such transactions and providing opinions in relation to such transactions; and
- performing other duties as authorized by the Board of Directors and in accordance with applicable laws and regulations.

During the Reporting Period, the Risk Management Committee convened four meetings, and deliberated and approved 10 proposals, which mainly involved topics including guiding opinions on risk management in 2020 and disposal of non-performing loans in batch package. The Risk Management Committee reviews the Bank's risk management system covering credit risk, market risk, operational risk, information technology risk, reputational risk and strategic risk by listening to the senior management's reports on the Bank's risk management on a quarterly basis, puts forward opinions and suggestions on improving the Bank's risk management work and urges the senior management to improve the risk management process according to changes in economic trends and macroeconomic control policies and the actual business development of the Bank.

Attendances of each member at the meetings of the Risk Management Committee during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. SAI Zhiyi	4	4	0
Mr. JIN Haiteng	4	4	0
Mr. TANG Yiping	4	4	0
Mr. WANG Jianjun	4	4	0
Mr. DUAN Qingshan	-	-	-

Corporate Governance Report

Nomination, Remuneration and HR Committee

The Bank has established a Nomination, Remuneration and HR Committee with written terms of reference in compliance with the requirements under the Hong Kong Listing Rules. As of the date of this annual report, the Nomination, Remuneration and HR Committee consisted of four Directors, being Mr. DUAN Qingshan, Mr. JIN Haiteng, Mr. XIANG Lijun and Mr. SAI Zhiyi. The chairperson of the Nomination, Remuneration and HR Committee is Mr. DUAN Qingshan. Mr. XIANG Lijun is a non-executive Director and Mr. DUAN Qingshan, Mr. JIN Haiteng and Mr. SAI Zhiyi are independent non-executive Directors. More than half of the members of the Nomination, Remuneration and HR Committee are independent non-executive Directors, and the chairperson is an independent non-executive Director. The primary duties of the Nomination, Remuneration and HR Committee include:

Nomination duties

- Formulating the criteria and procedures for selecting directors and senior management personnel for approval by the Board of Directors;
- Periodically making recommendations on the size and composition of the Board of Directors in accordance with the Bank's development strategies;
- Identifying qualified individuals as directors, the president of the Bank, the chief audit officer, and the secretary to the Board of Directors, conducting preliminary examination of qualifications and conditions of candidates for directorships and senior management positions, and making recommendations to the Board of Directors;
- Assessing the independence of independent non-executive Directors;
- Making recommendations on the appointment, re-appointment of directors to the Board of Directors; and
- Formulating training plans for senior management and key personnel of the Bank.

Remuneration and appraisal duties

- Making recommendations to the Board of Directors on the policy and structure for remunerations of directors and senior management personnel, and on the establishment of a formal and transparent procedures for developing remuneration policy;
- Reviewing and approving the management's remuneration proposals with reference to the Board of Directors' corporate goals and objectives;
- Formulating the remuneration packages of directors and senior management, making recommendations to the Board of Directors regarding such packages, submitting such packages to the shareholders' general meeting for approval, and supervising the implementation of the same;
- Reviewing the Bank's remuneration policies, contemplating the criteria for appraising directors and senior management, conducting assessment and evaluation and making recommendations to the Board of Directors according to actual conditions;
- Reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office, to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

Corporate Governance Report

- Reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- Performing other duties as authorized by the Board and in accordance with applicable laws and regulations.

During the Reporting Period, the Nomination, Remuneration and HR Committee convened two meetings, and deliberated and approved three proposals, which mainly involved topics including nomination of directors, recruitment and dismissal of senior management personnel and performance evaluation report for directors in 2019.

Attendances of each member at the meetings of the Nomination, Remuneration and HR Committee during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. DUAN Qingshan	–	–	–
Mr. JIN Haiteng	2	2	0
Mr. WANG Junbiao	2	2	0
Mr. XIANG Lijun	2	2	0
Mr. SAI Zhiyi	2	2	0

The Board believes the diverse Board membership is conducive to improving the Bank's performance. The Board diversity of the Bank is of huge importance to achieve sustainable development, implement strategies and maintain good corporate governance.

The Bank adopted a board diversity policy (the "**Board Diversity Policy**") before listing setting out the approach to achieve and maintain diversity on the Board in compliance with the Hong Kong Listing Rules, pursuant to which the Bank seeks to achieve Board diversity through consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time.

Furthermore, the Nomination, Remuneration and HR Committee will review the Board composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhere to the Board Diversity Policy when making recommendation to the Board on appointment of new directors. The Nomination, Remuneration and HR Committee will also review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness and the Bank will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for the Board so as to ensure that appropriate gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices.

Corporate Governance Report

The Board comprises 11 members, including five non-executive Directors and six independent non-executive Directors. Directors of the Bank have a balanced mix of experience, including banking, corporate/economics/administrative management, auditing, accounting and finance. Furthermore, the Board has a relatively wide range of age, ranging from 34 years old to 76 years old. Taking into account the Bank's existing business model and meritocracy of the Directors, despite lack of female representation on the Board, the Directors consider that the current composition of the Board satisfies the principles under the Board Diversity Policy. During the Reporting Period, the Nomination, Remuneration and HR Committee of the Bank actively identified female director candidates, but as of the date of this annual report, no suitable female director candidates have been found. The Bank will continue to promote the identification and nomination of female director candidates and strive to appoint at least one female director by the end of 2021. The Bank will use its best efforts to achieve at least 15% female representation in the Board within five years of listing.

Going forward, to develop a pipeline of potential successors to the Board that could ensure gender diversity of the Board in a few years' time, the Bank will (i) consider the possibility of nominating female senior management who has the necessary skills and experience to the Board; (ii) ensure that there is gender diversity when recruiting staff at mid to senior level; and (iii) engage more resources in training female staff with the aim of promoting them to the senior management or directorship of the Bank.

Consumer Rights Protection Committee

The Bank has established a Consumer Rights Protection Committee with written terms of reference. As of the date of this annual report, the Consumer Rights Protection Committee consisted of four Directors, being Mr. SUN Shihu, Mr. WANG Liyan, Mr. LI Yang and Mr. SAI Zhiyi. The chairperson of the Consumer Rights Protection Committee is Mr. SUN Shihu. Mr. LI Yang is the non-executive Director. Mr. SUN Shihu, Mr. WANG Liyan and Mr. SAI Zhiyi are independent non-executive Directors. The primary duties of the Consumer Rights Protection Committee are as follows:

- being responsible for formulating the strategies, policies and goals of the Bank's consumer rights protection work;
- supervising the senior management to effectively implement consumer rights protection work;
- periodically listening to special reports on consumer rights protection work, supervising and evaluating the comprehensiveness, promptness, and effectiveness of the Bank's consumer rights protection work and the performance of the senior management, and submitting the relevant reports to the Board of Directors; and
- performing other duties as authorized by the Board of Directors and in accordance with applicable laws and regulations.

During the Reporting Period, the Consumer Rights Protection Committee convened one meeting, listened to one report on financial services survey.

Corporate Governance Report

Attendances of each member at the meeting of the Consumer Rights Protection Committee during the Reporting Period are set out as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. SUN Shihu	1	1	0
Mr. WANG Liyan	1	1	0
Mr. TANG Yiping	1	1	0
Mr. LI Yang	–	–	–
Mr. SAI Zhiyi	1	1	0

Corporate governance function

As the Bank has no corporate governance committee, the Board undertakes the Bank's corporate governance functions, such as formulating and reviewing the Bank's policies and corporate governance practices, reviewing and supervising the training and continuous professional development of directors, supervisors and senior management, reviewing and supervising the Bank's policies and practices on compliance with legal and regulatory requirements, and reviewing the Bank's compliance with related codes and disclosure in corporate governance report.

BOARD OF SUPERVISORS

Composition of the Board of Supervisors

As of the date of this annual report, the Board of Supervisors consisted of nine Supervisors, including three employee representative Supervisors, namely Mr. XIE Liying, Mr. WEN Qingquan and Mr. GUO Zhenrong; three shareholder representative Supervisors, namely Mr. BI Guoyu, Ms. XU Jin and Mr. XIA Guisuo; and three external Supervisors, namely Mr. LIU Shoubao, Mr. WU Jun and Mr. LIU Min. The number of members and composition of the Board of Supervisors complied with the applicable laws and regulations.

Changes in members of the Board of Supervisors during the Reporting Period

Save as disclosed in the section "Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management during the Reporting Period", there were no other changes in the members of the Board of Supervisors of the Bank during the Reporting Period.

Corporate Governance Report

Meetings of the Board of Supervisors and Supervisors' attendances at the meetings

During the Reporting Period, the Bank convened 11 meetings of the Board of Supervisors, and deliberated and approved 72 proposals, which mainly involved topics including the work report of the Board of Supervisors, the performance evaluation report and the 2019 annual report etc.

Attendances of each Supervisor at the meetings of the Board of Supervisors during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. XIE Liying	11	11	0
Mr. WEN Qingquan	11	11	0
Mr. GUO Zhenrong	11	11	0
Mr. BI Guoyu	11	11	0
Ms. XU Jin	11	11	0
Mr. XIA Guisuo	11	11	0
Mr. LIU Shoubao	11	11	0
Mr. WU Jun	11	11	0
Mr. LIU Min	11	11	0

Committees under the Board of Supervisors

There are two committees under the Bank's Board of Supervisors, namely, the Supervision Committee and the Nomination Committee. The committees operate in accordance with the terms of reference established by the Board of Supervisors.

Supervision Committee

As of the date of this annual report, the Supervision Committee consisted of five Supervisors, being Mr. LIU Shoubao, Mr. BI Guoyu, Ms. XU Jin, Mr. XIA Guisuo and Mr. GUO Zhenrong. The chairperson of the Supervision Committee is Mr. LIU Shoubao. The primary duties of the Supervision Committee include:

- supervising the formulation of supervision and examination plans, and the implementation of supervision on our operational decisions, financial activities, risk management and internal control;
- making recommendations on penalties over violations of applicable laws, regulations and rules by the Board of Directors and senior management;
- supervising the issuance of written reports by the office of the Board of Supervisors on financial reports and distribution plans;
- conducting preliminary review on removals of independent non-executive directors, and making recommendations to the Board of Supervisors regarding such removals;
- supervising other relevant matters which are material to our business and operation; and
- performing other duties as authorized by the Board of Supervisors.

Corporate Governance Report

During the Reporting Period, the Supervision Committee convened four meetings, and deliberated and approved 47 proposals, which mainly involved topics including 2019 annual report, guiding opinions on risk management in 2020, etc.

Attendances of each member at meetings of the Supervision Committee during the Reporting Period are shown in the table below:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. LIU Shoubao	4	4	0
Mr. BI Guoyu	4	4	0
Ms. XU Jin	4	4	0
Mr. XIA Guisuo	4	4	0
Mr. GUO Zhenrong	4	4	0

Nomination Committee

As of the date of this annual report, the Nomination Committee consisted of five Supervisors, being Mr. WU Jun, Mr. XIE Liying, Mr. BI Guoyu, Mr. LIU Min and Mr. WEN Qingquan. The chairperson of the Nomination Committee is Mr. WU Jun. The primary duties of the Nomination Committee include:

- instructing the formulation of criteria and procedures for selecting supervisors;
- conducting preliminary examination of qualifications and conditions of supervisor candidates, and making recommendations to our Board of Supervisors;
- formulating the assessment plans for supervisors, conducting assessment for supervisors, and raising preliminary assessment opinions;
- formulating the remuneration packages for supervisors, making recommendations to the Board of Supervisors in relation to such packages, and submitting to the shareholders' general meeting for approval;
- periodically assessing the performance of directors and senior management and reporting to the shareholders' general meeting;
- conducting preliminary review on resignations or removals of supervisors, and making recommendations to the Board of Supervisors; and
- performing other duties as authorized by the Board of Supervisors.

Corporate Governance Report

During the Reporting Period, the Nomination Committee convened three meetings, and deliberated and approved six proposals, which mainly involved topics including the work report of the Board of Supervisors and performance evaluation report etc. Attendances of each member at meetings of the Nomination Committee during the Reporting Period are shown in the table below:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. WU Jun	3	3	0
Mr. XIE Liying	3	3	0
Mr. BI Guoyu	3	3	0
Mr. LIU Min	3	3	0
Mr. WEN Qingquan	3	3	0

Attendances at the shareholders' general meetings during the Reporting Period

During the Reporting Period, the Bank convened two shareholders' general meetings. The Board of Supervisors dispatched representatives to attend the meetings and supervise onsite whether the contents considered at the meetings, meeting procedures and voting processes comply with the laws and regulations.

Attendances at the Board meetings during the Reporting Period

During the Reporting Period, to improve the basic duty performance evaluation work, the Bank's Board of Supervisors dispatched supervisors to attend the Board meetings and required the Supervisors to record the key contents and information related to the meetings of the special committees of the Board attended by them, which records were used as the basic data for year-end evaluation of the Board of Supervisors and effectively improved the objectivity of evaluation work.

Trainings of the Directors and Supervisors during the Reporting Period

During the Reporting Period, Directors and Supervisors of the Bank participated in the related trainings mainly on duty performance of directors and supervisors, etc.

SENIOR MANAGEMENT

Senior management has the power granted by the Board of the Bank to manage the daily operation of the Bank. President of the Bank is mainly responsible for executing the decisions of the Board and reporting to the Board. During the Reporting Period, three vice presidents and other senior management personnel of the Bank worked with the president of the Bank and perform their respective management responsibilities.

The Bank's Board and management represented by the president perform their respective responsibilities according to the terms of reference specified in the Articles of Association. Under the Articles of Association, the president and senior management are accountable to the Board and accept the supervision of the Board of Supervisors. The president and senior management shall, in a regular manner or as required by the Board or Board of Supervisors, report to the Board or Board of Supervisors the Bank's operation performance, financial conditions, risk conditions, operation prospects, material contracts, significant events and other conditions, and shall ensure the authenticity of such reports. Senior management may set up special committees and functional departments according to work needs and as required by the Board, and specify the structure of functional departments.

Corporate Governance Report

CHAIRMAN OF THE BOARD AND PRESIDENT

The respective duties of the chairman of the Board and president of the Bank were defined clearly, which complied with the Hong Kong Listing Rules.

On January 8, 2020, Mr. YAN Junsheng resigned as chairman of the Bank. For details, please refer to the announcement titled “Resignation of Executive Director and Chairman” issued by the Bank on January 8, 2020. On March 10, 2020, the Board of Directors of the Bank elected Mr. WANG Junbiao as the Chairman. On December 9, 2020, Mr. Tang Yiping resigned as the President of the Bank due to work re-arrangement. For further details, please refer to the Bank’s announcement headed “Resignation of Executive Directors, Vice Chairman, President and Authorized Representative” issued on December 9, 2020. On April 26, 2021, due to work re-arrangement, Mr. WANG Junbiao resigned as the chairman of the Board of the Bank. For details, please refer to the announcement entitled “Resignation of Executive Director and Chairman” issued by the Bank on April 26, 2021.

COMPANY SECRETARIES

On September 11, 2020, Ms. HAO Qiang no longer served as the Joint Company Secretary of the Bank due to work adjustment. On the same day, Mr. LI Weiqiang was appointed as the Joint Company Secretary of the Bank. For further details, please refer to the Bank’s announcement headed “Announcement of Change of Joint Company Secretary” issued on September 14, 2020. Ms. YEUNG Ching Man served as the Joint Company Secretary of the Bank from January 25, 2019 to March 26, 2021. Each Director may discuss with the company secretaries for advice and information. Mr. LI Weiqiang is Ms. YEUNG Ching Man’s main contact in the Bank. Mr. LI Weiqiang and Ms. YEUNG Ching Man confirmed that they have received at least 15 hours of relevant professional training during the Reporting Period.

On March 26, 2021, Ms. YEUNG Ching Man no longer served as Joint Company Secretary of the Bank. On the same day, Mr. WONG Wai Chiu was appointed as the Joint Company Secretary. For details, please refer to the Bank’s announcement headed “Change of Joint Company Secretaries, Authorized Representative and Agents for Legal Procedure and Exemption from Strict Compliance with Rules 3.28 and 8.17 of the Listing Rules and Change of Building Name of Principal Place of Business in Hong Kong” issued on March 26, 2021.

RELATIONSHIP BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PERSONNEL

There is no financial, business or kinship relationship between the Directors, Supervisors and senior management personnel of the Bank.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE BANK

On June 9, 2020, the resolution to amend the Articles of Association of the Bank was passed in the 2019 Annual General Meeting of the Bank, the Domestic Shares Class Meeting and the H Share Class Meeting. The revised Articles of Association of the Bank will come into effect from the date when we obtain all necessary approvals from CBIRC. Before this, the Articles of Association of the Bank currently in effect shall apply. For details, please refer to the Circular and Announcement of the Bank issued on April 30, 2020 and June 9, 2020 respectively.

Except as disclosed above, there are no other significant changes in the Articles of Association during the Reporting Period and the date of this annual report. The Articles of Association is available on the websites of the Bank and Hong Kong Stock Exchange.

Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS

The Bank attached great importance to the opinions and suggestions of shareholders and actively organized various communication activities with investors and analysts, so as to maintain a good relationship and respond to the reasonable requirements of shareholders in a timely manner. Shareholders may make enquiries to the Board through the office of the Board. Contact details of the Board are as follows:

Address: No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC
Postal Code: 030006
Tel.: 0351-6819503
Fax: 0351-6819503
E-mail: dongban@jshbank.com

SHAREHOLDERS' RIGHTS

Procedures for shareholders to call an extraordinary general meeting

The Bank effectively safeguards shareholders' rights in strict accordance with the applicable laws and regulations, Hong Kong Listing Rules, Articles of Association and corporate governance system.

Pursuant to the Articles of Association, an extraordinary general meeting is required to be held within two months from the date of occurrence of any of the following:

Shareholders individually or in aggregate holding more than 10% of the Bank's shares may request in writing to the Board to convene an extraordinary general meeting or class meeting; the Board shall, pursuant to relevant laws, administrative regulations and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or class meeting within ten days after receipt of the request. The number of shares held by the aforesaid shareholders shall be subject to the number of shares held by such shareholders on the date of their written request to the Board.

More than half of the independent directors (if there are only two independent directors, the independent directors shall agree unanimously) shall be entitled to propose to the Board to convene an extraordinary general meeting. The Board shall, pursuant to relevant laws, administrative regulations and the Articles of Association, give a written reply on whether or not it agrees to hold such an extraordinary general meeting within 10 days after receipt of the proposal of the independent directors to hold such a meeting. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. If the Board does not agree to hold the extraordinary general meeting, it shall give the reasons.

The Board of Supervisors or more than half of the external supervisors (if there are only two external supervisors, they shall agree unanimously) shall be entitled to propose to the Board to convene an extraordinary general meeting, and shall put forward its proposal to the Board in writing. The Board shall, pursuant to relevant laws, administrative regulations and the Articles of Association, give a written reply on whether or not it agrees to hold such an extraordinary general meeting within 10 days after receipt of the proposal.

If the Board agrees to hold the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. Any change to the original proposal sets forth in the notice shall be subject to approval by the Board of Supervisors. If the Board does not agree to hold the extraordinary general meeting or fails to give a written reply within 10 days after receipt of the proposal, it shall be deemed to be unable to perform or fail to perform the duty of convening the extraordinary general meeting, and the Board of Supervisors may convene and preside over the meeting by itself.

For further details, shareholders may refer to the Articles of Association published on the websites of Hong Kong Stock Exchange and our Bank.

Corporate Governance Report

Procedures for making proposals at shareholders' general meeting

Where the Bank convenes a shareholders' general meeting, the Board, Board of Supervisors, and shareholder(s) individually or in aggregate holding more than 3% of the total voting shares of the Bank may make proposals to the Bank. The Bank shall include in the agenda of the meeting the matters in the proposal that fall within the scope of functions of the shareholders' general meeting.

Shareholders individually or in aggregate holding more than 3% of the total voting shares of the Bank may submit written provisional proposals to the convener 10 days before the shareholders' general meeting. The convener shall serve a supplementary notice of shareholders' general meeting within two days after receipt of the proposals and announce the contents of the provisional proposals.

Save as specified in the preceding paragraph, the convener shall not change the proposals set out in the notice of shareholders' general meeting or add any new proposal after the said notice is served.

For further details, shareholders may refer to the Articles of Association published on the websites of Hong Kong Stock Exchange and our Bank.

EXTERNAL AUDITORS AND THEIR REMUNERATIONS

Pursuant to the Administrative Measures for the Appointment of Accounting Firms by Financial Enterprises (《金融企業選聘會計師事務所管理辦法》) (Caijin [2016] No. 12) issued by the Ministry of Finance, the term of appointment of an accounting firm by a financial enterprise shall not exceed eight years. KPMG has been consecutively engaged as the auditing agency for the financial statements of the Bank for eight years as of 2019. In order to comply with above requirement, the Bank has reached a mutual understanding with KPMG on the non-renewal of its appointment. On June 9, 2020, the shareholders of the Bank deliberated and approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the new auditors of the Group at the 2019 annual general meeting and the tenure will terminate until the end of next annual general meeting of the Bank.

For the year ended December 31, 2020, the remuneration agreed to be paid by the Bank to Ernst & Young Hua Ming LLP and Ernst & Young for the review of interim financial statements and the audit of annual financial statements was RMB3.98 million in aggregate. During the Reporting Period, the Bank is not subject to any non-audit service fees.

Remuneration of senior management

Details of the remuneration of senior management for the year ended December 31, 2020 are set out in the "Directors, Supervisors, Senior Management and Employees – Information on Remuneration Paid to Directors, Supervisors and Senior Management" of this annual report.

Risk management and internal control

For details of the Bank's risk management and internal control, please refer to the "Risk Management and Internal Control" of this annual report.

Securities transactions by Directors, Supervisors and relevant employees

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules as its code of conduct for regulating securities transactions by Directors, Supervisors and relevant employees of the Bank. Having made enquiry with all Directors and Supervisors, all of the Directors and Supervisors confirmed that they have been in compliance with the Model Code above throughout the Reporting Period. The Bank is not aware of any violations of the Code by the employees concerned.

Directors' Report

The Board hereby presents the Directors' report and audited financial statements of the Bank for the year ended December 31, 2020.

MAIN OPERATIONS

The Bank is principally engaged in banking and relevant financial services, including corporate banking, retail banking and financial markets. The data on business audit of the Bank for the year ended December 31, 2020 is set out in "Management Discussion and Analysis" of this annual report.

BUSINESS REVIEW

Business review of the Bank

The business review of the Bank during the Reporting Period is set out in "Management Discussion and Analysis – 10 Business Review".

Environmental policy and performance

In recent years, the Bank has actively undertaken social responsibilities related to environmental policies. In 2020, the Bank complied with the "comply or explain" provisions set forth in the Environmental, Social and Governance Reporting Guide. For further information of the environmental policies and performance of the Bank during the Reporting Period, please refer to the 2020 Environmental, Social and Governance Report to be published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank in due course.

For details of the Bank's environmental policy and performance, please refer to "2020 Environmental, Social and Governance Report of Jinshang Bank Co., Ltd."

CONSUMER RIGHTS PROTECTION

The Board has established the Consumer Rights Protection Committee. For details of its responsibilities, please refer to the "Special Committees of the Board of Directors – Consumer Rights Protection Committee" of this annual report.

In terms of consumer rights protection, the Bank mainly carried out the following activities: (1) improved the construction of the mechanism, optimized consumer complaint handling mechanism, and improved the service system; (2) strengthened service management, further enhanced customer experience and improved service level by strengthening daily inspection, supervision and innovation of product service model; (3) performed social responsibilities and increased finance publicity and education efforts. In 2020, a total of over 700 financial knowledge publicity activities were carried out by the Bank, the accumulated number of the employees participating in publicity activities reached over 2,300, a total of 210,000 copies of publicity materials were distributed and over 170 videos were produced, helping consumers improve safety concept and risk prevention ability; (4) cultivated service culture, strengthened corporate culture construction, and established the culture concept of responsibility.

Directors' Report

COMPLIANCE WITH LAWS AND REGULATIONS

Based on Guidelines on Corporate Governance of Commercial Banks, Guidelines on Comprehensive Risk Management for Banking Financial Institutions and other risk management principles, the Bank has established a sound risk management organizational structure, comprising (1) the Board of Directors, the Risk Management Committee at the board level and the Board of Supervisors; (2) various special risk management committees at the board level and at the senior management level that take charge of the guidance, support and coordination of our risk management system; and (3) various departments at our head office, branches and sub-branches that are in charge of daily risk management work. Capitalizing on our comprehensive risk management structure, the Bank has been able to effectively manage key risks associated with our daily operations, primarily including credit risk, market risk, liquidity risk and operational risk.

The Bank has established a range of systems and measures to manage and control the legal risks faced by the Bank. Our Legal and Compliance Department at the head office and the corresponding departments at the branch level are responsible for management of our legal risk. The Bank carries out legal risk management mainly through the following measures: (1) Implementing the legal review system. The Bank requires the contracts for all types of businesses bank-wide to be submitted to our Legal and Compliance Department for legal review, and to be used only after obtaining our legal opinion. The Bank conducts legal review of our businesses to prevent legal risks and ensure the legality of our operational activities.; (2) Formulating form agreements. The Bank formulates form agreements for frequent operational activities and uses them in bank-wide businesses to reduce legal risks; (3) Strengthening litigation management. The Head Office centralizes the bank-wide litigation management of cases where amounts in dispute exceed RMB1.0 million. The Bank studies and discusses the action plans upon litigation, formulates internal procedures relating to litigation management, and maintains a database of qualified law firms we may choose from, so as to enhance our case management capability; (4) Periodic legal training. The Bank conducts multiple bank-wide legal training every year to enhance the legal knowledge and risk awareness of our personnel; and (5) Legal risk alert system. For common legal risks in the Bank's business operations, the Bank publishes legal risk alerts to remind our employees to prevent and reduce the occurrence of legal risk incidents.

The Bank has developed internal policies and procedures with respect to anti-money laundering which are primarily relating to customer due diligence, transaction record keeping, suspected terrorism financing activities, anti-money laundering classification, and large and suspicious transaction reporting. The Bank systematically conducted customer due diligence and collected relevant information and transaction records pursuant to applicable laws and regulations and our internal policies. The Bank has developed an anti-money laundering system, which enables us to effectively identify, evaluate, monitor, control and report anti-money laundering risks. The Bank also optimizes the system and improves our model for identifying suspicious transactions on a continuous basis in order to enhance our ability to report large-amount and suspicious transactions. The Bank provides frequent training to our employees to assist them to understand the latest development about domestic and international anti-money laundering laws.

Based on our internal rules and policies, the Bank classifies our customers into five levels based on their money laundering risk. For newly acquired customers who have a newly established business relationship with us, the Bank reviews the customer information and classifies their risk levels. The Bank continuously monitors changes in the customer's situation and their transactional records and adjusts their risk levels as appropriate. For high risk customers, the Bank conducts identification recognition. The Bank focuses on analyzing their source of funds, use of funds, financial condition, operational status, controlling shareholders and controlling persons. The Bank also conducts closer monitoring on their transactional details through our core business system or anti-money laundering system.

Directors' Report

The Bank has established a management system for large and suspicious transaction reporting, and has formulated independent monitoring rules and models according to the requirements set forth by the regulatory authorities. The Bank submits suspicious transaction reports which fulfill the requirements and have gone through the artificial analysis to the Anti-money Laundering Monitoring Center of PBoC, and the Bank timely files the key suspicious transaction reports to the local PBoC representative.

The Board closely monitors the policies and regulations in relation to compliance with laws and regulatory requirements. As of December 31, 2020, to the best knowledge of the Board, the Bank has complied in all material respects with all applicable laws and regulations which could materially affect the Bank.

RELATIONSHIP BETWEEN THE BANK AND ITS EMPLOYEES

The senior management of the Bank pays particular attention to the cultivation of talents and consider the identification and utilization of talents the basis of the Bank's sustainable development. The Bank has established a workforce with necessary expertise and strong execution capacity. The Bank has established a comprehensive incentive management system offering a clear career development path for its staff, encouraging employees with different expertise to fully realize their value. The Bank invests in improvements in our continued training program for employees that comprise multi-level courses and on-the-job training covering various positions, where it aims to enhance employees' professional capability and to build a professional, dedicated, honest and united talent team.

Believing that its sustainable growth relies on the capability and dedication of its employees, the Bank has invested significant resources in talent development. With the mission of building a team of high-quality and professional cadres and talents, the Bank organizes and conducts a variety of training programs. The Bank adopts the "going out" strategy to learn management, and cooperates with internationally renowned companies to provide cutting-edge programs with various forms, novel contents and wide categories, which offer managers diverse thinking and support for their decision-making, for middle and senior management team and branch executives. The Bank conducts intensive training programs on workplace skills and business knowledge arranging for new employees, creates diversified online training channels based on current situation to expand the coverage of training.

In compliance with the PRC laws and regulations, the Bank contributes to its employees' social security and other benefits program including pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing allowances and corporate annuity.

The Bank has a labor union established in accordance with PRC laws and regulations, which represents the interests of the employees and works closely with the management of the Bank on labor-related issues. During the Reporting Period, the Bank had not experienced any strikes or other material labor disputes that affect its operations, and the Bank believed the management had been maintaining a good relationship with the labor union.

For details of the Bank's employees and employment policies, please refer to the aforesaid section "Directors, Supervisors, Senior Management and Employees" and 2020 Environmental, Social and Governance Report to be published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank in due time.

Directors' Report

PERFORMANCE

The performance of the Bank for the year ended December 31, 2020 is set out in the section headed “Financial Statements”.

DIVIDEND

Aiming at providing stable and sustainable returns to shareholders, the Bank strives to maintain a stable dividend policy, under which when deciding whether to distribute dividends and the amount of dividends, the Board will consider the Group's operating results, financial conditions, distributable profits generated in the current year, working capital adequacy, capital requirements, future prospects and any other factors the Board deems appropriate.

On March 26, 2020, the Board passed a resolution which proposed to declare and distribute cash dividends of RMB11.0 (tax inclusive) per 100 shares, totaling RMB642.3 million for the year ended December 31, 2019. The declaration and distribution of these dividends were approved at the 2019 annual general meeting on June 9, 2020. The Bank has declared and distributed these dividends for the year ended December 31, 2019 with its internal funds on July 29, 2020.

The profits of the Bank for the year ended December 31, 2020 and the financial conditions of the Bank as of the same date are set out in the section “Financial Statements” of this annual report.

The Board has proposed to distribute final dividends for the year ended December 31, 2020 at RMB10.0 (tax inclusive) per 100 shares in cash, with an aggregate amount of approximately RMB583.9 million. The final dividend is subject to approval of shareholders at the annual general meeting of 2020 (“**2020 Annual General Meeting**”) to be held by the Bank. If approved at the 2020 Annual General Meeting of the Bank, the final dividend is expected to be paid on July 30, 2021.

If the proposal is approved at the 2020 Annual General Meeting, the dividend will be distributed to holders of Domestic Shares and H Shares registered on the share register of the Bank on June 22, 2021 (Tuesday). The aforesaid dividend proposed to be distributed will be denominated in RMB and distributed to holders of Domestic Shares in RMB and holders of H Shares in Hong Kong dollars, respectively. The applicable exchange rate for calculating the dividend to be distributed in Hong Kong dollars will be the average of the RMB central parity in the interbank foreign exchange market announced by the PBoC for the five working days (including the date of the 2020 Annual General Meeting) before declaration of dividend distribution at the 2020 Annual General Meeting. The registration of transfers of Domestic Shares and H Shares of the Bank will be closed from June 17, 2021 (Thursday) to June 22, 2021 (Tuesday) (both days inclusive). If the holders of H Shares of the Bank want to obtain the final dividend of 2020 but have not registered the transfer documents, the said holders shall submit the transfer documents together with the relevant share certificates to our H Share Registrar, namely Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on June 16, 2021 (Wednesday).

Directors' Report

The Bank had no plan for conversion of capital reserve into share capital in the past three years. The cash dividend on ordinary shares in the past three years is as follows:

	2017	2018	2019
Cash dividend (tax inclusive, in millions of RMB)	486.8	486.8	642.3
Percentage in the annual profit (%)	39.62	36.98	43.23

Date of the 2020 Annual General Meeting and Closure of Registration of Share Transfer

The Bank planned to hold the 2020 Annual General Meeting on June 10, 2021 (Thursday). For the purpose of determining shareholders who have the right to attend and vote at the 2020 Annual General Meeting, the register of H Shares of the Bank will be closed from May 10, 2021 (Monday) to June 10, 2021 (Thursday) (both days inclusive). The holders of H Shares of the Bank who intend to attend and vote at the 2020 Annual General Meeting shall submit all the transfer documents together with the relevant share certificates to our H Share Registrar, namely Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on May 7, 2021 (Friday). Shareholders registered on our share register as at the close of business on May 7, 2021 (Friday) shall be entitled to attend and vote at the 2020 Annual General Meeting.

RELATIONSHIP BETWEEN THE BANK AND ITS CUSTOMERS

The Bank is the only provincial city commercial bank in Shanxi Province. We have established an extensive business network covering Shanxi Province that fully penetrated into regions with strong economic growth. As of December 31, 2020, we had a business network comprising 160 outlets that covered all 11 prefecture-level cities in Shanxi Province. Capitalizing on our deep knowledge on the local economy and leveraging policies promulgated by PRC Government in recent years promoting industry upgrade and economic transformation in Shanxi Province, we strategically expanded into industries that enjoy strong business prospect. In particular, we invested in capturing opportunities arising from industries and businesses encouraged by favorable policies, including the consolidation and upgrade of coal-related industries, the integration of coal and power industries as well as the new material industries, and the development of advanced manufacturing and tourism industries that focus on products and services with unique features and advantages.

Following policies of PRC Government encouraging financial services supporting the real economy, particularly micro and small enterprises, we launched a series of loan products based on the fund needs and business features of micro and small enterprises that are well-recognized by the market, including "Kuai Ya Dai (快押貸)" and "Lian Lian Rong (聯鏈融)".

In 2020, we were ranked 378th among the "Top 1000 World Banks" in terms of tier-one capital as of December 31, 2019 by The Banker, moving up 43 places compared with our ranking in 2019.

KEY RISKS FACING THE BANK

For key risks facing the Bank during the Reporting Period, please see "Management Discussion and Analysis – 9 Risk Management".

Directors' Report

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

For significant events of the Bank subsequent to the end of the Reporting Period, please refer to “Important Matters – Significant Events Subsequent to the End of the Reporting Period”.

FUTURE DEVELOPMENT

A review on aspects affecting the future development of the Bank is set out in “Management Discussion and Analysis – Business Overview and Development Strategies”.

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS DURING THE YEAR

For details, please refer to the sections headed “Summary of Five-Year Accounting Data and Financial Indicators” and “Management Discussion and Analysis” of this annual report.

SHARE CAPITAL

For details of the Bank’s share capital, please refer to “Changes in Share Capital and Information of Shareholders – I. Changes in Share Capital”.

PREEMPTIVE RIGHT

The Articles of Association and relevant PRC laws have no provisions on granting the preemptive right to the shareholders of the Bank. According to the Articles of Association, the Bank may increase its capital as follows in the light of its business and development needs, in accordance with laws, administrative regulations, and rules governing securities of the place where shares of the Bank are listed, resolutions made at the shareholders’ general meeting and upon approval by relevant competent authorities of the State: public offering of shares; non-public offering of shares; placing new shares to existing shareholders; distributing new shares to existing shareholders; transferring reserve funds to increase share capital; other methods stipulated by laws, administrative regulations and permitted by relevant competent authorities of the State. The Bank’s increase of capital by issuing new shares shall be conducted in accordance with the procedures provided in relevant laws, administrative regulations, rules governing securities of the place where shares of the Bank are listed, after being approved according to the Articles of Association.

SUBSTANTIAL SHAREHOLDERS

Please refer to “Changes in Share Capital and Information of Shareholders – II. Information of Shareholders” for details of the Bank’s substantial shareholders at the end of the Reporting Period.

DONATIONS

The charitable donations and other donations made by the Bank for the year ended December 31, 2020 amounted to RMB1.8 million.

PROPERTY AND EQUIPMENT

Details of changes in the property and equipment of the Group for the year ended December 31, 2020 are set out in Note 22 to the financial statements of this annual report.

Directors' Report

CHANGES IN RESERVES

Details of changes in the Group's reserves for the year ended December 31, 2020 are set out in the consolidated statement of changes in equity in the financial statements.

RESERVES AVAILABLE FOR DISTRIBUTION

The Group's reserves available for distribution as of December 31, 2020 were RMB2,166.8 million.

RETIREMENT BENEFITS

For details of retirement benefits provided to employees of the Bank, please refer to Note 30(a) to the financial statements of this annual report.

MAJOR CUSTOMERS

As at the end of the Reporting Period, the balance of the Bank's loans to any single borrower did not exceed 10% of the Bank's net capital. As at the end of the Reporting Period, the five largest depositors of the Bank accounted for less than 30% of total deposits and the five largest borrowers accounted for less than 30% of total loans and advances to customers. None of the Directors of the Bank and their close associates or any shareholder which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Bank had any interest in the said five largest customers.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the biographical information of the members of the Board of Directors of the Bank and the changes of Directors during the Reporting Period, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Bank has entered into a service contract with each of its Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observation of the Articles of Association and provisions on arbitration. During the Reporting Period, none of the Directors or Supervisors of the Bank had any service contract that shall be made with compensation by the Bank upon its termination within one year (other than statutory compensation).

PERMITTED INDEMNITY PROVISIONS

Pursuant to Article A.1.8 of the Code provisions, the Bank should purchase appropriate insurance covering potential legal proceedings against the Directors of the Bank. To comply with the Code provisions, the Bank had purchased appropriate liability insurance for the Directors to provide indemnity against the liabilities incurred in the corporate activities for the year ended December 31, 2020.

Except as disclosed above, during the Reporting Period and up to the date of this annual report, there were no permitted indemnity provision in favour of any Director or Supervisor (whether or not entered into by the Bank or otherwise) or any director or supervisor of an associated corporation of the Bank (if entered into by the Bank).

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

The Bank did not enter into any transaction, arrangement or significant contract where Directors and/or Supervisors of the Bank or its subsidiaries (or connected entity of Directors and/or Supervisors) directly or indirectly held material interests for the year ended December 31, 2020.

Directors' Report

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACT

Except for service contracts entered into with the management of the Bank, the Bank has not entered into any other contracts with any individual, company or body corporate regarding the management or handling of the whole or any significant part of any business of the Bank.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN SHARES OF THE BANK

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

Directors

Name of Director	Capacity	Class of Shares	Number of shares held directly or indirectly (long position)	% of interest in our Bank	% of the relevant class of Shares of our Bank
Mr. LI Yang (李楊) ⁽¹⁾	Interest in controlled corporations	Domestic Shares	685,227,255	11.74%	14.08%

Note:

- (1) Mr. LI Yang held 90% equity interest in Changzhi Nanye, and Ms. WANG Yanli held 70% equity interest in Changzhi Huashengyuan.

Changzhi Nanye and Changzhi Huashengyuan are parties acting-in-concert according to their respective confirmation. Therefore, Mr. LI Yang, Ms. WANG Yanli, Changzhi Nanye and Changzhi Huashengyuan would be deemed to be interested in 685,227,255 Domestic Shares, representing approximately 11.74% equity interest in our Bank. By virtue of SFO, Mr. LI Yang and Ms. WANG Yanli are deemed to be interested in the Domestic Shares held by both Changzhi Nanye and Changzhi Huashengyuan, while Changzhi Nanye and Changzhi Huashengyuan are deemed to be interested in the Domestic Shares held by each other.

In January 2021, Mr. LI Yang transferred his 90% equity interest in Changzhi Nanye to Mr. LI Jianming, who is Mr. LI Yang's father.

Save as disclosed above, none of the Directors, chief executive or Supervisors of the Bank or their associates had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at December 31, 2020.

Directors' Report

CORPORATE GOVERNANCE

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

PUBLIC FLOAT

Based on information that is publicly available to the Bank and to the knowledge of the Directors, as of the date of this annual report, the Bank has maintained sufficient public float in compliance with the minimum requirement of Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange after the listing of the Bank.

CONNECTED TRANSACTIONS

The Bank provided commercial banking services and products to members of the public in China in its ordinary and usual course of business, including substantial shareholders, certain Directors and Supervisors, the president and/or their respective associates. Each of the above persons is a connected person of the Bank under Hong Kong Listing Rules. As these transactions are entered into on normal commercial terms in the ordinary and usual course of the business of the Bank, such transactions are exempt from the reporting, annual review, disclosure and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

During the Reporting Period, the Bank complied with the reporting, annual review, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules in respect of certain non-exempt continuing connected transactions. The table below sets forth the information of these continuing connected transactions.

Directors' Report

No.	Continuing connected transactions	Connected persons	2020 annual caps (in thousands of RMB)	2020 actual transaction amounts (in thousands of RMB)
(1)	Fee- and commission-based products and services between the Bank and Huaneng Capital Service and its associates	Huaneng Capital Service Co., Ltd. ("Huaneng Capital Service") and its associates	Investment amount: Great Wall Securities Asset Management Schemes 2,200,000.00 Huaneng Guicheng Trust Schemes 2,500,000.00 IGWFM Schemes 2,500,000.00 GWFM Schemes 2,500,000.00 Total: 9,700,000.00	Actual investment amount: Great Wall Securities Asset Management Schemes 1,916,186.30 Huaneng Guicheng Trust Schemes 1,283,189.00 IGWFM Schemes 300,000.00 GWFM Schemes 200,000.00 Total: 3,699,375.30
			Fees and commissions received by the Bank: Great Wall Securities Asset Management Schemes 98,300.00 Huaneng Guicheng Trust Schemes 112,500.00 IGWFM Schemes 101,300.00 GWFM Schemes 101,300.00 Other fees and commissions 46,600.00 Total: 460,000.00	Actual fees and commissions received by the Bank: Great Wall Securities Asset Management Schemes 57,370.97 Huaneng Guicheng Trust Schemes 15,573.87 IGWFM Schemes 18,603.07 GWFM Schemes 6,200.25 Other fees and commissions 14,047.96 Total: 111,796.12

Directors' Report

No.	Continuing connected transactions	Connected persons	2020 annual caps (in thousands of RMB)	2020 actual transaction amounts (in thousands of RMB)
			Fees and commissions paid by the Bank:	Actual fees and commissions paid by the Bank:
			Great Wall Securities Asset Management Schemes 3,300.00	Great Wall Securities Asset Management Schemes 2,391.76
			Huaneng Guicheng Trust Schemes 3,800.00	Huaneng Guicheng Trust Schemes 1,312.09
			IGWFM Schemes 11,500.00	IGWFM Schemes 674.99
			GWFM Schemes 11,500.00	GWFM Schemes 355.23
			Other fees and commissions 9,900.00	Other fees and commissions 1,454.93
			Total: 40,000.00	Total: 6,189.00
(2)	Fee- and commission-based products and services to SSCO and its associates	Shanxi State-owned Capital Operation Co., Ltd. (formerly known as Shanxi State-owned Capital Investment and Operation Co., Ltd.) (" SSCO ") and its associates	Fees and commissions from the provision of fee- and commission-based products and services to SSCO and its associates: 215,000.00	Actual fees and commissions from the provision of fee- and commission-based products and services to SSCO and its associates: 181,154.75

Directors' Report

No.	Continuing connected transactions	Connected persons	2020 annual caps (in thousands of RMB)	2020 actual transaction amounts (in thousands of RMB)
(3)	Fee-and commission-based products and services between the Bank and Shanxi Financial Holding and its associates	Shanxi Financial Investment Holding Group Co., Ltd. (" Shanxi Financial Holding ") and its associates	<p>Fees and commissions from the provision of fee-and commission-based products and services to Shanxi Financial Holding and its associates: 45,000.00</p> <p>Fees and commissions charged by Shanxi Financial Holding and its associates for the provision of fee-and commission- based products and services to the Bank: 11,000.00</p>	<p>Actual fees and commissions from the provision of fee-and commission-based products and services to Shanxi Financial Holding and its associates: 3,705.47</p> <p>Actual fees and commissions charged by Shanxi Financial Holding and its associates for the provision of fee-and commission- based products and services to the Bank: 5,069.44</p>
(4)	Fee-and commission-based products and services to Changzhi Nanye and its associates	Changzhi Nanye Industry Group Co., Ltd. (" Changzhi Nanye ") and its associates	Fees and commissions from the provision of fee-and commission- based products and services to Changzhi Nanye and its associates: 35,000.00	Actual fees and commissions from the provision of fee-and commission- based products and services to Changzhi Nanye and its associates: 8,360.08

Directors' Report

1. Fee- and Commission-based Products and Services between the Bank and Huaneng Capital Service and its Associates

In the ordinary and usual course of business, we participate in the asset management schemes (“**Great Wall Securities Asset Management Schemes**”) launched by Great Wall Securities Co., Ltd. (長城證券股份有限公司) (“**Great Wall Securities**”) and also participate in the collective trust schemes (“**Huaneng Guicheng Trust Schemes**”) launched by Huaneng Guicheng Trust Corp., Ltd. (華能貴誠信託有限公司) (“**Huaneng Guicheng Trust**”). To comply with the requirements of the Hong Kong Listing Rules, we entered into a framework agreement (the “**Huaneng Framework Agreement**”) with Huaneng Capital Service on June 24, 2019 to cover both the Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes. The Huaneng Framework Agreement will be valid until December 31, 2021, unless terminated earlier in accordance with the agreement. In addition to the Great Wall Securities Asset Management Schemes and the Huaneng Guicheng Trust Schemes, (1) the Bank also participates in the Fund Management Schemes (“**IGWFM Schemes**”) launched by Invesco Great Wall Fund Management Co., Ltd. (“**Invesco Great Wall Fund**”) and the Fund Management Schemes (“**GWFM Schemes**”) launched by Great Wall Fund Management Co., Ltd. (“**Great Wall Fund**”); (2) the Bank provides fee- and commission-based products and services to Huaneng Capital Service and its associates, mainly including bank acceptance bills, settlement services, debt securities underwriting and distribution, direct banking services and fund/trust product distribution services; and (3) Huaneng Capital Service and its associates provide fee- and commission-based products and services to the Bank, mainly including Yuncheng Payment, a service fee based on a fixed fee rate, to be paid by the Bank to Yuncheng Financial Services for its “An Xin Fu” series of wealth management products on a mobile application developed and managed by Yuncheng Financial Services. Based on the cooperation status, market environment, further cooperation and other reasons, the Bank expects that the amount of money involved in products and services from Huaneng Capital Service and/or its associates is higher than original estimates, and may exceed the original annual caps of the relevant years set forth in the Huaneng Framework Agreement. Accordingly, we signed a Financial Products and Services Framework Supplemental Agreement with Huaneng Capital Service on March 26, 2020 (hereinafter referred to as the “**Huaneng Framework Supplemental Agreement**”).

Huaneng Capital Service, a substantial shareholder of our Bank, is a connected person of our Bank. Huaneng Capital Service held 46.38% equity interest in Great Wall Securities. Thus, Great Wall Securities is an associate of Huaneng Capital Service and a connected person of our Bank. Huaneng Capital Service held 67.92% equity interest in Huaneng Guicheng Trust. Thus, Huaneng Guicheng Trust is an associate of Huaneng Capital Service and a connected person of our Bank. Invesco Great Wall Fund is held as to 49.00% by Great Wall Securities and Great Wall Fund is held as to 47.06% by Great Wall Securities.

Principal terms

In accordance with Huaneng Framework Agreement and Huaneng Framework Supplemental Agreement, parties shall sign a specific fee-and commission-based products and services agreement for each actual transaction on the basis of the terms of the framework agreement. The transactions will be conducted in the ordinary and usual course of business of the Bank on normal commercial terms in compliance with the applicable laws and regulations and industry practices.

Directors' Report

Implications under the Hong Kong Listing Rules

As the highest applicable percentage ratio based on the relevant annual caps for Huaneng Framework Supplemental Agreement, is expected to be more than 5%, these transactions are subject to the announcement, reporting, annual review and the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

At the 2019 annual general meeting held on June 9, 2020, the independent Shareholders of the Bank approved the Huaneng Framework Supplemental Agreement, transactions proposed thereunder and the annual caps related to such transactions for the financial years ending December 31, 2020 and 2021.

2. Providing fee-and commission-based products and services to SSCO and its associates

We entered into a financial products and services framework agreement (the “**SSCO Financial Products and Services Framework Agreement**”) with SSCO on June 24, 2019 and provide fee-and commission-based products and services to SSCO and its associates in the ordinary and usual course of business. The SSCO Financial Products and Services Framework Agreement will be valid until December 31, 2021, unless terminated earlier in accordance with the agreement. Based on the cooperation status, market environment, further cooperation, etc., the Bank expects the amount for the provision of financial products or services to SSCO and/or its associates to increase from the original estimate and may exceed the original annual caps during the years set forth in the original SSCO Financial Products and Services Framework Agreement. Therefore, we signed a Financial Products and Services Framework Supplemental Agreement with SSCO on March 26, 2020 (hereinafter referred to as the “**SSCO Framework Supplemental Agreement**”).

SSCO, a substantial shareholder of our Bank, thus is a connected person of our Bank.

Principal terms

The Bank provides fee-and commission-based products and services to SSCO and its associates in the ordinary and usual course of business. Parties shall sign a specific fee-and commission-based products and services agreement for each actual transaction on the basis of the SSCO Financial Products and Services Framework Agreement and SSCO Framework Supplemental Agreement. The terms and conditions of such products and services shall specify on fair and reasonable and normal commercial terms after arm's length negotiations.

Implications under the Hong Kong Listing Rules

As the highest applicable percentage ratio based on the relevant annual caps for SSCO Framework Supplemental Agreement, is expected to be more than 5%, these transactions are subject to the announcement, reporting, annual review and the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

At the 2019 annual general meeting held on June 9, 2020, the independent Shareholders of the Bank approved the SSCO Framework Supplemental Agreement, transactions proposed thereunder and the annual caps related to such transactions for the financial years ending December 31, 2020 and 2021.

Directors' Report

3. Fee-and commission-based products and services between the Bank and Shanxi Financial Holding and its associates

The Bank entered into a financial products and services framework agreement (the “**Shanxi Financial Holding Financial Products and Services Framework Agreement**”) with Shanxi Financial Holding on March 26, 2020, and provided fee-and commission-based products and services to Shanxi Financial Holding and its associates. The Shanxi Financial Holding Financial Products and Services Framework Agreement will be valid until December 31, 2022, unless terminated earlier in accordance with the agreement.

Shanxi Financial Holding, a substantial shareholder of our Bank, thus is a connected person of our Bank.

Principal terms

The Bank provides fee-and commission-based products and services to Shanxi Financial Holding and its associates in the ordinary and usual course of business. Parties separately sign specific fee-and commission-based products and services agreement for each actual transaction on the basis of the terms of the Shanxi Financial Holding Financial Products and Services Framework Agreement. Such specific fee-and commission-based products and services agreement will be entered into in the ordinary and usual course of business of the Bank on normal commercial terms.

Implications under the Hong Kong Listing Rules

As the highest applicable percentage ratio based on the relevant annual caps for Shanxi Financial Holding Financial Products and Services Framework Agreement, is expected to be more than 0.1%, but all are less than 5%, these transactions are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, while exempt from independent shareholders' approval requirements.

4. Fee-and commission-based products and services to Changzhi Nanye and its associates

The Bank entered into a financial products and services framework agreement (the “**Changzhi Nanye Financial Products and Services Framework Agreement**”) with Changzhi Nanye on March 26, 2020, and provided fee- and commission-based products and services to Changzhi Nanye and its associates. The Changzhi Nanye Financial Products and Services Framework Agreement will be valid until December 31, 2022, unless terminated earlier in accordance with the agreement.

Changzhi Nanye, a substantial shareholder of our Bank, thus is a connected person of our Bank.

Principal terms

The Bank provides fee-and commission-based products and services to Changzhi Nanye and its associates in ordinary and usual course of business. Parties separately sign specific fee-and commission-based products and services agreement for each actual transaction on the basis of the terms of the Changzhi Nanye Financial Products and Services Framework Agreement. Such specific fee-and commission-based products and services agreement will be entered into in the ordinary and usual course of business of the Bank on normal commercial terms.

Implications under the Hong Kong Listing Rules

As the highest applicable percentage ratio based on the relevant annual caps for Changzhi Nanye Financial Products and Services Framework Agreement, is expected to be more than 0.1%, but all are less than 5%, these transactions are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, while exempt from independent shareholders' approval requirements.

Directors' Report

5. Confirmation of the independent non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that those transactions have been entered into:

- a. in the ordinary and usual course of business of the Bank;
- b. on normal commercial terms or better; and
- c. according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

6. Confirmation of the auditor

According to Rule 14A.56 of the Hong Kong Listing Rules, the Board has engaged Ernst & Young, the overseas auditor of the Bank, to perform a limited assurance engagement for the above continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagement 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 (HKICPA). The Board confirms that the auditor has reported the results after performing the procedures, stating that:

- a. nothing has come to the auditor's attention that causes it to believe that the continuing connected transactions have not been 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 it to believe that the transactions were not conducted, in all material respects, in accordance with the pricing policies of the Bank;
- c. nothing has come to the auditor's attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the auditor's attention that causes it to believe that the continuing connected transactions have exceeded the annual cap for 2020 that the Bank has applied for.

The details of the related party transactions conducted by the Bank in the ordinary and usual course of business during the Reporting Period are set out in Note 36 to the financial statements. The definition of a connected person under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures" and its interpretations by the International Accounting Standards Board. Certain transactions of the related party transactions set out in Note 36 to the financial statements may also constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules. Save as disclosed in this annual report, during the Reporting Period, the connected transactions of the Bank were entered into in the ordinary course of business and on normal commercial terms, and were in compliance with the disclosure exemption requirement under the Hong Kong Listing Rules.

The Bank confirms that it has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

Directors' Report

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The Bank provides emoluments to executive Directors, employee representative Supervisors and senior management members, who are also employees of the Bank, in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. The independent non-executive Directors and external Supervisors of the Bank receive remuneration based on their responsibilities. For details of the emoluments of Directors and Supervisors, please refer to Note 9 to the financial statements of this report.

The Bank strictly implements relevant regulatory requirements on the payment of remuneration. The Bank evaluates senior management according to Administration Measures for the Compensation of Principal of Shanxi Provincial State-owned Local Financial Enterprises (《山西省省屬國有地方金融企業負責人薪酬管理辦法》), Administration Interim Measures on Staff Ranking and Compensation of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司員工行員等級及薪酬管理暫行辦法》) and other relevant provisions issued by Shanxi Provincial Finance Department and the Bank's Annual Senior Management Assessment Measures and provides executive Directors and senior management with compensation based on the evaluation results.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors and Supervisors of the Bank has any interest in any business that directly or indirectly competes or may compete with the Bank under Rule 8.10 (2) of the Hong Kong Listing Rules.

TAX RELIEF

Withholding and payment of enterprise income tax for overseas non-resident enterprises

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation regulations, the Bank shall withhold and pay enterprise income tax at the rate of 10% for non-resident enterprise holders of H Shares (including H Shares registered in the name of Hong Kong Securities Clearing Company Nominees Limited).

Withholding and payment of individual income tax for overseas non-resident individual shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China and its implementation provisions, and the Notice of the State Administration of Taxation on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Guo Shui Fa [1993] No.45 Document, the Bank shall withhold and pay individual income tax for holders of H Shares as follows:

For individual holders of H Shares who are Hong Kong or Macau residents or those whose country of domicile is a country/region which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Bank shall withhold and pay individual income tax at the rate of 10% for individual holders of H Shares when paying the final dividend;

Directors' Report

For individual holders of H Shares whose country of domicile is the country/region which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Bank shall temporarily withhold and pay individual income tax at the rate of 10% for individual holders of H Shares when paying the final dividend. If relevant individual holders of H Shares wish to apply for a refund of the excessive amount of tax withheld, the Bank will handle applications on their behalf for preferential treatments as stipulated in relevant tax treaties pursuant to the Tax Notice. Eligible holders of H Shares shall submit promptly to the H Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, a written authorization and all application materials, which shall be handed on by the Bank to the applicable tax authorities for approval. The Bank will assist in refunding the excessive amount of tax withheld and paid upon approval;

For the individual holders of H Shares whose country of domicile is a country/region which has entered into a tax treaty with the PRC stipulating a dividend rate of more than 10% but less than 20%, the Bank shall withhold and pay individual income tax at the applicable tax rate stipulated in the relevant tax treaty when paying the final dividend; and

For the individual holders of H Shares whose country of domicile is a country/region which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or a country/region which has not entered into any tax treaties with the PRC, or under any other circumstances, the Bank shall withhold and pay individual income tax at the rate of 20% for individual holders of H Shares when paying the final dividend.

AUDITOR

For information about the Bank's auditor, please refer to the section headed "Corporate Governance Reports- External Auditors and Auditors' Remuneration".

ISSUANCE OF BONDS

During the Reporting Period, the Bank issued financial bonds in the national inter-bank bond market on April 15, 2020 and the payment was completed on April 17, 2020. This tranche of bonds totaled RMB4.00 billion with a maturity of three years at a fixed interest rate and a coupon interest rate of 3.00%.

HISTORICAL ISSUANCE OF BONDS

The Bank issued financial bonds in the national inter-bank bond market on December 13, 2018 and the payment was completed on December 17, 2018. This tranche of bonds totaled RMB5.00 billion with a maturity of three years at a fixed interest rate and a coupon interest rate of 4.00%.

The Bank issued 10-year tier-two capital debts with face value of RMB2.00 billion in August 2015. The coupon interest rate per annum was 5.80%. The Bank had an option to redeem the bonds at the end of the fifth year. The Bank redeemed all of the tier-two capital debts at face value on August 21, 2020.

EQUITY LINKED AGREEMENT

No other equity-linked agreements were entered into by the Bank or existed during the Reporting Period.

Report of the Board of Supervisors

2020 is a crucial year in China's efforts to secure a decisive victory in building a moderately prosperous society in all respects and to clinch a complete victory in eradicating poverty. It is also a year when the Bank responded to extraordinary time with extraordinary measures, promoted extraordinary events with extraordinary strength, and sought robust and solid development on the road of transformation. Throughout the year, the Board of Supervisors adhered to the spirit of the 19th National Congress of the Communist Party of China, and thoroughly implemented the spirit of the Second, Third, Fourth and Fifth Plenary Sessions of the 19th Communist Party of China Central Committee. Under the strong leadership of the Provincial Party Committee and the Provincial Government, the Board of Supervisors strictly put into practice the decisions and deployments of the Party Committee of the head office, fully implemented the resolutions of the shareholders' general meeting, and thoroughly adhered to the development requirements of "Comprehensive Development, Four Modernizations and Four-Efficiency" for the whole bank. Closely focusing on whole bank's work priorities and the principal duties of the Board of Supervisors, the Board of Supervisors fully performed its duties, continuously enhanced its self-construction and continued to improve its better work quality and service efficiency in accordance with the Company Law, the Commercial Bank Law and other laws and regulations and relevant provisions of the Articles of the Bank. With the goal of continuously promoting and improving the corporate governance level of the Bank, the Board of Supervisors scientifically supervised the standard operation of the whole bank, fulfilled its duties diligently and well performed its due role.

I. EVALUATION OF THE BANK'S WORK IN 2020

In 2020, under the correct leadership of the Party Committee of the head office, the whole bank coordinated the promotion of various tasks, and put forward and implemented the concept of "green bank" with the guidance of "multi-license operation, collective management, and comprehensive development", and the "four-beam and eight-pillar" strategy supporting the high-quality development of the whole bank began to take shape. During this year, the whole bank worked hard together to overcome difficulties and successfully completed the annual business objectives and tasks. The directors, supervisors and senior management members of the Bank were able to work diligently and perform their duties responsibly to promote the continuous and steady improvement of the work of the whole bank and contributed their own strength to the high-quality transformation and development of the bank.

Report of the Board of Supervisors

The whole bank worked together with one heart and one mind to overcome difficulties in a prompt manner, and achieved new growth in operating indicators. Facing the dual pressure of COVID-19 and the economic downturn, the whole bank coordinated the promotion of epidemic prevention and control and business development, and successfully completed the annual business objectives and tasks. As of the end of 2020, the total assets of the Bank reached (at the Group's caliber, the same below) RMB270.94 billion, representing an increase of 9.4% as compared to the last year; customer deposits reached RMB176.78 billion, representing an increase of 13.8% as compared to the last year; the balance of loans reached RMB136.10 billion, representing an increase of 17.9% as compared to the last year. In 2020, the Bank's net profit amounted to RMB1.57 billion, representing a year-on-year increase of RMB90 million or 6.0%; NPL ratio was 1.84%, return on net assets was 7.63%; the capital adequacy ratio was 11.72%, core tier-one capital adequacy ratio was 10.72%, and the provision coverage ratio was 194.06%. The main indicators were in line with the regulatory requirements. The Bank ranked 378th in the "Global Top 1000 Banks" list released by The Banker of the UK, moving up 43 places from the previous year; ranked 68th in the list of "China's Top 100 Banks in 2019" issued by the China Banking Association; ranked 27th in the Top 100 in China in terms of comprehensive ability of wealth management and ranked 9th in the regional commercial banks. The regulatory rating of the Bank maintained 2C, the regulatory rating on information technology maintained 2B, and the main long-term credit rating was raised to AAA with a stable outlook. The core competitiveness and sustainable development ability of the Bank continuously was enhanced.

The Bank strengthened the responsibility to promote its own governance capacity to a new level under the strong organizational leadership. In the face of the sudden outbreak of COVID-19 epidemic, the Bank implanted in mind the concept of people first, gave top priority to securing financial stability, optimized online and offline integrated financial services, returned charge and surrendered part of the profits to small and medium-sized enterprises with real money, and fully supported the enterprises in the province to resume work, production and business activities, and jointly established the "Jinshang Bank Epidemic Prevention and Control Fraternity Relief Fund" with the Provincial Red Cross Society, making its due contributions in the general fight against the epidemic. To fulfil the special task of "100-Day Campaign" to clear debts and collections, the Bank took on its political responsibilities and cleared the existing debts and controlled the new debts simultaneously by tough and practical measures, achieving win-win results in both "political and economic" respects, and firmly holding the bottom line of non-occurrence of systemic financial risks.

The Bank deepened reform and innovation, forged ahead at its glorious age, and achieved new breakthroughs in business reform and transformation. Keeping in mind General Secretary Xi Jinping's earnest instruction to "take the lead in blazing a new trail in the transformation and development", the Bank earnestly implemented the requirements of financial reform in the province, seized the opportunity of "Early and Pilot Implementation" policy, and fully implemented the strategic thinking of "Comprehensive Development, Four Modernizations and Four-Efficiency". The Bank focused on its main responsibilities and main businesses with regard to serving the real economy, made overall arrangement for intensified reform and economic development of the province, and identified the right fit for cooperation among banks, governments and enterprises in the province's economic transformation, structural reforms, and major project construction, and followed up in time to support major strategies and projects such as the transformation and comprehensive reform, energy revolution and the Breakthrough of "Six New", and the reform of state-owned assets and state-owned enterprises, and made every effort to support local governments in preventing and defusing major financial risks. With the persistent efforts of all staff of the Bank, the corporate governance system was improving day by day; the new core system was successfully put into operation; the internal management reform came into effect and was producing results, financial services kept improving and the competitiveness of outlets was continuously enhanced, fully demonstrating the responsibility of "serving the local economy most directly and reflecting local characteristics most obviously".

Report of the Board of Supervisors

In the past year, the Bank worked together with one heart and one mind and faced up to difficulties, and thus achieved extraordinary results in an eventful year. **The Board of Supervisors granted full recognition to the fruitful achievements made by the Board of Directors, senior management and the whole bank.**

II. PRINCIPAL WORK OF THE BOARD OF SUPERVISORS IN 2020

(I) Insist on consolidating the basis of supervision at meetings by improving forward-looking nature and timeliness of supervision at meetings, and continuously improve the quality of the proceedings of the Board of Supervisors meetings

In 2020, the Board of Supervisors focused on making supervision at meetings more forward-looking and effective. Following the general supervisory principle of “front-line defense, forward-looking governance, front-end control and preliminary disposal”, the Board of Supervisors further strengthened the quality of supervision at meetings in the frequency of meetings, meeting proceedings, meeting questioning and other aspects, to achieve accurate supervision, scientific supervision and practical supervision, and continued to deepen the quality and effect of the meetings of the Board of Supervisors.

During the year, the Board of Supervisors convened 18 meetings in total, including 11 meetings of the Board of Supervisors, four meetings of the Supervisory Committee and three meetings of the Nomination Committee. In financial supervision, risk management, internal control supervision, duty performance supervision, etc., the Board of Supervisors considered and voted on 72 issues, reviewed 29 proposals, and submitted four report proposals to the shareholders’ general meeting. On the basis of improving the quality of supervision at meetings, the Board of Supervisors produced feedback letters of the Board of Supervisors by comprehensively sorting out and summarizing the opinions and suggestions formed at the meetings, and submitted the same to the Board of Directors, senior management and relevant levels. During the year, the Board of Supervisors produced a total of nine feedback letters, continued to follow up and implement the feedback contents and effectively put the supervisory opinions into practice, contributing a strength for the high-quality transformation and development of the Bank.

(II) Tightly grasp the main line of system construction, resolve difficulties in the system with the spirit of perseverance, and comprehensively improve the standardization of supervision and examination work

The Board of Supervisors focused on the construction and optimization of its own system, adhering to the guiding principle of “compliance with the correct system, making innovation in reform and enhancing the effectiveness of management”, making summary during learning and working, timely upgrading the experience and practices that have achieved good results in the course of performing duties into a standardized system, further improving the internal control system, strengthening supervision, enhancing services and promoting work, continuously improving the effectiveness of performing duties and continuously enhancing the compliance of work. In 2020, the Board of Supervisors drafted and formulated the Measures on Supervision and Examination of the Board of Supervisors of Jinshang Bank Co., Ltd. The Measures further stipulates the focus, process and measures of supervision and examination, effectively enhanced the seriousness, standardization and synergy of the supervision work of the Board of Supervisors, solidified the foundation for duty performance by the Board of Supervisors and supervisors, and further improved the quality and effectiveness of supervision and examination carried out by the Board of Supervisors.

Report of the Board of Supervisors

(III) Adhere to the strict implementation of the provisions on duty performance evaluation, and urge directors, supervisors and senior management to further perform their duties diligently with a focus on improving the quality of daily duty performance supervision

The Board of Supervisors continued to make great efforts in improving the duty performance evaluation and supervision system, and made comprehensive improvements in terms of the establishment of duty performance files, the collection and arrangement of duty performance materials, the improvement of systems and the optimization of duty performance evaluation procedures, effectively promoting the continuous improvement of the quality of duty performance evaluation of the Board of Supervisors. Firstly, the daily supervision on the performance of duties was gradually detailed. The Board of Supervisors strengthened its supervision on the duty performance of directors and senior management by attending various meetings held by the Board of Directors and senior management, reviewing minutes of meetings, and inquiring and questioning the work of relevant functional departments. On this basis, the Board of Supervisors further performed its duties, made timely summaries centering on social hotspots, supervision priorities and key matters such as inter-industry risk events, and fed back alerts and advices to relevant functional departments to do a good job of risk and risk control alerts. In 2020, the Board of Supervisors issued a total of four types (times) of written alerts, which effectively helped improve the Bank's operation and management. Secondly, the duty performance evaluation work continued to be refined. The Board of Supervisors continuously strengthened on-site inspections and off-site monitoring of the duty performance of the Board of Directors and senior management by carrying out two inspections of duty performance and six inquiries on procedural compliance, with a focus on integrating supervision into the daily work. Meanwhile, the Board of Supervisors adopted "one person, one form" to evaluate each director, supervisor and senior management of the Bank, recorded in detail the performance of their duties during the year, and strictly reviewed the duty performance report, the evaluation of directors by the Board of Directors, the work report of the Board of Directors, the duty performance report of senior management and senior management members, etc. to develop a comprehensive evaluation of directors, supervisors and senior management by the Board of Supervisors, and confirm the implementation of responsibilities in each aspect. Thirdly, continued efforts were made to strengthen the communication and feedback work. The Board of Supervisors strengthened the work related to the feedback of opinions on the performance of duties, comprehensively improved the notification of the requirements for the performance of duties of supervisors, and provided timely feedback on the supervisory opinions of the Board of Supervisors to promote the effective and compliant performance of duties by the Board of Directors, senior management and itself.

Report of the Board of Supervisors

(IV) Adhere to perform the duties truthfully and pragmatically, and build up more powerful supervision services based on a variety of supervision methods

In 2020, focusing on the dialectical relationship between supervision and service, coordination, and taking precautions and in light of the actual development of the Bank, the Board of Supervisors pressed ahead with various work, highlighted foresighted, scientific and timely supervision work, continuously expanded the depth and breadth of supervision work, promoted greater progress of the Bank's corporate governance with high-quality supervision, facilitated the Bank's operation and management with high-level recommendations, assisted branches in solving practical problems in production and operation with its ability, and promoted the absorption of good experiences and practices with high-efficiency duty performance. Firstly, the Board of Supervisors continued to strengthen the performance of the supervision function. Based on the external regulatory requirements and the actual conditions of risk management of the Bank, it further strengthened the top-level design to promote the improvement of corporate governance, and carried out supervision work in multiple ways to develop a standardized and effective supervision system, and integrate the supervision of the Board of Supervisors into the work of the development of the Bank. Secondly, the Board of Supervisors continuously improved the actual compatibility between the research and inspection work and the operation and management. It carefully made arrangements and deployments, highlighted the priorities of supervision with a focus on grasping the key points and promoting improvement, and gathered wisdom and strength to implement the supervision objectives of the Board of Supervisors according to the supervisors' professional expertise, work experience and other practical conditions. By organizing seminars, interviews, on-site inquiries and other means, the Board of Supervisors conducted special research and inspections on various aspects including the financial management of the Bank, and made special research reports, which put forward specific opinions and recommendations on six major aspects to the Board of Directors, senior management and relevant departments, effectively supporting the decision-making work of the Board of Directors and senior management. Thirdly, the Board of Supervisors strengthened the conveyance of supervisory opinions and opened up the opinion feedback channels. Leveraging the Supervisory Opinion Letter, Supervisory Reminder Letter and Work Proposal, etc., the Board of Supervisors fed back supervisory opinions and suggestions to the Board of Directors, senior management and relevant levels in a timely, accurate and quick manner. During the year, the Board of Supervisors issued 13 types (times) of proposals (letters) on various aspects including risk management, equity management, risk alerts, financial system construction, audit work of the Bank and social hotspots, highlighting timely and foresighted supervision and further deepening the daily supervision function of the Board of Supervisors. Fourthly, the Board of Supervisors gave full play to the functions of its office. It further strengthened the office's tracking and supervising its resolutions and opinions, improved the communication between its office and each functional department. It made communications on specific work for more than 30 times throughout the year, timely and steadily implemented various requirements, and effectively guaranteed the smooth implementation of work tasks. Meanwhile, the Board of Supervisors comprehensively strengthened the supervision and supervision efforts of its office, continued to give play to its supervision and inspection function. Focusing on the opinion feedback, supervision reminder letter and other supervision requirements on the meetings of the Board of Supervisors throughout the year, the office inspected and supervised relevant issues, contributing to improving the supervision and inspection of the Board of Supervisors. In 2020, the Board of Supervisors accumulatively received 12 feedback reports (instructions) on various rectifications, so as to effectively "implement" the supervisory opinions, and further enhance the mechanism for conveyance of supervision requirements. Fifthly, the Board of Supervisors built a supervision service platform. In May 2020, the Board of Supervisors established a column called "proposing my opinions for Jinshang" on the internal office system of the Bank, to open up information collection channels with a focus on the strategic development and operation management, which further strengthened the supervision service work of the Bank, and effectively gathered people's power and wisdom to solve practical problems. During the year, the Board of Supervisors coordinated with various functional departments to effectively improve and implement more than 40 opinions and suggestions collected, gradually developing a synergy in collaborative services.

Report of the Board of Supervisors

- (V) Adhere to carry out self-capacity building in multiple ways, and comprehensively improve own work effectiveness with a purpose to make continuous improvement in the service awareness and work quality of all employees

Insisting on strengthening self-construction in an all-round manner as an important basic work, the Board of Supervisors enhanced the learning of all employees by using online and offline learning platforms and effectively carrying out training. During this year, through two special training, meetings for training, peer exchanges, preparation of electronic publications and other channels, the Board of Supervisors expanded the work ideas, improved the work ability, and enriched the knowledge reserves of all employees, continuing to improve the quality of self-construction work.

III. DUTY PERFORMANCE SUPERVISION AND EVALUATION REPORT FOR 2020

- (I) Evaluation on the performance of duties by the directors for 2020

In 2020, all directors of the Bank were able to resolutely implement the resolutions of the shareholders' general meeting in accordance with the requirements of the Company Law and other laws and regulations as well as the Bank's Articles of Association, strictly fulfilled their obligations of fidelity and diligence to the Bank, and fully safeguarded the interests of the Bank. The directors of the Bank were able to perform their duties professionally and efficiently with the professional knowledge, work experience and professional ethics necessary for the performance of their duties, and expressed their opinions independently and objectively, contributing their strength to the high-quality transformation and development of the Bank. Upon consideration by the Board of Supervisors, 11 directors of the Bank were all evaluated as "competent" in the duty performance evaluation for 2020, and the former vice chairman and executive Director TANG Yiping and the former executive Director RONG Changqing were both evaluated as "competent" in the duty performance evaluation for 2020.

- (II) Evaluation on the performance of duties by the supervisors for 2020

In 2020, all supervisors were able to resolutely implement the resolutions of the shareholders' general meeting in accordance with the requirements of the Company Law and other laws and regulations as well as the Bank's Articles of Association, strictly fulfilled their obligations of fidelity and diligence to the Bank and fully safeguarded the interests of the Bank with effective supervision. The supervisors of the Bank actively attended the meetings of the Board of Supervisors and the special committees in accordance with the law, attended the relevant meetings of the Board of Directors and senior management as required by the Board of Supervisors, actively participated in the work of the Board of Supervisors, paid close attention to the material issues of the Bank, earnestly expressed independent opinions and continuously strengthened the self-construction. Upon consideration by the Board of Supervisors, nine supervisors were all evaluated as "competent" in the duty performance evaluation for 2020.

Report of the Board of Supervisors

(III) Evaluation on the performance of duties by the senior management for 2020

In 2020, the senior management of the Bank thoroughly implemented the prudent management rules, adhered to the problem-oriented approach, made active response to the impact of the COVID-19 with the spirit of considering the overall situation, working as a team and facing up to difficulties, promoted the continued steady improvement of the Bank, and made a good job of the operation tasks set by the Board of Directors at the beginning of 2020. The senior management of the Bank was able to perform their duties diligently, strictly abided by the provisions of relevant laws and regulations and the Bank's Articles of Association, honestly and faithfully exercised the rights conferred by the Bank's Articles of Association, strictly implemented the resolutions of the shareholders' general meeting, the Board of Directors and the Board of Supervisors, and performed their operational duties within the authority. Upon consideration by the Board of Supervisors, nine incumbent senior management members were all evaluated as "competent" in the duty performance evaluation for 2020, and the former president TANG Yiping and the former vice president RONG Changqing were both evaluated as "competent" in the duty performance evaluation for 2020.

IV. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

(I) Legal and compliance operations

During the Reporting Period, the Bank operated in compliance with the Company Law, Commercial Bank Law and Articles of Association of Jinshang Bank Co., Ltd., and the decision-making procedure was lawful and valid. The directors, supervisors and senior management of the Bank performed their duties diligently and faithfully, and none of them went against any laws and regulations or damaged the interests of the Company in performing their duties.

(II) Authenticity of the financial report

During the Reporting Period, the Board of Supervisors conducted a detailed review of the Bank's 2020 annual report. In the view of the Board of Supervisors, the procedure for preparation of the 2020 annual report by the Board of Directors complied with laws, administrative regulations and rules and regulations, and Ernst & Young Hua Ming LLP and Ernst & Young engaged by the Board of the Bank audited the 2020 financial report and issued unqualified audit report, which gave a true, accurate and complete view of the actual conditions of the Bank, and did not contain any false statements, misleading representations or material omissions.

(III) Transactions of the Bank's assets

During the Reporting Period, the Bank's assets were traded in accordance with the laws and regulations, and the Board of Supervisors did not identify any insider trading or other cases detrimental to the shareholders' equity.

(IV) Related party transactions

During the Reporting Period, the Board of Supervisors didn't find any related party transaction against the spirit of fairness or detrimental to the interests of the Bank and shareholders.

(V) Implementation of resolutions of the shareholders' general meeting

During the Reporting Period, the Board of Supervisors had no objection to the reports and proposals presented by the Board of Directors to the shareholders' general meeting for consideration, supervised the implementation of resolutions of the shareholders' general meeting, and believed that the Board of Directors earnestly implemented the resolutions of the shareholders' general meetings.

Report of the Board of Supervisors

(VI) Protection of consumer rights

Attaching great importance to the protection of consumer rights, the Board of Directors and senior management took active and effective measures to elevate consumer rights protection to the strategic level of corporate governance and operation management, and ensured effective implementation of consumer rights protection by improving management systems, opening up operational mechanisms and enhancing team building.

V. PRIORITY WORK AREAS IN 2021

2021 is the first year of the development of China's "14th Five-Year Plan" and the beginning of the "Third Five-Year Plan" of Jinshang Bank. In light of major changes unseen in a century facing the world today, the Board of Supervisors must further perform its duties in a comprehensive and scientific manner, and promoted greater progress in all work of the whole bank with its own high-quality duty performance on the basis of escorting the center work of the bank, with the goal of further improving the Bank's corporate governance mechanism, and in adherence to new development concepts and system thinking.

(I) Further improve the position of supervision and promote the continuous improvement of corporate governance

In its future work, the Board of Supervisors will further enhance its political position and political capabilities, further strengthen its ability to research and judge macro risks, and perform its supervisory responsibilities with higher standards to help the Bank's corporate governance capabilities continue to rise. First, we must aim to improve the company's level and use supervision to help the Bank's corporate governance to further improve. It is necessary to further focus on supervisory responsibilities, fully implement the work idea of "focal points, deliberating important events", guarantee the "One Core and Two Wings" decision-making procedures of the Board of Supervisors, form more valuable supervisory suggestions in the macro risk regulation strategy, further enhance the effectiveness of the deliberations, and strengthen responsibilities and put forward high-level supervisory opinions. The second is for the purpose of stable development of the whole bank, to supervise and serve its high-quality transformation and development. It is necessary to further improve the quality of duty performance, deepen supervision into the important links of operation and management, and form a three-dimensional and matrix supervision model to escort the steady development of the whole bank. The third is to take the implementation of strategic planning by the Bank as an important supervision task to comprehensively help improve the Bank's ability to implement strategic planning. The Board of Supervisors shall take the profound connotations of the Bank's implementation of the new five-year strategic plan as the core of its supervision, make overall plans and take into account both short-term and long-term goals, and provide high-quality supervision and service to the Bank's strategic execution. Fourth, the mission is to continuously improve the Bank's risk management and internal control mechanisms, and to supervise and promote the operational quality and efficiency of the "three lines of defense" in the front, middle and back offices. The Board of Supervisors shall further strengthen the performance of supervision responsibilities on the improvement of the bank-wide risk system, further optimize the operation mode of the "three lines of defense" of the front, middle and back offices of the Bank, and promote the performance of their duties by the front, middle and back offices with strong supervision to form a balance and coordinate operation.

Report of the Board of Supervisors

(II) Further Broaden and Deepen Supervision and Enhance the Quality and Effectiveness of Supervision

In the context of the Central Government's steady expansion of two-way opening of the financial market, the Board of Supervisors, as an important role in corporate governance, should further respond to the development requirements of the times, insist on innovation while upholding righteousness, continue to coordinate the efficient development and risk prevention and control in the whole bank, broaden and deepen supervision from macro, meso and micro aspects, and put forward scientific and practical advice and suggestions from different perspectives. First, in respect of macro governance, the Board of Supervisors should continue to strictly implement the decisions and deployments of the party committee of the Head Office, earnestly apply the principle of "service and efficiency" to every link of supervision, and give full play to the role of the Board of Supervisors in helping carrying out the decisions and deployments of the Bank. Second, in respect of meso risk supervision, the Board of Supervisors should continue to strengthen meso risk supervision by continuously expanding the scope of supervision centering on equity management and related party transactions, and further improve the penetration supervision on shareholders' equity from the depth and breadth of supervision, so as to comprehensively enhance the Bank's ability to prevent corporate governance risks. Third, the Board of Supervisors should intensify its efforts in micro risk supervision. The Board of Supervisors should make greater efforts in supervision and inspection work, further strengthen the "joint cooperation" between the Office of the Board of Supervisors and the Bank's internal supervision functional departments, realize supervision data sharing, and further increase the timeliness and accuracy of supervision work.

(III) Further Optimize the Procedure of Handling Meeting Proceedings and Improve Supervision Efficiency at Meetings

Meetings are an important way for the Board of Supervisors to perform its supervision obligations. The Board of Supervisors should make more efforts on the effectiveness of meetings of the Board of Supervisors by keeping optimizing the procedure of handling meeting proceedings. Firstly, the Board of Supervisors should further control the quality of meeting proposals and focus more on the screening and improvement of proposals before meeting, so as to ensure that the proposals submitted to the meeting for discussion are complete and well supported with background information, and to lay a solid foundation for increasing the effectiveness of meeting discussions. Secondly, the Board of Supervisors should further increase the efficiency and quality of duty performance by supervisors at the meetings, and continue to improve the review of proposals by supervisors before the meetings to be well informed of the overall situation and background of the proposals. Thirdly, the mechanism of communication and implementation should be further improved to ensure that opinions on supervision can be put into practice. In the future, the Board of Supervisors should further improve the communication and feedback mechanism for the "Shareholders' general meetings, the Board of Directors, the Board of Supervisors and the senior management" ("三會一層"), especially for the communication and feedback mechanism between the Board of Directors and the senior management, so as to put opinions on supervision into practice and give better play to the meetings of the Board of Supervisors. Fourthly, the Board of Supervisors should bring the role of the two special committees into better play to fully leverage the role and advantages of their expertise in discussing matters on daily supervision, further correlate the duties of the Board of Supervisors with those of the special committees and increase their efficiency of proposal deliberation, provide support for the Board of Supervisors to better deliberate on proposals and increase the efficiency of proposal deliberation by the Board of Supervisors as a whole.

Report of the Board of Supervisors

(IV) Make Better Use of the Function of Supervision to Comprehensively Increase Supervision Efficiency

As an important contributor to corporate governance, the Board of Supervisors should continue to raise its awareness and positioning, strengthen top-level design, provide scientific advice on clear market positioning, differentiated and featured operations, etc., and continue to carry out supervision and inspection on matters related to strategy implementation to maintain the stability of the Bank's development strategy and fundamentally safeguard the steady development of the Bank. In 2021, with a continued commitment to an issue-driven and target-driven approach to identify key priorities in supervision, the Board of Supervisors will continuously improve relevant systems to deepen financial supervision, risk supervision, internal control supervision and duty performance supervision, and further increase the effectiveness of supervision by the Board of Supervisors.

(V) Further Optimize the Supervision Mode and Continuously Increase the Quality and Efficiency of Supervision

In the future, the Board of Supervisors should further build a well-functioned supervision "toolkit" of the Board of Supervisors, follow the past experience in supervision and inspection, form a process-oriented and institutionalized supervision model, and perform the powers and functions of the Board of Supervisors in an efficient and scientific manner. First, the Board of Supervisors should further carry out relevant investigation and research, supervision and inspection work. It should continuously increase the effectiveness of supervision and inspection work, promote the integration with functional departments to make them a powerful tool of serving operation management, further sum up the experience of investigation and research, and put forward more pragmatical supervision suggestions based on the circumstances of different lines and regions. On this basis, the Board of Supervisors should, focusing on the overall situation of investigation and research, identify problems and trace their root causes, and put forward forward-looking, high-standard and strategic supervision suggestions to help solve problems. Second, the Board of Supervisors should make greater efforts in daily supervision work. The Board of Supervisors should strengthen the combination of supervision with big data analysis, continue to innovate in risk prompting, supervision inquiry, supervision feedback, etc., enrich and find the key of supervision, form an effective supervision communication mechanism while making supervision more targeted, do well in risk prevention, and continuously refine and elaborate daily supervision work. Third, supervision and inspection work should be further strengthened. The Board of Supervisors should aim at promoting the continuous improvement of corporate governance, enhance its service consciousness and work efficiency, strengthen supervision and inspection in key areas such as major decisions and important strategic deployments within the Bank, integrate supervision into the entire work, and promote the normalization, institutionalization and standardization of supervision by the Board of Supervisors. Fourth, the joint supervision and inspection work should be brought into full play. The Board of Supervisors should further integrate and utilize the supervision resources of the whole bank, and make overall plans and take all factors into consideration, to form a supervisory synergy. Fifth, a digital and intelligent supervision system should be built and the proportion of "off-site" inspections should be further increased. The Board of Supervisors should further implement the requirements of "service and efficiency", continue to play the role of the column of "I offer forthright admonition for Jinshang" set up in the collaborative office system, establish a communication link between the head office and the grassroots, collect good advice and suggestions, smooth the interactive feedback channels, effectively shore up the shortcomings and strengthen the weaknesses, so as to promote efficient development. Sixth, the functions of the Office of the Board of Supervisors should be further displayed. We will continue to strengthen the real-time risk supervision work, further enhance the information exchange mechanism between the Office of the Board of Supervisors and various departments in such areas as finance, risk, compliance and audit, and continuously deepen the ability of the Office of the Board of Supervisors in "joint warfare" with the Bank's internal supervisory function departments, in order to realize data sharing and give full play to reasonable supervision.

Report of the Board of Supervisors

(VI) Further Strengthen Capacity-building and Improve the Capability of the Board of Supervisors

Given changes in the internal and external environment and new regulatory requirements for corporate governance, the Board of Supervisors, as an important part of corporate governance, needs to continuously improve the capacity of all supervisors and office staff to better serve the whole bank. In the future, the Board of Supervisors should focus on strengthening the sense of responsibility and ensure efficiency and diligence in performance. The Board of Supervisors should further strengthen exchanges with China Banking Association, AFCA Finance Academy and other institutions, make every effort to improve learning of benchmarking practices, focus on peer exchanges and training, continue to deeply implement the working method of “going out and bringing in”, constantly broaden horizons and ideas, strive to enhance the sensitivity, foresight and effectiveness of supervisors, continue to enhance the duty performance and work ability of all staff, and improve the duty performance efficiency of the Board of Supervisors.

Important Matters

USE OF PROCEEDS

The proceeds from issuance of H Shares of the Bank have been used according to the intended use as disclosed in the prospectus of the Bank. All of the net proceeds from the Global Offering of the Bank (after deduction of the underwriting commissions and estimated expenses payable by the Bank in connection with the Global Offering) amounted to approximately RMB3,171 million (including net proceeds from over-allotment), which have been used to expand the capital of the Bank to support the ongoing business growth.

As approved by the preparatory team of CBIRC Shanxi Office, the Bank issued financial bonds in the national inter-bank bond market on December 13, 2018 and the payment was completed on December 17, 2018. This tranche of bonds totaled RMB5.00 billion with a maturity of three years at a fixed interest rate and a coupon interest rate of 4.00%. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term asset business in accordance with applicable laws and approvals from regulatory authorities.

As approved by the CBIRC Shanxi Office, the Bank issued financial bonds in the national inter-bank bond market on April 15, 2020 and the payment was completed on April 17, 2020. This tranche of bonds totaled RMB4.00 billion with a maturity of three years at a fixed interest rate and a coupon interest rate of 3.00%. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term asset business in accordance with applicable laws and approvals from regulatory authorities.

MATERIAL LITIGATION AND ARBITRATION

As of the date of this annual report, the Bank expects that any current and pending proceedings or arbitration procedures will not have a material adverse effect on the Bank's business, financial condition and operating results (whether individually or collectively) after accrual of impairment provisions.

PENALTIES IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, the Bank, all of its Directors, Supervisors and senior management were not investigated, administratively penalised or publicly criticized by the China Securities Regulatory Commission, publicly condemned by the Hong Kong Stock Exchange or punished by any other regulatory authorities, which would have a material adverse impact on the Bank's operation.

ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

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

MATERIAL INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

During the Reporting Period, the Bank had no material investment, or specific plan for material investments or acquisitions of material capital assets or other businesses.

Important Matters

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

As approved by the PBoC and the CBIRC Shanxi Office, in January 2021, the Bank publicly issued the tier-two capital bonds named JINSHANG BANK CO., LTD. Tier II Capital Bond 2021 (1) in an amount of RMB2.00 billion, which started trading since January 25, 2021.

Saved as disclosed above, no other significant events affecting the Bank have occurred subsequent to the end of the Reporting Period.

Risk Management and Internal Control

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Bank has established and continuously improved the effective corporate governance structure, with the shareholders' general meeting as the highest authority, the Board of Directors as the decision-making body, the Board of Supervisors as the supervisory body and the senior management as the executive body, clearly defined the rules of procedure and decision-making procedures of each governance subject of the "Shareholders' general meetings, the Board of Directors, the Board of Supervisors and the senior management" ("三會一層"), and established a scientific and reasonable corporate governance mechanism with clear responsibility, separation of powers and balances and standardized operation.

The Board of Directors has established special committees, including the Development and Strategy Committee, Nomination, Remuneration and HR Committee, Audit Committee, Risk Management Committee, Consumer Rights Protection Committee and Related Parties transactions Control Committee; the Board of Supervisors has established Nomination Committee and Supervision Committee. Risk Management Committee, Investment Management Committee, Assets and Liabilities Management Committee, Credit Review Committee, Financial Review Committee, Information technology Management Committee, Accountability Management Committee, Business Continuity Management Committee, Performance Appraisal Management Committee, corporate business management committee, retail business management committee and other special committees are under the Operation Management. The Board of Directors, the Board of Supervisors and their respective special committees have all formulated corresponding rules of procedure, and the offices of the Board of Directors and the Board of Supervisors are responsible for the daily affairs of "the Shareholders' general meeting, the Board of Directors and the Board of Supervisors" to ensure the normal and orderly running of the operations management and various businesses of the Bank.

The Bank has also established an independent and vertical internal audit system that mainly comprises the Board of Directors, the Audit Committee and the Audit Department. The Board of Directors undertakes ultimate responsibility to ensure the independence and effectiveness of our internal audit. The Audit Committee guides, evaluates and assesses our internal audit work, while our Audit Department of the head office carries out internal auditing at both the head office and the branch level. Our Audit Department formulates internal policies and annual audit plans based on regulatory requirements as well as our operation, management and business profile, and carries out audit work strictly in accordance with the annual audit plans after such plans are approved by the Board of Directors. Audit Department conducts both on-site inspections and off-site monitoring during routine audits on various departments and their operational and management activities. The Bank also conducts specific audits on our exposures to various risks such as credit risk, market risk, operational risk and information technology risk. For the issues or deficiencies identified in audits, the Audit Department gives timely notification to the relevant departments and advises on the implementation of effective rectification measures.

The Bank has formulated a set of comprehensive risk management system that covers key risks facing the Bank, including credit risk, market risk, liquidity risk, operational risk, information technology risk, reputational risk and strategic risk. Based on the risk management principles, the Bank has established a sound risk management organizational structure, comprising (i) the Board of Directors, the Risk Management Committee at the board level and the Board of Supervisors; (ii) various special risk management committees at the board level and the senior management level that take charge of the guidance, support and coordination of the Bank's risk management system; and (iii) various departments at the Bank's head office, branches and sub-branches that are in charge of daily risk management work. For various risks, the Bank has formulated clear and specific procedures for reporting and communication to ensure that the Bank efficiently and effectively coordinates various departments' responses to various risks. For more details on the Bank's risk management system, please refer to the "Management Discussion and Analysis – Risk Management".

Risk Management and Internal Control

The Bank has established an effective credit management system, which covers the entire credit extension process, from application and pre-loan investigation to disbursement of funds and post-loan monitoring. The Bank requires that its employees log detailed information about customers and their applications into the Bank's credit management system on a timely basis pursuant to standardized operational procedures of the Bank. Authorized personnel may approve the loan applications within their respective limits through this credit management system. In managing post-disbursement risks, the Bank requires its employees to conduct inspections and record data in relation to the latest operational and financial performance of the relevant parties into the Bank's credit management system. Based on these data, the Bank is able to analyze its loan portfolio and prudently manage bank-wide credit risks.

The Bank closely monitors fluctuations of interest rate, exchange rate and market price of securities and regularly conduct gap analysis, duration analysis, stress tests and scenario analysis in measuring and evaluating market risk in line with the Bank's prudent risk preferences. In addition, the Bank's Financial Market Department reviews data generated by third-party database to monitor the material fluctuation of the fair value of debt securities.

The Bank has established a comprehensive information technology risk assessment system covering each key aspect of the Bank's operations, including data security, system development, operation and maintenance, connection with external resources and real-time reporting and recording. The Bank requires different operating departments to work with the Bank's Information Technology Department to identify, record and evaluate relevant risks and take proper mitigation measures accordingly. The Bank also closely monitors key risk indicators and issue risk alerts at an early stage.

The Board of Directors of the Bank believes that the risk management and internal control system established and implemented by the Bank is adequate and effective. Such risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and the Board can only provide reasonable and not absolute assurance against material misstatement or loss.

When the "inside information" referred in Part XIVA of the Securities and Futures Ordinance and other matters that should be disclosed promptly as required by the relevant laws and regulations and rules governing securities of the place where the Bank is listed, except for exemption in accordance with relevant laws and regulations and rules governing securities of the place where the Bank is listed, the Bank shall make disclosure in a timely manner in accordance with relevant laws and regulations and rules governing securities of in the place where the Bank is listed.

INTERNAL AUDIT

The Bank considers internal audit essential to the sustainable development of the Bank's business operations. The Audit Department of the Bank shall strictly follow the principles of independence and objectivity throughout the Bank's internal audit work. During the Reporting Period, the Bank has established an independent and vertical internal audit system that mainly comprises the Board of Directors, the Audit Committee and the Audit Department. The Board of Directors undertakes ultimate responsibility to ensure the independence and effectiveness of our internal audit. The Audit Committee guides, evaluates and assesses our internal audit work, while our Audit Department of the head office carries out internal auditing at both the head office and the branch level.

During the Reporting Period, our Audit Department has formulated internal policies and annual audit plans based on regulatory requirements as well as our operation, management and business profile, and carries out audit work strictly in accordance with the annual audit plans after such plans are approved by the Board of Directors. Our Audit Department carries out routine audits on various departments and their operational and management activities in the forms of on-site inspections and off-site monitoring. The Bank also conducts specific audits on our exposures to various risks such as credit risk, market risk, operational risk and information technology risk. For the issues or deficiencies identified in audits, the Audit Department gives timely notification to the relevant departments and advises on the implementation of effective rectification measures.

Independent Auditor's Report

To the shareholders of Jinshang Bank Co., Ltd.

(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Jinshang Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 154 to 284, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS 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 the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances and financial investments at amortised cost	
<p>The Group's loans and advances to customers and financial investments measured at amortised cost as at 31 December 2020 amounted to RMB155,222 million, with provision for impairment losses amounting to RMB6,405 million as at 31 December 2020.</p> <p>The Group used the expected credit loss model to calculate the loss allowance in accordance with International Financial Reporting Standard 9, <i>Financial Instruments</i> ("IFRS 9"). The Group used a number of models and assumptions in the measurement of expected credit losses, for example:</p> <ul style="list-style-type: none">• Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for loans and advances with longer remaining periods to maturity.• Models and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions.• Forward-looking information – Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights.	<p>We evaluated and tested the effectiveness of design and implementation of key internal controls of financial reporting over the approval, recording, monitoring and credit grading of loans and advances and financial investments measured at amortised cost, including relevant data quality and information systems.</p> <p>With the support of internal credit risk modelling experts, we evaluated and tested the important parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects:</p> <ul style="list-style-type: none">• Considering macroeconomic changes, the impact of the COVID-19 pandemic and various supporting policies adopted by the government, we assessed the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, and significant increase in credit risk, etc.• Assessed the forward-looking information that management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and weights of multiple macroeconomic scenarios.• Evaluated the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances and financial investments at amortised cost (Continued)	
<ul style="list-style-type: none">Individual impairment assessment – Identifying credit impaired loans and advances and financial investments at amortised cost requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows. <p>Since the impairment assessment of loans and advances to customers and financial investments at amortised cost involves many judgements and assumptions, and in view of the significance of the amount, impairment of loans and advances and financial investments at amortised cost is considered a key audit matter.</p> <p>Relevant disclosures are included in Note 2(9), Note 2(26)(a), Note 38(a), Note 18 and Note 19 to the consolidated financial statements.</p>	<p>We evaluated and tested the key parameters in the expected credit loss model. Based on the financial information of the debtors and other external evidence, we selected samples and assessed the identification of credit ratings, significant increases in credit risk and credit-impaired financial assets applied by management. In addition, we also selected and tested samples of key data used in models, including historical data and measurement data.</p> <p>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of impairment of loans and advances and financial investments at amortised cost.</p>

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments	
<p>The Group mainly holds level 2 and level 3 financial instruments measured at fair value. As at 31 December 2020, the fair value of financial instruments amounted to RMB68,274 million.</p> <p>The valuation of financial instruments measured at fair value of the Group is based on a combination of market data and valuation models which often require a considerable number of inputs. In the case of level 2 financial instruments measured at fair value, the inputs of valuation models are mainly observable data. In the case of level 3 financial instruments measured at fair value, where such observable data are not readily available, estimates need to be developed which can involve significant management judgement.</p> <p>Due to the significance of the financial instruments measured at fair value, and the uncertainty in valuation involving subjective judgement, the valuation of these financial instruments is considered a key audit matter.</p> <p>Relevant disclosures are included in Note 2(9), Note 2(26)(b) and Note 39 to the consolidated financial statements.</p>	<p>We evaluated and tested the design and operating effectiveness of key internal controls of financial reporting related to the valuation of financial instruments, independent price verification, and independent model validation and approval.</p> <p>We evaluated the valuation techniques, inputs and assumptions through comparison with the valuation techniques commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources, and involved our internal valuation specialists in assessing the models used and re-performing independent valuations.</p> <p>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of fair value of financial instruments.</p>

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Consolidation assessment of structured entities	
<p>Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan, an asset-backed security or an investment fund.</p> <p>The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, the consolidation or non-consolidation of structured entities is considered a key audit matter.</p> <p>Relevant disclosures are included in Note 2(26)(f) and Note 42 to the consolidated financial statements.</p>	<p>We evaluated and tested the design and operating effectiveness of the key internal controls of financial reporting related to the Group's assessment of whether it controls a structured entity.</p> <p>We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities, and the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group has legal or constructive obligation to absorb any loss of structured entities by reviewing relevant term sheets, and whether the Group has provided liquidity support or credit enhancement to structured entities, and compared the prices of the transactions between the Group and the structured entities with market prices.</p> <p>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of unconsolidated structured entities.</p>

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Bank 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.

Independent Auditor's Report

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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 of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Bank either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

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

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

- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Kam Cheong, Geoffrey.

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019 (Restated)
Interest income		9,429,391	8,755,280
Interest expense		(5,988,687)	(5,496,250)
Net interest income	3	3,440,704	3,259,030
Fee and commission income		890,729	696,377
Fee and commission expense		(178,183)	(85,825)
Net fee and commission income	4	712,546	610,552
Net trading gains	5	(119,485)	435,368
Net gains arising from investment securities	6	819,812	746,244
Other operating income	7	14,436	37,747
Operating income		4,868,013	5,088,941
Operating expenses	8	(1,824,285)	(1,836,783)
Impairment losses on assets	11	(1,452,932)	(1,665,481)
Share of profits of an associate		21,543	20,878
Profit before tax		1,612,339	1,607,555
Income tax	12	(41,474)	(125,107)
Net profit		1,570,865	1,482,448
Net profit attributable to:			
Equity holders of the Bank		1,566,712	1,483,630
Non-controlling interests		4,153	(1,182)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
Net profit		1,570,865	1,482,448
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve, net of tax	32(d)	(41,131)	(5,269)
– net movement in the impairment reserve, net of tax	32(e)	(5,428)	1,105
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of net defined benefit liability, net of tax	32(f)	458	(1,748)
Other comprehensive income, net of tax		(46,101)	(5,912)
Total comprehensive income		1,524,764	1,476,536
Total comprehensive income attributable to:			
Equity holders of the Bank		1,520,611	1,477,718
Non-controlling interests		4,153	(1,182)
Total comprehensive income		1,524,764	1,476,536
Basic and diluted earnings per share (in RMB)	13	0.27	0.28

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December 2020	As at 31 December 2019
ASSETS			
Cash and deposits with the central bank	14	20,535,802	19,108,325
Deposits with banks and other financial institutions	15	2,244,037	1,303,659
Placements with banks and other financial institutions	16	1,100,435	1,300,375
Derivative financial assets		86	–
Financial assets held under resale agreements	17	18,915,305	16,630,018
Loans and advances to customers	18	131,836,512	111,712,557
Financial investments:	19		
– Financial investments at fair value through profit or loss		29,775,086	29,976,480
– Financial investments at fair value through other comprehensive income		8,898,454	11,709,118
– Financial investments at amortised cost		52,986,363	51,227,041
Interest in an associate	20	294,119	272,576
Property and equipment	22	1,478,916	1,464,655
Deferred tax assets	23	1,695,630	1,441,111
Other assets	24	1,182,852	1,425,298
Total assets		270,943,597	247,571,213
LIABILITIES			
Borrowings from the central bank		1,893,459	870,731
Deposits from banks and other financial institutions	25	1,905,784	4,211,308
Placements from banks and other financial institutions	26	800,730	1,911,455
Financial assets sold under repurchase agreements	27	13,430,473	12,201,162
Deposits from customers	28	176,781,696	155,322,230
Income tax payable		274,558	195,608
Debt securities issued	29	52,176,626	50,345,104
Other liabilities	30	2,638,900	2,354,266
Total liabilities		249,902,226	227,411,864

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December 2020	As at 31 December 2019
EQUITY			
Share capital	31	5,838,650	5,838,650
Capital reserve	32(a)	6,627,602	6,627,602
Surplus reserve	32(b)	3,623,310	3,467,020
General reserve	32(c)	2,809,363	2,788,427
Fair value reserve	32(d)	(64,335)	(23,204)
Impairment reserve	32(e)	12,892	18,320
Deficit on remeasurement of net defined benefit liability	32(f)	(765)	(1,223)
Retained earnings	33	2,166,811	1,419,577
Total equity attributable to equity holders of the Bank		21,013,528	20,135,169
Non-controlling interests		27,843	24,180
Total equity		21,041,371	20,159,349
Total liabilities and equity		270,943,597	247,571,213

Approved and authorised for issue by the Board of Directors on 26 March 2021.

Wang Liyan
Director

Sun Shihu
Director

Hou Xiuping
Chief Financial Officer

(Company chop)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

Note	Attributable to equity holders of the Bank							Total	Non-controlling interests	Total equity	
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Surplus/ (deficit) on remeasurement of net defined benefit liability				Retained earnings
As at 1 January 2020	5,838,650	6,627,602	3,467,020	2,788,427	(23,204)	18,320	(1,223)	1,419,577	20,135,169	24,180	20,159,349
Changes in equity for the year:											
Net profit for the year	-	-	-	-	-	-	-	1,566,712	1,566,712	4,153	1,570,865
Other comprehensive income	-	-	-	-	(41,131)	(5,428)	488	-	(46,101)	-	(46,101)
Total comprehensive income	-	-	-	-	(41,131)	(5,428)	488	1,566,712	1,520,611	4,153	1,524,764
Appropriation of profit											
- Appropriation to surplus reserve			156,290					(156,290)			
- Appropriation to general reserve				20,936				(20,936)			
- Dividends paid to shareholders								(642,252)	(642,252)		(642,252)
- Dividends paid to non-controlling interests										(490)	(490)
As at 31 December 2020	5,838,650	6,627,602	3,623,310	2,809,363	(64,335)	12,892	(765)	2,166,811	21,013,528	27,843	21,041,371

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

	Attributable to equity holders of the Bank								Total	Non-controlling interests	Total equity	
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Surplus/ (deficit) on remeasurement of net defined benefit liability				Retained earnings
As at 1 January 2019		4,868,000	4,423,993	3,166,830	2,788,427	(17,935)	17,215	525	702,937	15,969,892	26,097	15,995,989
Changes in equity for the year:												
Net profit for the year		-	-	-	-	-	-	-	1,483,630	1,483,630	(1,182)	1,482,448
Other comprehensive income		-	-	-	-	(5,269)	1,105	(1,748)	-	(5,912)	-	(5,912)
Total comprehensive income for the year		-	-	-	-	(5,269)	1,105	(1,748)	1,483,630	1,477,718	(1,182)	1,476,536
Issue of H shares	31	970,650	2,203,709	-	-	-	-	-	-	3,174,359	-	3,174,359
Appropriation of profit												
- Appropriation to surplus reserve	32(b)	-	-	280,190	-	-	-	-	(280,190)	-	-	-
- Appropriation to general reserve	32(c)	-	-	-	-	-	-	-	-	-	-	-
- Dividends paid to shareholders	33	-	-	-	-	-	-	-	(486,800)	(486,800)	-	(486,800)
- Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(735)	(735)
As at 31 December 2019		5,838,650	6,627,602	3,467,020	2,788,427	(23,204)	18,320	(1,223)	1,419,577	20,135,169	24,180	20,159,349

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
Cash flows from operating activities			
Profit before tax		1,612,339	1,607,555
<i>Adjustments for:</i>			
Impairment losses on assets		1,452,932	1,665,481
Depreciation and amortization		278,342	256,415
Accreted interest on credit-impaired loans		(59,398)	(48,952)
Unrealised foreign exchange gains		(586)	(6,095)
Net losses/(gains) on disposal of property and equipment		1,180	(9,982)
Net trading gains		120,070	(342,479)
Net gains on disposal of investment securities		(819,812)	(746,244)
Share of profits of an associate		(21,543)	(20,878)
Interest expense on debts securities issued		1,578,609	1,780,798
Interest expense on lease liabilities		19,495	21,615
		4,161,628	4,157,234
<i>Changes in operating assets</i>			
Net (increase)/decrease in deposits with the central bank		(354,601)	3,957,544
Net increase in deposits with banks and other financial institutions		(313,011)	(100,000)
Net increase in placements with banks and other financial institutions		(300,000)	–
Net (increase)/decrease in financial assets held under resale agreements		(2,289,655)	7,547,957
Net increase in loans and advances to customers		(20,693,103)	(14,720,723)
Net increase in other operating assets		(485,798)	(551,566)
		(24,436,168)	(3,866,788)
<i>Changes in operating liabilities</i>			
Net increase in borrowings from the central bank		1,022,660	280,000
Net (decrease)/increase in deposits from banks and other financial institutions		(2,296,779)	1,713,549
Net (decrease)/increase in placements from banks and other financial institutions		(1,110,000)	1,810,000
Net increase in financial assets sold under repurchase agreements		1,224,273	3,519,449
Net increase in deposits from customers		20,415,257	9,802,089
Income tax paid		(201,676)	(206,107)
Net increase/(decrease) in other operating liabilities		1,336,871	(251,034)
		20,390,606	16,667,946
Net cash flows from operating activities		116,066	16,958,392

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	2020	2019
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		123,891,770	126,132,417
Gains received from investment activities		772,032	801,972
Proceeds from disposal of property and equipment and other assets		5,998	12,509
Payments on acquisition of investments		(122,795,791)	(142,241,336)
Payments on acquisition of property and equipment, intangible assets and other assets		(221,766)	(898,250)
Net cash flows from/(used in) investing activities		1,652,243	(16,192,688)
Cash flows from financing activities			
Net proceeds from issuance of H shares		–	3,174,359
Proceeds from debt securities issued	34(c)	70,638,524	56,246,356
Repayment of debt securities issued	34(c)	(68,850,000)	(57,190,000)
Interest paid on debt securities issued	34(c)	(1,535,611)	(1,780,914)
Dividends paid		(704,542)	(449,071)
Repayment of lease liabilities	34(c)	(101,088)	(54,705)
Interest paid on lease liabilities	34(c)	(19,495)	(21,615)
Net cash flows used in financing activities		(572,212)	(75,590)
Effect of exchange rate changes on cash and cash equivalents			
		(2,388)	2,305
Net increase in cash and cash equivalents	34(a)	1,193,709	692,419
Cash and cash equivalents as at 1 January		7,894,947	7,202,528
Cash and cash equivalents as at 31 December	34(b)	9,088,656	7,894,947
Interest received		9,374,540	8,669,297
Interest paid (excluding interest expense on debt securities issued)		3,370,233	3,098,315

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Jinshang Bank Co., Ltd. (the “Bank”) (formerly Taiyuan City Commercial Bank Co., Ltd.) commenced business as a city commercial bank on 16 October 1998, according to the Approval on Commencement of Taiyuan City Commercial Bank Co., Ltd. 《關於太原市商業銀行開業的批覆》(YinFu [1998] No. 323) issued by the People’s Bank of China (the “PBoC”). According to the Approval on Change of Name for Taiyuan City Commercial Bank Co., Ltd. 《關於太原市商業銀行更名的批覆》(YinJianFu [2008] No. 569) issued by the former China Banking Regulatory Commission (the former “CBRC”), Taiyuan City Commercial Bank Co., Ltd. was renamed as Jinshang Bank Co., Ltd. on 30 December 2008.

The Bank has been approved by the former CBRC (Shanxi Branch) to hold the financial business permit (No. B0116H214010001) and approved by the Shanxi Provincial Administration for Industry and Commerce to hold the business license (credibility code: 911400007011347302). As at 31 December 2020, the registered capital of the Bank was RMB5,838,650,000, with its registered office located at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province. The Bank is regulated by the China Banking and Insurance Regulatory Commission (the “CBIRC”) which was authorised by the State Council.

In July 2019, the Bank’s H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 2558).

The principal activities of the Bank and its subsidiary (collectively the “Group”) are the provision of corporate and personal deposits, loans and advances, settlement, financial market business and other banking services as approved by the CBIRC.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(1) Basis of preparation and presentation

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the “IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”). 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.

(a) Changes in accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the last annual financial statements.

The Group adopted the Conceptual Framework for Financial Reporting 2018 (the “Conceptual Framework”) and the following amendments from 1 January 2020.

IFRS 3 Amendments	<i>Definition of a Business</i>
IAS 1 and IAS 8 Amendments	<i>Definition of Material</i>
IFRS 9, IAS 39 and IFRS 7 Amendments	<i>Interest Rate Benchmark Reform</i>
IFRS 16 Amendment	<i>Covid-19-Related Rent Concessions</i>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(1) Basis of preparation and presentation (Continued)

(a) Changes in accounting policies (Continued)

Conceptual Framework for Financial Reporting 2018 sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both.

Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(1) Basis of preparation and presentation (Continued)

(a) Changes in accounting policies (Continued)

The accounting policy changes above are unlikely to have significant impacts on the Group's results of operations and financial position.

(b) Possible impact of amendments, new standards and interpretations issued but not yet effective and have not been early adopted for the year ended 31 December 2020.

The revised and new accounting standards and interpretations but not yet effective for the year ended 31 December 2020, are set out below:

		<i>Effective for accounting period beginning on or after</i>
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	<i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
IFRS 3 Amendments	<i>Reference to the Conceptual Framework</i>	1 January 2022
IAS 16 Amendments	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
IAS 37 Amendments	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
IAS 1 Amendments	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
IAS 1 and IFRS Practice Statement 2 Amendments	<i>Disclosure of Accounting Policies</i>	1 January 2023
IAS 8 Amendments	<i>Definition of Accounting Estimates</i>	1 January 2023
IFRS 17 and Amendments	<i>Insurance Contracts</i>	1 January 2023
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely
Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020)		1 January 2022

The Group has assessed the impact of these amendments. So far it has concluded that the adoptions of them are unlikely to have significant impacts on the Group's results of operations and financial position.

(2) Basis of preparation and presentation – Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group. All financial statements presented in RMB have been rounded to the nearest thousands, except when otherwise indicated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(3) Basis of preparation and presentation – Basis of measurement

Financial assets at fair value through other comprehensive income and financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) are measured at their fair values in the consolidated financial statements. Other accounting items are measured at their historical costs. Impairment allowance is recognised and measured in accordance with relevant policy.

(4) Use of estimates and judgements

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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(26).

(5) Subsidiary and non-controlling interests

Subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(5) Subsidiary and non-controlling interests (Continued)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(6)).

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(16)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(6) Associates and joint ventures

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

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

An investment in an associate or a joint venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(16)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the combined statement of profit or loss and other comprehensive income.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(6) Associates and joint ventures (Continued)

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

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

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

(7) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by the PBoC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period, the resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in fair value reserve.

(8) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with the central bank, deposits and placements with banks and other financial institutions with an original maturity of less than three months.

(9) Financial instruments

(a) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(b) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are classified as:

- Financial assets measured at amortised cost, mainly including loans and advances to customers and financial investments measured at amortised cost;
- Financial assets measured at fair value through other comprehensive income (FVOCI), mainly including loans and advances to customers and financial investments measured at FVOCI; and
- Financial assets measured at fair value through profit or loss (FVPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(b) Classification and subsequent measurement of financial assets (Continued)

Classification of financial assets (Continued)

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Subsequent measurement

- Financial assets measured at amortised cost

Such financial assets that the Group holds are subsequently measured at amortised cost. That is, the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

- Financial assets measured at fair value through other comprehensive income (FVOCI)

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in "Other comprehensive income", except for interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. The impairment allowances for such financial assets are recognised in other comprehensive income, impairment gains or losses are recognised in profit or loss, and not reduce the carrying amount of such financial assets in the statement of financial position.

- Equity instruments designated at fair value through other comprehensive income

Such financial assets that the Group holds are subsequently measured at fair value. The dividend income shall be recognised through profit and loss, and a gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in "Other comprehensive income". When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(b) Classification and subsequent measurement of financial assets (Continued)

Subsequent measurement (Continued)

- Financial assets measured at fair value through profit or loss (FVPL)

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on such financial asset is recognised in profit or loss unless it is part of a hedging relationship. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss.

(c) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or financial guarantee liabilities.

- Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

- Financial guarantee liabilities

Financial guarantees are contracts that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The financial guarantee liability is measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Note 2(19)(a)) and the amount initially recognised less the cumulative amount of income.

(d) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI.

Financial assets measured at fair value, including debt investments or equity securities at FVPL, and equity securities designated at FVOCI, are not subject to the ECL assessment.

Measurement of ECLs

ECL is a probability-weighted estimate of the default risk 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 ECL is the ECL that results from all possible default events over the expected life of a financial instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(d) Impairment (Continued)

Measurement of ECLs (Continued)

12-month ECL is the portion of ECL that results 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).

Measurement methods of ECLs used by the Group in the above areas are set out in Note 38(a).

Presentation of ECLs

ECL is remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the 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.

(e) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

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For the year ended 31 December 2020
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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(e) Fair value measurement principles (Continued)

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instruments with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(f) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- 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 extinguished.

(g) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate.

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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(g) Derivative financial instruments (Continued)

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but do not qualify for hedge accounting, changes in the fair value of these derivatives are recognised in “Net trading gains” in profit or loss.

(h) Offsetting

Financial assets and financial liabilities are generally presented separately in the statement of financial position and are not offset. However, a financial asset and a financial liability are offset, and the net amount is presented in the statement of financial position when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognised amounts;
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(10) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are not reported as purchases of the assets but as receivables and are carried in the statement of financial position at amortized cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(11) Investment in a subsidiary

In the Group’s consolidated financial statements, investment in a subsidiary is accounted for in accordance with the principles described in Note 2(5).

In the Bank’s financial statements, investment in a subsidiary is accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognised at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (see Note 2(16)) in the statement of financial position. Except for declared but not yet distributed cash dividends or profit distributions that have been included in the price or consideration paid-in obtaining the investments, the Group recognises its share of the cash dividends or profit distributions declared by the investees as investment income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(12) Property and equipment and construction in progress

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment loss (see Note 2(16)). Construction in progress is stated in the statement of financial position at cost less impairment loss (see Note 2(16)).

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating the use of different depreciation rates or methods, they are recognised as a separate item of property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The Group's property and equipment are depreciated using the straight-line method over their estimated useful lives, after considering their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	10-20 years	3%	4.85% – 9.70%
Vehicle	4 years	3%	24.25%
Electronic equipment	3-5 years	3%	19.40% – 32.33%
Others	3-10 years	3%	9.70% – 32.33%

Estimated useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(13) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(a) As a lessee

At the commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(13) Leases (Continued)

(a) As a lessee (Continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in “other assets” and lease liabilities in “other liabilities” in the statement of financial position.

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of “other operating income”.

(14) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortization and impairment loss (see Note 2(16)). The cost of intangible assets less residual value and impairment loss is amortized on the straight-line method over the estimated useful lives.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(14) Intangible assets (Continued)

The respective amortization periods for intangible assets are as follows:

Computer software and system development	2 – 10 years
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(15) Repossessed assets

Repossessed assets refer to the real assets or property rights paid by the debtor, guarantor or third party when the Group exercises the creditor's right or real right of guarantee in accordance with the law. Repossessed assets are initially recognised at fair value of assets not retained plus tax and related costs when they are obtained as the compensation for the loans' principal and interest. Subsequent measurement shall be made according to the lower amount of book value and fair value minus disposal expense. Repossessed assets do not depreciate or amortize.

(16) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- construction in progress
- intangible assets
- investment in a subsidiary

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about keeping or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the 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 asset belongs.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing to use the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

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For the year ended 31 December 2020
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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(16) Provision for impairment losses on non-financial assets (Continued)

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(17) Employee benefits

(a) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Group include social pension schemes, an annuity plan, a housing fund and other social insurances.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity plan

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

Housing fund and other social insurances

In addition to the retirement benefits above, the Group has joined social security contribution schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurance schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(17) Employee benefits (Continued)

(b) Supplementary retirement benefits

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter are collectively referred to as "supplementary retirement benefits". Except for the above mentioned, the Group has no significant responsibilities to pay any other retirement benefits to employees.

(18) Income tax

Income tax for the reporting period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(18) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investment in a subsidiary to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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 enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and the movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Bank or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Bank or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(19) Financial guarantees, provisions and contingent liabilities

(a) Financial guarantees

In terms of off-balance sheet credit commitments, the Group applies the expected credit loss model to measure the losses caused by particular debtors incapable of paying due debts, which are present in provisions. See Note 2(9)(d) for the description of the expected credit loss model.

(b) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(20) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

Intermediary matchmaking service refers to the Group’s signing agreements with customers and financing parties respectively, and providing intermediary matchmaking, information registration, agent interest payment or redemption and information disclosure services. As for the intermediary matchmaking service, the Group only fulfills its management duties and collects corresponding service fees in accordance with the relevant agreements and does not bear the relevant default risk arising from the intermediary matchmaking service. Therefore, the relevant intermediary matchmaking service is recorded as an off-balance sheet item.

(21) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Group’s ordinary activities when the inflows result in an increase in shareholders’ equity, other than an increase relating to contributions from shareholders.

Income is recognised when the Group satisfies the performance obligation in the contract which by transferring the control over relevant goods or services to the customers.

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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(21) Income recognition (Continued)

The following is the description of accounting policies regarding income from the Group's principal activities.

(a) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(b) 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 recognised 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 recognised when its performance obligation in contracts is satisfied.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance or;
- 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.

In other cases, the Group recognises revenue at the point in time when a customer obtains control of the promised services.

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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(21) Income recognition (Continued)

(c) Government grants

Government grants are recognised in the statement 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 recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(d) Other income

Other income is recognised on an accrual basis.

(22) Expenses recognition

(a) Interest expense

Interest expense from financial liabilities is accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

(b) Other expenses

Other expenses are recognised on an accrual basis.

(23) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the reporting period are not recognised as a liability at the end of the reporting period but disclosed separately in the notes to the financial statements.

(24) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(24) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies: (Continued)

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a parent of the Group.

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

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(26) Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

(a) Measurement of expected credit losses

The measurement of the expected credit loss allowance for the investment in financial assets and debt instruments measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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For the year ended 31 December 2020
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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(26) Significant accounting estimates and judgements (Continued)

(a) Measurement of expected credit losses (Continued)

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 38(a) credit risk.

(b) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make a maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(d) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(26) Significant accounting estimates and judgements (Continued)

(e) Depreciation and amortisation

Property and equipment and intangible assets are depreciated and amortized using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(f) Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 2(5) indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan, an asset-backed security or an investment fund. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interest and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 42.

(g) Defined benefit plan

The Group, in accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumption to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, recognise a defined benefit plan liability by the present value of the defined benefit plan. The Group attributes obligations under a defined benefit plan to periods of service provided by employees, with a corresponding charge to profit or loss for the current period or the cost of a relevant asset which include the service cost and interest expense of under a defined benefit plan, changes as a result of remeasurements of the net defined benefit plan liability or asset are recognised in deficit/surplus on remeasurement of net defined benefit liability.

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2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(27) Taxation

The principal income and other taxes to which the Group is subject are listed below:

Taxes	Statutory rates	Tax basis
Corporate income tax	25%	Taxable income
Value-added tax	6%	Taxable added value
City construction and maintenance tax	7% or 5%	Turnover tax paid
Education surcharges	3%	Turnover tax paid

(28) Comparative figures

Certain comparative figures have been adjusted to confirm with the disclosure methods used in financial statements in current year.

3 NET INTEREST INCOME

	2020	2019 (Restated)
Interest income arising from		
Deposits with the central bank	228,176	259,017
Deposits with banks and other financial institutions	54,697	35,240
Placements with banks and other financial institutions	44,923	80,262
Loans and advances to customers		
– Corporate loans and advances	4,309,699	3,989,257
– Personal loans	943,895	749,298
– Discounted bills	947,819	865,375
Financial assets held under resale agreements	302,622	349,799
Financial investments	2,597,560	2,427,032
Subtotal	9,429,391	8,755,280
Interest expense arising from		
Borrowings from the central bank	(32,023)	(21,720)
Deposits from banks and other financial institutions	(105,885)	(107,698)
Placements from banks and other financial institutions	(40,858)	(18,377)
Deposits from customers	(3,993,046)	(3,405,542)
Financial assets sold under repurchase agreements	(238,266)	(162,115)
Debt securities issued	(1,578,609)	(1,780,798)
Subtotal	(5,988,687)	(5,496,250)
Net interest income	3,440,704	3,259,030

Interest income arising from loans and advances to customers included RMB59 million for the year ended 31 December 2020 with respect to the accreted interest on credit-impaired loans (the year ended 31 December 2019: RMB49 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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4 NET FEE AND COMMISSION INCOME

(a) Income and expense streams:

	2020	2019 (Restated)
Fee and commission income		
Agency service fees and others	344,799	249,078
Acceptance and guarantee service fees	195,371	157,439
Wealth management business fees	148,573	141,832
Bank card service fees	122,197	69,680
Settlement and clearing fees	79,789	78,348
Subtotal	890,729	696,377
Fee and commission expense		
Settlement and clearing fees	(125,854)	(37,185)
Bank card service fees	(29,030)	(22,499)
Others	(23,299)	(26,141)
Subtotal	(178,183)	(85,825)
Net fee and commission income	712,546	610,552

(b) Disaggregation of income:

	2020		2019 (Restated)	
	At a point in time	Over time	At a point in time	Over time
Agency service fees and others	244,359	100,440	170,246	78,832
Acceptance and guarantee service fees	-	195,371	-	157,439
Wealth management business fees	-	148,573	-	141,832
Bank card service fees	113,155	9,042	69,680	-
Settlement and clearing fees	79,789	-	78,348	-
Total	437,303	453,426	318,274	378,103

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For the year ended 31 December 2020
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5 NET TRADING GAINS

	2020	2019
Net gains from investment management products	12,785	61,357
Net gains from funds	800	280,824
Exchange gain	586	92,889
Net gains/(losses) from derivative financial assets	70	(1,415)
Net losses from interbank deposits issued	(201)	(14)
Net (losses)/gains from equity investments and others	(853)	9,482
Net losses from debt securities	(132,672)	(7,755)
Total	(119,485)	435,368

6 NET GAINS ARISING FROM INVESTMENT SECURITIES

	2020	2019
Net gains on financial investments at fair value through profit or loss	804,620	742,072
Net gains on financial investments at fair value through other comprehensive income	15,192	4,172
Total	819,812	746,244

7 OTHER OPERATING INCOME

	2020	2019
Government grants	2,292	307
Penalty income	1,373	7,656
Rental income	892	858
Income from long-term unwithdrawn items	662	509
Net (losses)/gains on disposal of property and equipment	(1,180)	10,059
Others	10,397	18,358
Total	14,436	37,747

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8 OPERATING EXPENSES

	2020	2019
Staff costs		
– Salaries, bonuses and allowances	829,277	785,544
– Social insurance and annuity	96,964	179,376
– Housing allowances	66,808	62,341
– Staff welfares	51,673	48,232
– Employee education expenses and labour union expenses	27,520	33,148
– Supplementary retirement benefits	5,300	17,740
– Others	7,715	12,098
Subtotal	1,085,257	1,138,479
Depreciation and amortisation	278,342	256,415
Taxes and surcharges	71,272	66,620
Rental and property management expenses	48,390	77,165
Interest expense on lease liabilities	19,495	21,615
Other general and administrative expenses	321,529	276,489
Total	1,824,285	1,836,783

Auditor's remunerations were RMB3.98 million for the year ended 31 December 2020 (2019: RMB3.98 million).

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9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments before individual income tax in respect of the directors and supervisors who held office during the year are as follows:

	Year ended 31 December 2020						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Wang Junbiao	-	207	156	363	-	97	460
Tang Yiping	-	226	215	441	2	172	615
Wang Peiming	-	204	194	398	2	179	579
Rong Changqing	-	187	173	360	8	233	601
Non-executive directors							
Li Shishan	-	-	-	-	-	-	-
Xiang Lijun	-	-	-	-	-	-	-
Liu Chenhang	-	-	-	-	-	-	-
Li Yang	-	-	-	-	-	-	-
Wang Jianjun	-	-	-	-	-	-	-
Independent non-executive directors							
Sai Zhiyi	-	-	-	-	-	-	-
Wang Liyan	200	-	-	200	-	-	200
Duan Qingshan	200	-	-	200	-	-	200
Jin Haiteng	200	-	-	200	-	-	200
Sun Shihu	200	-	-	200	-	-	200
Ye Xiang	317	-	-	317	-	-	317
Employees' representative supervisors							
Xie Liying	-	204	194	398	2	169	569
Wen Qingquan	-	249	493	742	2	142	886
Guo Zhenrong	-	263	438	701	2	140	843
External supervisors							
Liu Shoubao	200	-	-	200	-	-	200
Wu Jun	200	-	-	200	-	-	200
Liu Min	200	-	-	200	-	-	200
Shareholders' representative supervisors							
Bi Guoyu	-	-	-	-	-	-	-
Xu Jin	-	-	-	-	-	-	-
Xia Guisuo	-	-	-	-	-	-	-
Total	1,717	1,540	1,863	5,120	18	1,132	6,270

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9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

	Year ended 31 December 2019						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Yan Junsheng	-	226	227	453	28	68	549
Tang Yiping	-	226	227	453	28	68	549
Li Jianqiang	-	2	35	37	-	-	37
Wang Peiming	-	204	204	408	28	105	541
Rong Changqing	-	204	174	378	46	179	603
Non-executive directors							
Li Shishan	-	-	-	-	-	-	-
Xiang Lijun	-	-	-	-	-	-	-
Liu Chenhang	-	-	-	-	-	-	-
Li Yang	-	-	-	-	-	-	-
Wang Jianjun	-	-	-	-	-	-	-
Independent non-executive directors							
Jin Haiteng	200	-	-	200	-	-	200
Sun Shihu	200	-	-	200	-	-	200
Wang Liyan	200	-	-	200	-	-	200
Duan Qingshan	200	-	-	200	-	-	200
Sai Zhiyi	-	-	-	-	-	-	-
Ye Xiang	67	-	-	67	-	-	67
Employees' representative supervisors							
Xie Liying	-	204	203	407	28	125	560
Li Weiqiang	-	92	280	372	12	55	439
Shangguan Yujiang	-	95	344	439	12	55	506
Wen Qingquan	-	130	260	390	19	93	502
Guo Zhenrong	-	133	249	382	19	92	493
External supervisors							
Liu Shoubao	200	-	-	200	-	-	200
Wu Jun	200	-	-	200	-	-	200
Liu Min	200	-	-	200	-	-	200
Shareholders' representative supervisors							
Bi Guoyu	-	-	-	-	-	-	-
Xu Jin	-	-	-	-	-	-	-
Xia Guisuo	-	-	-	-	-	-	-
Total	1,467	1,516	2,203	5,186	220	840	6,246

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9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

There was no amount paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

Notes:

- (a) On 25 January 2019, Li Jianqiang resigned as an executive director.
- (b) In the meeting of the labor union committee of the Bank on 13 May 2019, Li Weiqiang and Shangguan Yujiang resigned as employees' representative supervisors.
- (c) In the meeting of the labor union committee of the Bank on 13 May 2019, Wen Qingquan and Guo Zhenrong were elected as employees' representative supervisors.
- (d) On 8 January 2020, Yan Junsheng resigned as an executive director.
- (e) In the extraordinary general meeting of the Bank on 10 March 2020, Wang Junbiao was elected as executive director of the Bank. His directorship is subject to the approval by CBIRC Shanxi Office to come into effect.
- (f) On 20 November 2020, Rong Changqing resigned as an executive director.
- (g) On 9 December 2020, Tang Yiping resigned as an executive director.
- (h) On 20 January 2021, Wang Peiming resigned as an executive director.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2020, the five individuals with highest emoluments did not include any directors and supervisors of the Bank.

The emoluments for the five highest paid individuals for the year ended 31 December 2020 are as follows:

	2020	2019
Salaries and other emoluments	1,382	961
Discretionary bonuses	7,825	12,978
Contributions to pension schemes	12	140
Others	501	410
Total	9,720	14,489

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10 INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The number of these individuals whose emoluments are within the following bands is set out below:

	2020	2019
HKD1,500,001- 2,000,000	–	–
HKD2,000,001- 2,500,000	4	1
HKD2,500,001- 3,000,000	1	1
HKD3,000,001- 3,500,000	–	1
HKD3,500,001- 4,000,000	–	1
HKD4,000,001- 4,500,000	–	1
HKD4,500,001- 5,000,000	–	–
HKD5,000,001- 5,500,000	–	–

None of these individuals received any inducement to join or upon joining the Group or as compensation for loss of office, or waived any emoluments during the year.

11 IMPAIRMENT LOSSES ON ASSETS

	2020	2019
Loans and advances to customers	992,493	1,008,870
Credit commitments	345,409	148,825
Financial investments	90,641	504,208
Deposits with banks and other financial institutions	487	13
Placements with banks and other financial institutions	42	7
Others	23,860	5,673
Subtotal of impairment losses on credit	1,452,932	1,667,596
Other impairment losses on assets	–	(2,115)
Total	1,452,932	1,665,481

12 INCOME TAX EXPENSE

(a) Income tax expense:

	Note	2020	2019
Current tax		280,626	295,496
Deferred tax	23(b)	(239,152)	(170,389)
Total		41,474	125,107

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12 INCOME TAX EXPENSE (Continued)

(b) Reconciliations between income tax and accounting profit are as follows:

	2020	2019
Profit before tax	1,612,339	1,607,555
Statutory tax rate	25%	25%
Income tax calculated at the statutory tax rate	403,085	401,889
Non-deductible expenses	21,904	48,736
Non-taxable income (i)	(383,515)	(325,518)
Income tax	41,474	125,107

(i) The non-taxable income mainly represents the interest income arising from the People's Republic of China (the "PRC") government bonds, and dividends from domestic enterprises.

13 BASIC AND DILUTED EARNINGS PER SHARE

	Note	2020	2019
Net profit attributable to equity holders of the Bank		1,566,712	1,483,630
Weighted average number of ordinary shares (in thousands)	(a)	5,838,650	5,301,261
Basic and diluted earnings per share attributable to equity holders of the Bank (in RMB)		0.27	0.28

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

(a) Weighted average number of ordinary shares (in thousands)

	2020	2019
Number of ordinary shares at the beginning of the year	5,838,650	4,868,000
Weighted average number of ordinary shares issued during the year	-	433,261
Weighted average number of ordinary shares	5,838,650	5,301,261

On 18 July 2019, the Bank issued 860 million H shares with a par value of RMB1 at an offering price of HKD3.82 per share. On 14 August 2019, the Bank exercised the over-allotment option and issued 111 million H shares with a par value of RMB1 at HKD3.82 per share.

Basic earnings per share has been computed by taking into account the aforesaid shares subscribed by the investors during the period.

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14 CASH AND DEPOSITS WITH THE CENTRAL BANK

	Note	31 December 2020	31 December 2019
Cash on hand		346,696	244,124
Deposits with the central bank			
– Statutory deposit reserves	(a)	13,595,756	13,048,479
– Surplus deposit reserves	(b)	6,524,372	5,554,358
– Fiscal deposits		62,270	254,946
Subtotal		20,182,398	18,857,783
Interest accrued		6,708	6,418
Total		20,535,802	19,108,325

- (a) The Group places statutory deposit reserves with the PBoC in accordance with relevant regulations. As at the end of each year, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2020	31 December 2019
Reserve ratio for RMB deposits	8.0%	8.5%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are not available for the Bank's daily business. The subsidiary of the Bank is required to place statutory RMB deposit reserve at rates determined by the PBoC.

- (b) The surplus deposit reserves are maintained with the PBoC for the purpose of clearing.

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15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2020	31 December 2019
Deposits in mainland China		
– Banks	1,384,789	612,733
– Other financial institutions	813,010	536,059
Subtotal	2,197,799	1,148,792
Deposits outside mainland China		
– Banks	32,798	147,672
Interest accrued	14,093	7,361
Less: Provision for impairment losses	(653)	(166)
Total	2,244,037	1,303,659

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2020	31 December 2019
Placements in mainland China		
– Banks	1,100,000	1,300,000
Subtotal	1,100,000	1,300,000
Interest accrued	485	383
Less: Provision for impairment losses	(50)	(8)
Total	1,100,435	1,300,375

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17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2020	31 December 2019
In mainland China		
– Banks	17,127,861	13,675,474
– Other financial institutions	1,786,790	2,949,522
Subtotal	18,914,651	16,624,996
Interest accrued	655	5,023
Less: Provision for impairment losses	(1)	(1)
Total	18,915,305	16,630,018

(b) Analysed by type of collateral held

	31 December 2020	31 December 2019
Securities		
– Government	3,510,640	1,095,000
– Policy banks	846,171	1,779,923
– Commercial banks and other financial institutions	–	2,244,448
Subtotal	4,356,811	5,119,371
Bank acceptances	14,557,840	11,505,625
Subtotal	18,914,651	16,624,996
Interest accrued	655	5,023
Less: Provision for impairment losses	(1)	(1)
Total	18,915,305	16,630,018

As at 31 December 2020 and 31 December 2019, certain financial assets held under buyout resale agreements were pledged for repurchase agreements (Note 41(f)).

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18 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	31 December 2020	31 December 2019
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	84,459,556	72,750,413
Personal loans		
– Residential mortgage loans	14,340,584	10,787,868
– Personal consumption loans	1,705,336	1,628,255
– Personal business loans	2,140,593	2,569,126
– Credit cards	3,858,360	2,850,087
Subtotal	22,044,873	17,835,336
Interest accrued	585,848	490,986
Less: Provision for loans and advances to customers measured at amortised cost	(4,854,175)	(4,260,918)
Subtotal	102,236,102	86,815,817
Loans and advances to customers measured at fair value through other comprehensive income:		
Corporate loans and advances	–	187,447
Discounted bills	29,600,410	24,709,293
Subtotal	29,600,410	24,896,740
Net loans and advances to customers	131,836,512	111,712,557

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18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Loans and advances to customers (excluding interest accrued) analysed by industry sector

	31 December 2020		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	28,018,543	20.59%	4,326,494
Mining	19,032,833	13.98%	2,370,984
Real estate	10,415,971	7.65%	4,082,473
Public administration, public security and social organisations	6,016,234	4.42%	580,783
Wholesale and retail trade	5,868,055	4.31%	2,461,447
Leasing and commercial services	5,812,215	4.27%	706,627
Construction	4,963,959	3.65%	556,471
Production and supply of electric power, gas and water	1,361,798	1.00%	156,900
Transportation, storage and postal services	858,159	0.63%	44,929
Agriculture, forestry, animal husbandry and fishery	558,427	0.41%	79,328
Education	38,197	0.03%	24,997
Others	1,515,165	1.11%	1,399,739
Subtotal of corporate loans and advances	84,459,556	62.05%	16,791,172
Personal loans	22,044,873	16.20%	8,294,083
Discounted bills	29,600,410	21.75%	29,600,410
Gross loans and advances to customers	136,104,839	100.00%	54,685,665

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18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Loans and advances to customers (excluding interest accrued) analysed by industry sector (Continued)

	31 December 2019		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	22,784,905	19.73%	4,131,709
Mining	16,645,944	14.41%	1,741,882
Real estate	11,386,899	9.86%	3,346,282
Wholesale and retail trade	5,964,871	5.17%	2,195,908
Leasing and commercial services	4,900,715	4.24%	1,076,901
Public administration, public security and social organisations	4,328,290	3.75%	585,726
Construction	3,949,962	3.42%	841,076
Transportation, storage and postal services	1,136,420	0.98%	405,100
Production and supply of electric power, gas and water	1,006,733	0.87%	249,273
Agriculture, forestry, animal husbandry and fishery	114,370	0.10%	33,870
Education	38,397	0.03%	29,897
Others	680,354	0.60%	549,325
Subtotal of corporate loans and advances	72,937,860	63.16%	15,186,949
Personal loans	17,835,336	15.44%	4,706,774
Discounted bills	24,709,293	21.40%	24,709,293
Gross loans and advances to customers	115,482,489	100.00%	44,603,016

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18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Loans and advances to customers (excluding interest accrued) analysed by industry sector (Continued)

As at the end of the reporting period and during the year, detailed information of the impaired loans and advances to customers (excluding interests accrued) as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	31 December 2020					
	Credit-impaired loans and advances	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	Impairment losses charged during the year	Written-off during the year
Manufacturing	760,296	876,874	154,441	292,667	(22,916)	-
Mining	713,484	589,135	187,901	244,360	14,578	-

	31 December 2019					
	Credit-impaired loans and advances	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	Impairment losses charged during the year	Written-off during the year
Manufacturing	790,717	693,570	310,050	343,278	351,800	16,347
Mining	562,886	436,835	256,204	313,779	331,321	8,275

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18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Analysed by type of collateral

	31 December 2020	31 December 2019
Unsecured loans	12,224,097	8,848,004
Guaranteed loans	69,195,077	62,031,469
Collateralised loans	20,277,695	15,528,913
Pledged loans	34,407,970	29,074,103
Subtotal	136,104,839	115,482,489
Interest accrued	585,848	490,986
Gross loans and advances to customers	136,690,687	115,973,475
Less: Provision for loans and advances to customers measured at amortised cost	(4,854,175)	(4,260,918)
Net loans and advances to customers	131,836,512	111,712,557

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18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans (excluding interest accrued) analysed by overdue period

	31 December 2020				
	Overdue within three months (inclusive)	Overdue for more than three months to one year (inclusive)	Overdue for more than one year to three years (inclusive)	Overdue for more than three years	Total
Unsecured loans	53,530	70,523	34,318	542	158,913
Guaranteed loans	291,498	881,745	242,904	132,172	1,548,319
Collateralised loans	142,725	591,709	174,687	38,422	947,543
Pledged loans	5,330	1,900	9,500	3,122	19,852
Total	493,083	1,545,877	461,409	174,258	2,674,627
As a percentage of gross loans and advances to customers	0.36%	1.14%	0.34%	0.13%	1.97%

	31 December 2019				
	Overdue within three months (inclusive)	Overdue for more than three months to one year (inclusive)	Overdue for more than one year to three years (inclusive)	Overdue for more than three years	Total
Unsecured loans	25,754	19,338	11,450	30	56,572
Guaranteed loans	2,236,039	878,945	498,382	444,310	4,057,676
Collateralised loans	199,449	153,486	76,977	13,474	443,386
Pledged loans	86,723	–	10,000	971	97,694
Total	2,547,965	1,051,769	596,809	458,785	4,655,328
As a percentage of gross loans and advances to customers	2.21%	0.91%	0.52%	0.40%	4.04%

Overdue loans represent loans of which the whole or part of the principals or interest were overdue for one day or more.

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18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses

	31 December 2020			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses (i)	
Total loans and advances to customers measured at amortised cost	101,686,785	2,897,228	2,506,264	107,090,277
Less: Provision for impairment losses	(2,980,705)	(718,958)	(1,154,512)	(4,854,175)
Carrying amount of loans and advances to customers measured at amortised cost	98,706,080	2,178,270	1,351,752	102,236,102
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	29,598,010	–	2,400	29,600,410
Net loans and advances to customers	128,304,090	2,178,270	1,354,152	131,836,512
	31 December 2019			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses (i)	
Total loans and advances to customers measured at amortised cost	84,559,772	4,376,354	2,140,609	91,076,735
Less: Provision for impairment losses	(2,223,034)	(906,674)	(1,131,210)	(4,260,918)
Carrying amount of loans and advances to customers measured at amortised cost	82,336,738	3,469,680	1,009,399	86,815,817
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	24,894,340	–	2,400	24,896,740
Net loans and advances to customers	107,231,078	3,469,680	1,011,799	111,712,557

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18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses (Continued)

Notes:

- (i) The loans and advances are “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the loans and advances have occurred. Evidence that loans and advances are credit-impaired includes the following observable data: significant financial difficulty of the borrower or issuer; a breach of contract, such as a default or delinquency in interest or principal payments; for economic or contractual reasons relating to the borrower’s financial difficulty, the Group having granted to the borrower a concession that otherwise would not consider; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or debts overdue for more than 90 days.

(f) Movements in provision for impairment losses

(i) Movements in provision for impairment losses on loans and advances to customers measured at amortised cost:

	Year ended 31 December 2020			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	
As at 1 January	2,223,034	906,674	1,131,210	4,260,918
Transferred:				
– to expected credit losses over the next 12 months	22,649	(21,428)	(1,221)	–
– to lifetime expected credit losses: not credit-impaired loans	(10,582)	14,512	(3,930)	–
– to lifetime expected credit losses: credit-impaired loans	(21,503)	(298,619)	320,122	–
Charge for the year	767,107	117,819	115,365	1,000,291
Transfer out	–	–	(353,707)	(353,707)
Recoveries	–	–	21,103	21,103
Write-offs	–	–	(15,032)	(15,032)
Other changes	–	–	(59,398)	(59,398)
As at 31 December	2,980,705	718,958	1,154,512	4,854,175

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18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements in provision for impairment losses (Continued)

(i) Movements in provision for impairment losses on loans and advances to customers measured at amortised cost: (Continued)

	Year ended 31 December 2019			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	
As at 1 January	2,158,195	776,736	1,082,335	4,017,266
Transferred:				
- to expected credit losses over the next 12 months	968	(968)	-	-
- to lifetime expected credit losses: not credit-impaired loans	(50,757)	50,773	(16)	-
- to lifetime expected credit losses: credit-impaired loans	(8,696)	(148,717)	157,413	-
Charge for the year	123,324	228,850	656,094	1,008,268
Transfer out	-	-	(545,733)	(545,733)
Recoveries	-	-	928	928
Write-offs	-	-	(170,859)	(170,859)
Other changes	-	-	(48,952)	(48,952)
As at 31 December	2,223,034	906,674	1,131,210	4,260,918

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18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements in provision for impairment losses (Continued)

(ii) Movements in provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:

	Year ended 31 December 2020			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	
As at 1 January	12,506	-	9,600	22,106
Reversal for the year	(7,798)	-	-	(7,798)
As at 31 December	4,708	-	9,600	14,308

	Year ended 31 December 2019			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	
As at 1 January	13,104	-	8,400	21,504
(Reversal)/charge for the year	(598)	-	1,200	602
As at 31 December	12,506	-	9,600	22,106

Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

(g) Disposal of loans and advances to customers

During the year ended 31 December 2020, the Group transferred loans and advances with a gross amount of RMB1,757 million (31 December 2019: RMB644 million) to independent third parties, and the transfer price was RMB1,368 million (31 December 2019: RMB98 million).

During the years ended 31 December 2020 and 31 December 2019, the Group did not transfer any portfolio of customer loans and advances through the asset securitisation business.

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19 FINANCIAL INVESTMENTS

	Note	31 December 2020	31 December 2019
Financial investments measured at fair value through profit or loss	(a)	29,775,086	29,976,480
Financial investments measured at fair value through other comprehensive income	(b)	8,898,454	11,709,118
Financial investments measured at amortised cost	(c)	52,986,363	51,227,041
Total		91,659,903	92,912,639

(a) Financial investments measured at fair value through profit or loss

	31 December 2020	31 December 2019
Debt securities issued by the following institutions in Mainland China		
– Government	694,844	696,031
– Policy banks	98,255	205,461
– Banks and other financial institutions	738,782	98,182
– Corporates	208,394	199,343
Subtotal	1,740,275	1,199,017
Investment funds	25,375,979	26,387,551
Investment management products	2,608,677	2,330,815
Other investments	50,155	59,097
Total	29,775,086	29,976,480

As at the end of each year, there were no investments subject to material restrictions in the realization.

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19 FINANCIAL INVESTMENTS (Continued)

(b) Financial investments measured at fair value through other comprehensive income

	31 December 2020	31 December 2019
Debt securities issued by the following institutions in Mainland China		
– Government	4,766,504	4,265,396
– Policy banks	1,525,382	1,406,987
– Banks and other financial institutions	499,978	235,199
– Corporates	300,609	101,367
Subtotal	7,092,473	6,008,949
Interest accrued	95,507	98,145
Subtotal	7,187,980	6,107,094
Interbank deposits	884,407	4,678,317
Investment management products	658,382	743,270
Interest accrued	32,232	29,247
Subtotal	690,614	772,517
Equity investments	135,453	151,190
Total	8,898,454	11,709,118

Notes:

- (i) As at 31 December 2020 and 31 December 2019, there were no investments subject to material restrictions in the realisation.

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19 FINANCIAL INVESTMENTS (Continued)

(b) Financial investments measured at fair value through other comprehensive income (Continued)

Notes: (Continued)

- (ii) Movements in provision for impairment of financial investments measured at fair value through other comprehensive income:

	Year ended 31 December 2020			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	2,321	-	-	2,321
Charge for the year	561	-	-	561
Balance at 31 December	2,882	-	-	2,882

	Year ended 31 December 2019			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	1,449	-	-	1,449
Charge for the year	872	-	-	872
Balance at 31 December	2,321	-	-	2,321

Provision for impairment losses on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

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19 FINANCIAL INVESTMENTS (Continued)

(c) Financial investments measured at amortised cost

	Note	31 December 2020	31 December 2019
Debt securities issued by the following institutions in Mainland China	(i)		
– Government		30,479,109	22,446,690
– Policy banks		2,132,540	3,552,145
– Corporates		1,110,994	640,914
Interest accrued		461,078	384,826
Subtotal		34,183,721	27,024,575
Interbank deposits		685,866	–
Investment management products		19,272,015	25,202,601
Interest accrued		395,713	460,737
Subtotal		19,667,728	25,663,338
Less: Provision for impairment losses	(ii)	(1,550,952)	(1,460,872)
Total		52,986,363	51,227,041

Note:

- (i) As at the end of each of the reporting periods, certain debt securities were pledged for repurchase agreements (Note 41(f)).

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19 FINANCIAL INVESTMENTS (Continued)

(c) Financial investments measured at amortised cost (Continued)

- (ii) Movements in provision for impairment losses on financial investments measured at amortised cost:

	Year ended 31 December 2020			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	489,084	1,975	969,813	1,460,872
Transfers:				
– to lifetime expected credit losses credit-impaired	–	(1,975)	1,975	–
Charge/(reversal) for the year	(70,109)	232,000	(71,811)	90,080
Balance at 31 December	418,975	232,000	899,977	1,550,952

	Year ended 31 December 2019			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	468,002	37,064	452,470	957,536
Transfers:				
– to lifetime expected credit losses credit-impaired	(3,363)	(37,064)	40,427	–
Charge for the year	24,445	1,975	476,916	503,336
Balance at 31 December	489,084	1,975	969,813	1,460,872

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19 FINANCIAL INVESTMENTS (Continued)

(d) Financial investments are analysed as follows:

	31 December 2020	31 December 2019
Financial investments measured at fair value through profit or loss		
Debt securities		
– Listed	1,631,868	932,877
– Unlisted	108,407	266,140
Fund investments and others		
– Unlisted	28,034,811	28,777,463
Subtotal	29,775,086	29,976,480
Financial investments measured at fair value through other comprehensive income		
Debt securities		
– Listed	7,187,980	5,033,359
– Unlisted	–	1,073,735
Interbank deposits		
– Listed	884,407	4,678,317
Equity investments and investment management products		
– Unlisted	826,067	923,707
Subtotal	8,898,454	11,709,118
Financial investments measured at amortised cost		
Debt securities		
– Listed	33,681,601	23,959,043
– Unlisted	381,100	3,063,597
Interbank deposits		
– Listed	685,435	–
Investment management products		
– Unlisted	18,238,227	24,204,401
Subtotal	52,986,363	51,227,041
Total	91,659,903	92,912,639

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19 FINANCIAL INVESTMENTS (Continued)

(d) Financial investments are analysed as follows: (Continued)

	31 December 2020	31 December 2019
Listed	44,071,291	34,603,596
Unlisted	47,588,612	58,309,043
Total	91,659,903	92,912,639

Interbank deposits traded in the Mainland China interbank bond market are included in “Listed”.

20 INTEREST IN AN ASSOCIATE

	31 December 2020	31 December 2019
Interest in an associate	294,119	272,576

The following table contains information about the Bank’s associate which is immaterial to the Bank and is an unlisted corporate entity whose quoted market price is not available:

Name	Percentage of equity/voting rights		Place of incorporation/ registration	Business sector
	31 December 2020	31 December 2019		
Jinshang Consumer Finance Co., Ltd.	40%	40%	Shanxi, China	Consumer finance

In February 2016, the Bank and other third-party shareholders jointly established Jinshang Consumer Finance Co., Ltd. (Jinshang Consumer Finance), which was registered in Taiyuan, Shanxi, China with its main business operating in China. The registered capital of Jinshang Consumer Finance amounted to RMB500 million and the Bank holds 40% of the equity of Jinshang Consumer Finance. As at 31 December 2020, Jinshang Consumer Finance has share capital of RMB500 million.

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20 INTEREST IN AN ASSOCIATE (Continued)

The following tables illustrate the financial information of the Group's associate that is not individually material:

	31 December 2020	31 December 2019
Carrying amount of individually the immaterial associate in the statement of financial position of the Bank	294,119	272,576
Amounts of the Bank's share of results of the associate		
– Profit from continuing operations	21,543	20,878
– Other comprehensive income	–	–
– Total comprehensive income	21,543	20,878

21 INVESTMENT IN A SUBSIDIARY

	31 December 2020	31 December 2019
Qingxu Village and Township Bank (清徐晉商村鎮銀行股份有限公司)	25,500	25,500

Qingxu Jinshang Village and Township Bank Co., Ltd (Qingxu Village and Township Bank) was incorporated on 19 January 2012, which was registered in Taiyuan, Shanxi, China with registered capital of RMB50 million. The principal activities of Qingxu Village and Township Bank are in China, and it is a corporate legal entity and a non-wholly-owned subsidiary of the Bank. As at 31 December 2020 and 31 December 2019, the Bank holds the provision of 51% of equity interests and voting rights of Qingxu Village and Township Bank. As at 31 December 2020, Qingxu Village and Township Bank has share capital of RMB50 million.

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22 PROPERTY AND EQUIPMENT

	Premises	Office equipment	Motor vehicles	Electronic equipment	Leasehold improvements	Total
Cost						
As at 1 January 2019	811,653	35,873	14,716	388,306	368,755	1,619,303
Additions	783,927	4,158	-	44,240	14,565	846,890
Disposals	(6,528)	(210)	-	(2,686)	(28,379)	(37,803)
As at 31 December 2019	1,589,052	39,821	14,716	429,860	354,941	2,428,390
Additions	65,910	16,288	2,032	54,797	19,598	158,625
Disposals	-	(1,412)	(3,287)	(17,390)	(2,754)	(24,843)
As at 31 December 2020	1,654,962	54,697	13,461	467,267	371,785	2,562,172
Accumulated depreciation						
As at 1 January 2019	(228,083)	(24,443)	(13,192)	(303,818)	(303,141)	(872,677)
Charge for the year	(56,443)	(4,117)	(468)	(37,618)	(25,386)	(124,032)
Disposals	4,509	125	-	2,261	26,079	32,974
As at 31 December 2019	(280,017)	(28,435)	(13,660)	(339,175)	(302,448)	(963,735)
Charge for the year	(77,246)	(3,152)	(624)	(41,228)	(21,007)	(143,257)
Disposals	-	1,365	3,188	16,816	2,367	23,736
As at 31 December 2020	(357,263)	(30,222)	(11,096)	(363,587)	(321,088)	(1,083,256)
Net book value						
As at 31 December 2019	1,309,035	11,386	1,056	90,685	52,493	1,464,655
As at 31 December 2020	1,297,699	24,475	2,365	103,680	50,697	1,478,916

As at 31 December 2020, the net book values of premises of which title deeds were not yet finalised totalled RMB653 million (31 December 2019: RMB690 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant costs in obtaining the title deeds.

The net book values of premises as at the end of each of the reporting periods are analysed by the remaining terms of the leases as follows:

	31 December 2020	31 December 2019
Held in Mainland China		
– Medium-term leases (10-50 years)	1,297,699	1,309,035

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23 DEFERRED TAX ASSETS

(a) Analysed by nature

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	5,754,328	1,438,582	4,937,139	1,234,285
– Accrued staff costs	628,040	157,010	597,791	149,448
– Others	533,528	133,382	539,469	134,867
Subtotal	6,915,896	1,728,974	6,074,399	1,518,600
Deferred income tax liabilities				
– Fair value changes of financial assets	(133,376)	(33,344)	(309,955)	(77,489)
Subtotal	(133,376)	(33,344)	(309,955)	(77,489)
Net balances	6,782,520	1,695,630	5,764,444	1,441,111

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23 DEFERRED TAX ASSETS (Continued)

(b) Movements in deferred tax

	Allowance for impairment losses (i)	Accrued staff costs	Change in fair value (ii)	Others	Net balance of deferred tax assets
1 January 2019	1,046,712	144,712	(7,557)	84,885	1,268,752
Recognised in profit or loss	187,573	4,154	(71,688)	49,982	170,021
Recognised in other comprehensive income	–	582	1,756	–	2,338
31 December 2019	1,234,285	149,448	(77,489)	134,867	1,441,111
Recognised in profit or loss	204,297	7,714	30,435	(1,485)	240,961
Recognised in other comprehensive income	–	(152)	13,710	–	13,558
31 December 2020	1,438,582	157,010	(33,344)	133,382	1,695,630

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

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24 OTHER ASSETS

	Note	31 December 2020	31 December 2019
Accounts receivable and prepayments		433,405	608,853
Right-of-use assets	(a)	412,964	503,471
Intangible assets	(b)	186,781	167,971
Land use rights	(c)	63,568	65,786
Repossessed assets	(d)	59,480	14,562
Interest receivables	(e)	40,633	69,983
Long-term deferred expenses		15,806	9,922
Subtotal		1,212,637	1,440,548
Less: Allowances for impairment losses		(29,785)	(15,250)
Total		1,182,852	1,425,298

(a) Right-of-use assets

	Premises
Cost	
As at 1 January 2019	570,962
Additions	35,105
Deductions	(6,498)
As at 31 December 2019	599,569
Additions	49,103
Deductions	(42,244)
As at 31 December 2020	606,428
Accumulated depreciation	
As at 1 January 2019	–
Additions	(97,119)
Deductions	1,021
As at 31 December 2019	(96,098)
Additions	(100,141)
Deductions	2,775
As at 31 December 2020	(193,464)
Net book value	
As at 31 December 2019	503,471
As at 31 December 2020	412,964

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24 OTHER ASSETS (Continued)

(b) Intangible assets

	Computer software and system development
Cost	
As at 1 January 2019	247,485
Additions	56,002
Disposals	–
As at 31 December 2019	303,487
Additions	51,253
Disposals	(13,451)
As at 31 December 2020	341,289
Accumulated amortisation	
As at 1 January 2019	(107,870)
Additions	(27,646)
Disposals	–
As at 31 December 2019	(135,516)
Additions	(29,754)
Disposals	10,762
As at 31 December 2020	(154,508)
Book value	
As at 31 December 2019	167,971
As at 31 December 2020	186,781

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24 OTHER ASSETS (Continued)

(c) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

	31 December 2020	31 December 2019
Located in mainland China: 10-50 years	63,568	65,786

The Group's right-of-use assets include the above fully prepaid land use rights and other right-of-use assets disclosed in note 24(a).

The Group's land-use right amortization period is between 25 and 50 years.

(d) Repossessed assets

	31 December 2020	31 December 2019
Land use right and buildings	59,480	14,562
Less: impairment allowances	(1,709)	(1,709)
Net balances	57,771	12,853

(e) Interest receivables

	31 December 2020	31 December 2019
Interest receivables arising from: Loans and advances to customers	40,633	69,983
Total	40,633	69,983

As at 31 December 2020 and 31 December 2019, interest receivables only include interest that has been due for the relevant financial instruments but not yet received at the balance sheet date. Interest on financial instruments based on the effective interest method has been reflected in the balance of the corresponding financial instruments.

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25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type of and location of counterparty

	31 December 2020	31 December 2019
Deposits in mainland China		
– Banks	1,877,799	3,832,947
– Other financial institutions	19,338	360,969
Subtotal	1,897,137	4,193,916
Interest accrued	8,647	17,392
Total	1,905,784	4,211,308

26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2020	31 December 2019
Placements in mainland China		
– Banks	800,000	1,010,000
– Other financial institutions	–	900,000
Subtotal	800,000	1,910,000
Interest accrued	730	1,455
Total	800,730	1,911,455

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27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2020	31 December 2019
In mainland China		
– Banks	11,996,600	12,130,493
– Other financial institutions	1,423,064	64,898
Subtotal	13,419,664	12,195,391
Interest accrued	10,809	5,771
Total	13,430,473	12,201,162

(b) Analysed by type of collateral held

	31 December 2020	31 December 2019
Debt securities	11,996,600	8,118,550
Bank acceptances	1,423,064	4,076,841
Subtotal	13,419,664	12,195,391
Interest accrued	10,809	5,771
Total	13,430,473	12,201,162

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28 DEPOSITS FROM CUSTOMERS

	31 December 2020	31 December 2019
Demand deposits		
– Corporate customers	46,339,221	42,147,037
– Individual customers	9,783,440	9,831,716
Subtotal	56,122,661	51,978,753
Time deposits		
– Corporate customers	26,882,027	26,598,692
– Individual customers	72,330,403	58,660,659
Subtotal	99,212,430	85,259,351
Pledged deposits		
– Acceptances	15,736,964	12,342,650
– Letters of credit and guarantees	1,322,195	940,743
– Letters of guarantees	43,286	49,150
– Others	830,328	2,288,930
Subtotal	17,932,773	15,621,473
Fiscal deposits	17	–
Inward and outward remittances	125,506	118,553
Interest accrued	3,388,309	2,344,100
Total	176,781,696	155,322,230

29 DEBT SECURITIES ISSUED

	Note	31 December 2020	31 December 2019
Interbank deposits issued	(a)	43,084,271	43,300,165
Financial bonds issued	(b)	8,998,985	4,998,818
Tier-two capital debts issued	(c)	–	1,995,749
Subtotal		52,083,256	50,294,732
Interest accrued		93,370	50,372
Total		52,176,626	50,345,104

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29 DEBT SECURITIES ISSUED (Continued)

(a) Interbank deposits issued

- (i) During the year ended 31 December 2020, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB66,490 million and maturity between 1 and 12 months. The coupon interest rates ranged from 1.35% to 3.60% per annum.
- (ii) In 2019, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB43,950 million and maturity between 1 and 12 months. The coupon interest rates ranged from 2.65% to 3.74% per annum.
- (iii) As at 31 December 2020, the fair value of interbank deposits issued was RMB42,730 million (31 December 2019: RMB42,908 million).

(b) Financial bonds issued

- (i) In April 2020, the Bank issued three-year financial bonds with a face value of RMB4,000 million. The coupon interest rate per annum is 3.00%. No financial bonds were issued in 2019.
- (ii) As at 31 December 2020, the fair value of the financial bonds issued was RMB8,960 million (31 December 2019: RMB5,051 million).

(c) Tier-two capital debts issued

The Bank issued 10-year fixed interest rate tier-two capital debts with a face value of RMB2,000 million on 19 August 2015. The coupon interest rate per annum is 5.80%. The Bank had an option to redeem the debt at the end of the fifth year, and the bank redeemed the debt on 21 August 2020.

30 OTHER LIABILITIES

		31 December 2020	31 December 2019
Accrued staff cost	(a)	667,725	658,392
Provisions	(b)	677,771	332,362
Accounts payable in the process of clearance and settlement		603,388	583,917
Lease liabilities	(c)	368,622	462,813
Dividend payable		127,827	189,628
Contract liabilities	(d)	95,883	67,101
Other taxes payable		97,684	60,053
Total		2,638,900	2,354,266

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30 OTHER LIABILITIES (Continued)

(a) Accrued staff cost

	31 December 2020	31 December 2019
Salary, bonuses and allowances payable	491,535	459,114
Supplementary retirement benefits payable	42,629	51,115
Pension and annuity payable	34,414	64,421
Other social insurance payable	17,811	11,887
Housing fund payable	13,471	12,343
Others	67,865	59,512
Total	667,725	658,392

Supplementary retirement benefits

The supplementary retirement benefits of the Group include an early retirement plan and a supplementary retirement plan. The early retirement plan is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Group's eligible employees.

(i) *The balances of supplementary retirement benefits of the Group are as follows:*

	31 December 2020	31 December 2019
Present value of supplementary retirement benefits	42,629	51,115

(ii) *The movements of supplementary retirement benefits of the Group are as follows:*

	2020	2019
As at 1 January	51,115	49,035
Benefits paid during the year	(14,376)	(19,130)
Defined benefit cost recognised in profit or loss	6,500	18,880
Defined benefit cost recognised in other comprehensive income	(610)	2,330
As at 31 December	42,629	51,115

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30 OTHER LIABILITIES (Continued)

(a) Accrued staff cost (Continued)

Supplementary retirement benefits (Continued)

(iii) *Principal actuarial assumptions of the Group are as follows:*

Early retirement plan

	31 December 2020	31 December 2019
Discount rate	3.00%	2.75%
Mortality	Note (a)	Note (a)
Retired age		
Male	60	60
Female	55	55
Annual increase rate of living expenses, social insurance and housing fund for existing retirees	7.00%	7.00%
Annual increase rate of other allowance for existing retirees	4.50%	4.50%

Supplementary retirement plan

	31 December 2020	31 December 2019
Discount rate	3.25%	3.25%
Mortality	Note (a)	Note (a)
Turnover rate	0.00%	0.00%
Retired age		
Male	60	60
Female	55	55

Note:

- (a) As at 31 December 2020 and 2019, mortality assumptions are based on China Life Insurance Annuity Table (2010-2013) in China Life Insurance Mortality Table compiled by PLICC, which are published historical statistics in China.

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30 OTHER LIABILITIES (Continued)

(b) Provisions

	Note	31 December 2020	31 December 2019
Expected credit losses	(i)	677,771	332,362

(i) Movements in provisions for expected credit losses are as follows:

	Year ended 31 December 2020			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	308,738	21,732	1,892	332,362
Transfers				
– to expected credit losses over the next 12 months	252	(252)	–	–
– to lifetime expected credit losses not credit-impaired	(26)	26	–	–
– to lifetime expected credit losses credit-impaired	(22)	(79)	101	–
Charge/(reversal) for the year	351,209	(5,049)	(751)	345,409
Balance at 31 December	660,151	16,378	1,242	677,771

	Year ended 31 December 2019			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	168,335	12,282	2,920	183,537
Transfers				
– to expected credit losses over the next 12 months	151	(151)	–	–
– to lifetime expected credit losses not credit-impaired	(22)	22	–	–
– to lifetime expected credit losses credit-impaired	(3)	(2)	5	–
Charge/(reversal) for the year	140,277	9,581	(1,033)	148,825
Balance at 31 December	308,738	21,732	1,892	332,362

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30 OTHER LIABILITIES (Continued)

(c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	31 December 2020	31 December 2019
Within one year (inclusive)	99,967	103,024
Between one year and two years (inclusive)	93,974	102,789
Between two years and three years (inclusive)	75,446	88,444
Between three years and five years (inclusive)	82,359	122,106
More than five years	66,565	108,284
Total undiscounted lease liabilities	418,311	524,647
Total carrying amount	368,622	462,813

(d) Contract liabilities

As at 31 December 2020, the aggregate amount of the transaction prices allocated to the remaining performance obligations under the Group's existing contracts was RMB96 million (31 December 2019: RMB67 million). This amount represents income expected to be recognised in the future from acceptance and guarantee services. The Group will recognise the expected income in future when the services are provided.

31 SHARE CAPITAL

Authorised and issued share capital

	31 December 2020	31 December 2019
Number of shares authorised, issued and fully paid at par value of RMB1 each	5,838,650	5,838,650

On 18 July 2019, the Bank issued 860 million H shares with a par value of RMB1 at an offering price of HKD3.82 per share. On 14 August 2019, the Bank exercised the over-allotment option and issued 111 million H shares with a par value of RMB1 at HKD3.82 per share. The capital contribution was verified by KPMG Huazhen LLP.

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32 RESERVES

(a) Capital reserve

	31 December 2020	31 December 2019
Share premium	6,568,558	6,568,558
Other capital reserve	59,044	59,044
Total	6,627,602	6,627,602

(b) Surplus reserve

The surplus reserve at the end of each of the reporting periods represented statutory surplus reserve and discretionary surplus reserve.

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit on an annual basis under the People's Republic of China Generally Accepted Accounting Principles (PRC GAAP) after making good of the prior year's accumulated losses, to statutory surplus reserve until the balance reaches 50% of its registered capital.

The Bank appropriated an amount of RMB156 million to the statutory surplus reserve fund for the year ended 31 December 2020 (2019: RMB148 million).

(c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The balance of the general reserve of the Bank amounted to RMB2,802 million as at 31 December 2020 (31 December 2019: RMB2,781 million).

(d) Fair value reserve

	Year ended 31 December 2020	Year ended 31 December 2019
As at 1 January	(23,204)	(17,935)
Changes in fair value recognised in other comprehensive income	46,133	(4,053)
Transfer to profit or loss upon disposal	(100,974)	(2,972)
Less: deferred tax	13,710	1,756
As at 31 December	(64,335)	(23,204)

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32 RESERVES (Continued)

(e) Impairment reserve

	Year ended 31 December 2020	Year ended 31 December 2019
As at 1 January	18,320	17,215
Impairment losses recognised in other comprehensive income	(7,237)	1,473
Less: deferred tax	1,809	(368)
As at 31 December	12,892	18,320

(f) Remeasurement of net defined benefit liability

Remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	Year ended 31 December 2020	Year ended 31 December 2019
As at 1 January	(1,223)	525
Changes in fair value recognised in other comprehensive income	610	(2,330)
Less: deferred tax	(152)	582
As at 31 December	(765)	(1,223)

33 RETAINED EARNINGS

(a) Appropriation of profits

In accordance with the consideration and approval at the Bank's Board of Directors Meeting on 26 March 2021, the profit appropriation of the Bank for the year ended 31 December 2020 shows as follows:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Appropriation of general reserve amounting to approximately RMB21 million; and
- Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

In accordance with the resolution at the Bank's Annual General Meeting of Shareholders on 9 June 2020, the shareholders approved the profit appropriations of the Bank for the year ended 31 December 2019 as follows:

- Appropriation of statutory surplus reserve based on 10% of the net profit; and
- Declaration of cash dividends in an aggregate amount of approximately RMB642 million to all existing shareholders.

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33 RETAINED EARNINGS (Continued)

(b) Movements in components of equity

Details of the changes in the Bank's individual components of equity for the reporting period are set out below:

	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	(Deficit)/ surplus on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2020	5,838,650	6,627,602	3,467,020	2,781,004	(23,204)	18,320	(1,223)	1,427,330	20,135,499
Changes in equity for the year:									
Net profit for the year	-	-	-	-	-	-	-	1,562,902	1,562,902
Other comprehensive income	-	-	-	-	(41,131)	(5,428)	458	-	(46,101)
Total comprehensive income	-	-	-	-	(41,131)	(5,428)	458	1,562,902	1,516,801
Appropriation of profits									
- Appropriation to surplus reserve	-	-	156,290	-	-	-	-	(156,290)	-
- Appropriation to general reserve	-	-	-	20,936	-	-	-	(20,936)	-
- Dividends paid to shareholders	-	-	-	-	-	-	-	(642,252)	(642,252)
Balance at 31 December 2020	5,838,650	6,627,602	3,623,310	2,801,940	(64,335)	12,892	(765)	2,170,754	21,010,048

	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	(Deficit)/ surplus on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2019	4,868,000	4,423,893	3,186,830	2,781,004	(17,935)	17,215	525	708,695	15,968,227
Changes in equity for the year:									
Net profit for the year	-	-	-	-	-	-	-	1,485,625	1,485,625
Other comprehensive income	-	-	-	-	(5,269)	1,105	(1,748)	-	(5,912)
Total comprehensive income	-	-	-	-	(5,269)	1,105	(1,748)	1,485,625	1,479,713
Issue of H shares	970,650	2,203,709	-	-	-	-	-	-	3,174,359
Appropriation of profits									
- Appropriation to surplus reserve	-	-	280,190	-	-	-	-	(280,190)	-
- Appropriation to general reserve	-	-	-	-	-	-	-	-	-
- Dividends paid to shareholders	-	-	-	-	-	-	-	(486,800)	(486,800)
Balance at 31 December 2019	5,838,650	6,627,602	3,467,020	2,781,004	(23,204)	18,320	(1,223)	1,427,330	20,135,499

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34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net increase in cash and cash equivalents

	2020	2019
Cash and cash equivalents as at 31 December	9,088,656	7,894,947
Less: Cash and cash equivalents at the beginning of the year	(7,894,947)	(7,202,528)
Net increase in cash and cash equivalents	1,193,709	692,419

(b) Cash and cash equivalents

	31 December 2020	31 December 2019
Cash on hand	346,696	244,124
Deposits with the central bank other than restricted deposits	6,524,372	5,554,358
Deposits with banks and other financial institutions	1,417,588	796,465
Placements with banks and other financial institutions	800,000	1,300,000
Total	9,088,656	7,894,947

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34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Debt securities issued (Note 29)	Interest accrued arising from debt securities issued (Note 29)	Lease liabilities	Total
As at 1 January 2020	50,294,732	50,372	462,813	50,807,917
Changes from financing cash flows				
Net proceeds from new debt securities issued	70,638,524	-	-	70,638,524
Repayment of debt securities issued	(68,850,000)	-	-	(68,850,000)
Interest paid on debt securities issued	-	(1,535,611)	-	(1,535,611)
Repayment of lease liabilities	-	-	(101,088)	(101,088)
Interest paid on lease liabilities	-	-	(19,495)	(19,495)
Total changes from financing cash flows	1,788,524	(1,535,611)	(120,583)	132,330
Other changes				
Interest expense (Note 3)	-	1,578,609	-	1,578,609
New leases	-	-	26,392	26,392
Total other changes	-	1,578,609	26,392	1,605,001
As at 31 December 2020	52,083,256	93,370	368,622	52,545,248

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34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Debt securities issued (Note 29)	Interest accrued arising from debt securities issued (Note 29)	Lease liabilities	Total
As at 1 January 2019	51,238,376	50,488	515,788	51,804,652
Changes from financing cash flows				
Net proceeds from new debt securities issued	56,246,356	-	-	56,246,356
Repayment of debt securities issued	(57,190,000)	-	-	(57,190,000)
Interest paid on debt securities issued	-	(1,780,914)	-	(1,780,914)
Repayment of lease liabilities	-	-	(54,705)	(54,705)
Interest paid on lease liabilities	-	-	(21,615)	(21,615)
Total changes from financing cash flows	(943,644)	(1,780,914)	(76,320)	(2,800,878)
Other changes				
Interest expense (Note 3)	-	1,780,798	-	1,780,798
New leases	-	-	23,345	23,345
Total other changes	-	1,780,798	23,345	1,804,143
As at 31 December 2019	50,294,732	50,372	462,813	50,807,917

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35 CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management and capital financing 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 former CBRC. 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 former CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using the 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.

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35 CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratios at 31 December 2020 and 31 December 2019 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	31 December 2020	31 December 2019
Total core tier-one capital		
– Share capital	5,838,650	5,838,650
– Qualifying portion of capital reserve	6,627,602	6,627,602
– Surplus reserve	3,623,310	3,467,020
– General reserve	2,809,363	2,788,427
– Other comprehensive income	(52,208)	(6,107)
– Retained earnings	2,166,810	1,419,577
– Qualifying portions of non-controlling interests	14,950	14,030
Core tier-one capital	21,028,477	20,149,199
Core tier-one capital deductions	(186,781)	(167,971)
Net core tier-one capital	20,841,696	19,981,228
Other tier-one capital	1,993	1,871
Net tier-one capital	20,843,689	19,983,099
Tier-two capital		
– Instruments issued and share premium	–	2,000,000
– Surplus provision for loan impairment	1,954,147	1,699,559
– Qualifying portions of non-controlling interests	3,987	3,741
Net tier-two capital	1,958,134	3,703,300
Net capital base	22,801,823	23,686,399
Total risk weighted assets	194,498,525	174,157,429
Core tier-one capital adequacy ratio	10.72%	11.47%
Tier-one capital adequacy ratio	10.72%	11.47%
Capital adequacy ratio	11.72%	13.60%

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36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

Major shareholders of the Bank refer to shareholders holding or controlling 5% or more of shares or voting right of the Bank, or holding less than 5% of total capital or total shares of the Bank but having significant impact on the operational management of the Bank.

The significant impact mentioned above includes but not limited to dispatching directors, supervisors or senior management to a commercial bank, influencing the financial and operational management decisions of commercial banks through agreements or other means and other circumstances identified by the CBRC or its local offices.

Shareholdings in the Bank:

	31 December 2020	31 December 2019
Shanxi Financial Investment Holdings Limited (山西金融投資控股集團有限公司)	12.25%	12.25%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	10.28%	10.28%
Taiyuan Municipal Finance Bureau (太原市財政局)	7.98%	7.98%
Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司)	7.72%	7.72%
Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	6.15%	6.15%
Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司)	5.14%	5.14%
Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司)	4.99%	4.99%
Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司)	4.02%	4.02%
Jinneng Holding Equipment Manufacturing Group Co., Ltd.* (晉能控股裝備製造集團有限公司)	3.43%	3.43%

* previously known as Shanxi Jincheng Anthracite Mining Group Co., Ltd. (山西晉城無煙煤礦業集團有限責任公司)

The official names of these related parties are in Chinese. The English translation is for reference only.

(ii) Subsidiary of the Bank

The detailed information of the Bank's subsidiary is set out in Note 21.

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36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

(a) Related parties of the Group (Continued)

(iii) Associate of the Bank

The detailed information of the Bank's associate is set out in Note 20.

(iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiary) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 36(a) or their controlling shareholders.

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and its major shareholders:

	2020	2019
Transactions during the year		
Interest income	23,824	24,207
Interest expense	40,346	59,411
	31 December 2020	31 December 2019
Balances at the end of the year		
Loans and advances to customers	157,899	443,792
Financial investments	91,047	–
Deposits from customers	572,350	1,040,536

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36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

(b) Transactions with related parties other than key management personnel

(Continued)

(ii) Transactions between the Bank and its subsidiary:

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary are eliminated on combination.

	2020	2019
Transactions during the year		
Interest expense	1,972	5,206

	31 December 2020	31 December 2019
Balances at the end of the year		
Deposits from banks and other financial institutions	55,791	208,756

(iii) Transactions between the Bank and its associate:

	2020	2019
Transactions during the year		
Interest income	29,686	23,569
Interest expense	621	1,343

	31 December 2020	31 December 2019
Balances at the end of the year		
Deposits with banks and other financial institutions	750,986	507,355
Deposits from banks and other financial institutions	9,264	1,175

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36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

(b) Transactions with related parties other than key management personnel

(Continued)

(iv) Transactions between the Bank and other related parties:

	2020	2019
Transactions during the year		
Interest income	841,978	858,999
Interest expense	170,526	292,703
Operating expenses	2,705	74
Fee and commission income	35,425	11,082
Debt securities investments	524,211	565,529
Debt securities transferring	2,034,370	440,540
	31 December 2020	31 December 2019
Balances at the end of the year		
Loans and advances to customers	10,101,453	7,994,624
Financial investments	7,421,671	7,553,445
Deposits from customers	9,766,264	10,390,421
Deposits from banks and other financial institutions	118,391	1,155,783
Bank acceptances	8,439,056	3,396,692
Letters of credit	1,107,530	243,656

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36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) Transactions between the Bank and key management personnel

	2020	2019
Transactions during the year		
Interest income	44	382
Interest expense	190	271
	31 December 2020	31 December 2019
Balances at the end of the year		
Loans and advances to customers	477	6,644
Deposits from customers	10,966	14,356

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is as follows:

	31 December 2020	31 December 2019
Key management personnel compensation	18,726	12,766

(d) Loans and advances to directors, supervisors and officers

	31 December 2020	31 December 2019
Aggregate amount of relevant loans outstanding at the end of the year	477	6,644
Maximum aggregate amount of relevant loans outstanding during the year	477	6,644

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37 SEGMENT REPORTING

The Group manages its business by business lines. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, personal wealth management services and remittance services.

Treasury business

This segment covers the Group's treasury business operations. The financial market business enters into inter-bank money market transactions, repurchase transactions, and investments. It also trades in debt securities. The financial market business segment also covers the management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Intra-group balances and intra-group transactions are eliminated by segment income, expenses, assets and liabilities as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period on the acquisition of property and equipment, intangible assets and other long-term assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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37 SEGMENT REPORTING (Continued)

	Year ended 31 December 2020				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	3,911,742	(1,703,374)	1,232,336	-	3,440,704
Internal net interest (expense)/income	(1,101,772)	2,699,205	(1,597,433)	-	-
Net interest income	2,809,970	995,831	(365,097)	-	3,440,704
Net fee and commission income	310,006	229,407	173,133	-	712,546
Net trading gains	-	-	(120,071)	586	(119,485)
Net gains arising from investment securities	-	-	819,812	-	819,812
Other operating income	-	-	-	14,436	14,436
Operating income	3,119,976	1,225,238	507,777	15,022	4,868,013
Operating expenses	(837,373)	(816,102)	(162,370)	(8,440)	(1,824,285)
Impairment losses on assets	(1,053,119)	(308,643)	(91,170)	-	(1,452,932)
Share of profits of an associate	-	-	-	21,543	21,543
Profit before tax	1,229,484	100,493	254,237	28,125	1,612,339
Segment assets	112,972,235	21,526,045	134,749,687	-	269,247,967
Deferred tax assets	-	-	-	1,695,630	1,695,630
Total assets	112,972,235	21,526,045	134,749,687	1,695,630	270,943,597
Segment liabilities	96,788,080	82,781,568	70,332,578	-	249,902,226
Total liabilities	96,788,080	82,781,568	70,332,578	-	249,902,226
Other segment information					
- Depreciation and amortisation	128,357	125,096	24,889	-	278,342
- Capital expenditure	118,273	115,269	22,934	-	256,476

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For the year ended 31 December 2020
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37 SEGMENT REPORTING (Continued)

	Year ended 31 December 2019				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	2,924,346	(820,369)	1,155,053	-	3,259,030
Internal net interest (expense)/income	(9,392)	1,703,176	(1,693,784)	-	-
Net interest income	2,914,954	882,807	(538,731)	-	3,259,030
Net fee and commission income	274,915	184,618	151,019	-	610,552
Net trading gains	-	-	342,479	92,889	435,368
Net gains arising from investment securities	-	-	746,244	-	746,244
Other operating income	1,694	-	-	36,053	37,747
Operating income	3,191,563	1,067,425	701,011	128,942	5,088,941
Operating expenses	(868,009)	(820,827)	(144,083)	(3,864)	(1,836,783)
Impairment losses on assets	(1,057,528)	(103,725)	(504,228)	-	(1,665,481)
Share of profits of an associate	-	-	-	20,878	20,878
Profit before tax	1,266,026	142,873	52,700	145,956	1,607,555
Segment assets	96,715,419	17,881,426	131,533,257	-	246,130,102
Deferred tax assets	-	-	-	1,441,111	1,441,111
Total assets	96,715,419	17,881,426	131,533,257	1,441,111	247,571,213
Segment liabilities	88,696,078	69,095,264	69,620,522	-	227,411,864
Total liabilities	88,696,078	69,095,264	69,620,522	-	227,411,864
Other segment information					
- Depreciation and amortisation	121,430	114,829	20,156	-	256,415
- Capital expenditure	441,378	417,387	73,265	-	932,030

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38 RISK MANAGEMENT

The Group has exposure to the following risks arising from its financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

Risk management system

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors is responsible for establishing and maintaining a robust and effective risk management system and determining general risk preference and risk tolerance of the Group. Based on the general strategy of the Group, the Committee of Risk Management under the Board reviews the Group's risk management system and basic principles, risk management strategies and internal control system framework. Senior management led by the president will be responsible for the control of credit risk, market risk, operational risk and approval of related policies and procedures; the Chief Risk Officer will be led by the president of the Bank. In addition, the Group set up the Department of Risk Management, Department of Credit Examination, Department of Asset and Liability Management, Department of Law and Compliance and the Audit Department based on the requirements of general risk management to perform respective functions in risk management, strengthen risk-covering portfolio management capabilities and conduct inspection on compliance with risk management policy of internal control system on a regular or irregular basis.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

To identify, assess, monitor and manage credit risks, the Group has designed effective system frameworks, credit policies and processes for credit risk management and implemented systematic control procedures. The responsible departments for credit risk management include the Risk Management Department and the Credit Approval Department. The Risk Management Department is responsible for implementing the Group's overall risk management system, as well as risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. The Credit Approval Department is independent from customer relationship and product management departments, to ensure the independence of credit approval. Front office departments including the Department of Corporate Finance and the Personal Credit Asset Department, carry out credit businesses according to the Group's risk management policies and procedures.

Notes to the Consolidated Financial Statements

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38 RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the applications and their recommendations to the loan approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to the standardized loan recovery procedures.

Stages of risks in financial instruments

The financial assets are categorised by the Group into the following stages to manage credit risk arising from financial assets:

Stage 1: Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12-month expected credit losses.

Stage 2: Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3: Financial assets that are in default and considered credit-impaired.

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38 RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Significant increase in credit risk

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial assets has increased significantly.

If the borrower is listed in the watch list and one or more of the following criteria are met:

- The credit spread increases significantly;
- Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;
- Application of a grace period or debt-restructuring;
- Significant changes with an adverse effect in the borrower's business conditions;
- Decrease in value of the collateral (for the collateral loans and pledged loans only);
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans;
- The borrowing is more than 30 days past due.

The Group uses the watch lists to monitor credit risk from financial assets related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by management for appropriateness.

As at 31 December 2020 and 31 December 2019, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

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38 RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Definition of “default” and “credit-impaired assets”

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for securities because of financial difficulties of the issuer; or
- overdue more than 90 days.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of “default” adopted by the internal management of credit risk.

Measurement of expected credit losses (“ECL”)

The Group adopts the ECL model to measure the provision for impairment losses on financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, overdue situations, repayments, etc.) and forward-looking information in order to establish the models for estimating PD, LGD and EAD. The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties or other credit support.
- The discount rate used in the calculation of the ECLs is the initial effective interest rate or its approximate value.

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38 RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (“ECL”) (Continued)

Forward-looking information included in the expected credit loss model is as follows:

Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including gross domestic product (GDP), broad measure of money supply (M2), consumer price index (CPI), and producer price index (PPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis and regularly identified the expected probability of default by predicting the future economic indicators. In addition to a base economic scenario, the Group conducts statistical analysis with experts' judgement to determine other possible scenarios and their weights.

The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECLs under the different scenarios by the weight of the corresponding scenarios.

Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.

Other forward-looking factors not incorporated in the above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impacts, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a regularly basis.

The Group assessed the expected credit losses as at 31 December 2020 and comprehensively considered the impact of the current economic condition on the expected credit losses, including: the operating and financial conditions of the borrowers and the extent of impact COVID-19. The Group has made deferred repayment arrangements for the borrowers affected by the COVID-19 pandemic, but would not make judgement that their credit risk would inevitably increase significantly based on such deferred repayment arrangements; combining the analysis of the impact of factors such as COVID-19 on economic development trends, performed forward-looking forecasts to key macroeconomic indicators.

As at 31 December 2020 and 31 December 2019, there have been no significant changes in the estimate techniques and key assumptions of the Group.

(i) *Maximum credit risk exposure*

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each of the reporting periods.

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38 RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (“ECL”) (Continued)

(ii) Financial assets analysed by credit quality are summarised as follows:

	31 December 2020				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments*	Others**
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	14,663	–	–	–	–
– Neither overdue nor credit-impaired	130,684,320	3,330,597	18,914,651	89,342,893	33,155
Subtotal	130,698,983	3,330,597	18,914,651	89,342,893	33,155
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	259,273	–	–	800,000	–
– Neither overdue nor credit-impaired	2,637,919	–	–	100,000	272,942
Subtotal	2,897,192	–	–	900,000	272,942
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	2,400,691	–	–	1,613,276	–
– Credit-impaired but not overdue	107,973	–	–	234,703	4,173
Subtotal	2,508,664	–	–	1,847,979	4,173
Interest accrued	585,848	14,578	655	984,530	–
Less: Provision for impairment losses	(4,854,175)	(703)	(1)	(1,550,952)	(28,075)
Net value	131,836,512	3,344,472	18,915,305	91,524,450	282,195

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38 RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (“ECL”) (Continued)

(ii) Financial assets analysed by credit quality are summarised as follows: (Continued)

	31 December 2019				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments*	Others**
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	1,339,642	–	–	–	–
– Neither overdue nor credit-impaired	107,623,484	2,596,464	16,624,996	91,160,927	178,047
Subtotal	108,963,126	2,596,464	16,624,996	91,160,927	178,047
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	1,185,741	–	–	–	–
– Neither overdue nor credit-impaired	3,190,613	–	–	300,000	137,883
Subtotal	4,376,354	–	–	300,000	137,883
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	2,129,945	–	–	1,784,629	–
– Credit-impaired but not overdue	13,064	–	–	155,000	7,849
Subtotal	2,143,009	–	–	1,939,629	7,849
Interest accrued	490,986	7,744	5,023	972,955	–
Less: Provision for impairment losses	(4,260,918)	(174)	(1)	(1,460,872)	(13,541)
Net value	111,712,557	2,604,034	16,630,018	92,912,639	310,238

* Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

** Others comprise interest receivables and other receivables in other assets.

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38 RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses ("ECL") (Continued)

Financial assets analysed by credit quality are summarised as follows: (Continued)

Financial assets (excluding interest accrued) analysed by credit quality

	31 December 2020							
	Balance			Provision for impairment losses				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	20,529,094	-	-	20,529,094	-	-	-	-
Deposits with banks and other financial institutions	2,230,597	-	-	2,230,597	(653)	-	-	(653)
Placements with banks and other financial institutions	1,100,000	-	-	1,100,000	(50)	-	-	(50)
Financial assets held under resale agreements	18,914,651	-	-	18,914,651	(1)	-	-	(1)
Loans and advances to customers	101,100,973	2,897,192	2,506,264	106,504,429	(2,980,705)	(718,958)	(1,154,512)	(4,854,175)
Financial investments	50,932,545	900,000	1,847,979	53,680,524	(418,975)	(232,000)	(899,977)	(1,550,952)
Other assets	33,155	272,942	4,173	310,270	(100)	(25,408)	(2,567)	(28,075)
Total	194,841,015	4,070,134	4,358,416	203,269,565	(3,400,484)	(976,366)	(2,057,056)	(6,433,906)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	29,598,010	-	2,400	29,600,410	(4,708)	-	(9,600)	(14,308)
Financial investments	8,635,262	-	-	8,635,262	(2,882)	-	-	(2,882)
Total	38,233,272	-	2,400	38,235,672	(7,590)	-	(9,600)	(17,190)
Credit commitments	63,822,548	360,833	5,302	64,188,683	(660,151)	(16,378)	(1,242)	(677,771)

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38 RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses ("ECL") (Continued)

Financial assets analysed by credit quality are summarised as follows: (Continued)

Financial assets (excluding interest accrued) analysed by credit quality (Continued)

	31 December 2019						
	Balance			Provision for impairment losses			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Financial assets measured at amortised cost							
Cash and deposits with the central bank	19,101,907	-	-	-	-	-	-
Deposits with banks and other financial institutions	1,296,464	-	-	(166)	-	-	(166)
Placements with banks and other financial institutions	1,300,000	-	-	(8)	-	-	(8)
Financial assets held under resale agreements	16,624,996	-	-	(1)	-	-	(1)
Loans and advances to customers	84,068,786	4,376,354	2,140,609	(2,223,034)	(906,674)	(1,131,210)	(4,260,918)
Financial investments	49,602,721	300,000	1,939,629	(489,084)	(1,975)	(969,813)	(1,460,872)
Other assets	178,047	137,883	7,849	(98)	(6,881)	(6,562)	(13,541)
Total	172,172,921	4,814,237	4,088,087	(2,712,391)	(915,530)	(2,107,585)	(5,735,506)
Financial assets at fair value through other comprehensive income							
Loans and advances to customers	24,894,340	-	2,400	(12,506)	-	(9,600)	(22,106)
Financial investments	11,581,726	-	-	(2,321)	-	-	(2,321)
Total	36,476,066	-	2,400	(14,827)	-	(9,600)	(24,427)
Credit commitments	40,701,255	555,697	6,227	(308,738)	(21,732)	(1,892)	(332,362)

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38 RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (“ECL”) (Continued)

(ii) *Financial assets analysed by credit quality are summarised as follows: (Continued)*

The overall ECL rate for financial assets and credit commitments analysed by credit quality:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	1.75%	23.99%	47.20%	3.17%
Financial assets at fair value through other comprehensive income	0.02%	N/A	80.00%	0.04%
Credit commitments	1.03%	4.54%	23.43%	1.06%

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	1.58%	19.02%	51.55%	3.17%
Financial assets at fair value through other comprehensive income	0.04%	N/A	80.00%	0.07%
Credit commitments	0.76%	3.91%	30.38%	0.81%

As at 31 December 2020, the fair value of collateral held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB1,838 million (31 December 2019: RMB434 million). The fair value of collateral held against loans and advances that are credit-impaired and assessed for lifetime expected credit losses amounted to RMB1,800 million (31 December 2019: RMB574 million). The collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

The Group conducted an assessment of ECLs according to forward-looking information and used a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and debtor’s creditworthiness (e.g., the likelihood of default by debtors and the corresponding losses). The Group’s assessment of ECLs on 31 December 2020 was made by fully considering the impact of changes in the current economic environment on the ECL model, including: the debtor’s operation or financial status, and the extent of the impact of the COVID-19 pandemic, the Group has made deferred repayment and interest payment arrangements for some debtors affected by the pandemic, but a deferred principal and interest payment arrangement was not intended as a judgement basis for automatically triggering a significant increase in the debtor’s credit risk. Forward-looking forecasted the key macroeconomic indicators conducted with the impact of factors such as the pandemic on economic development trends.

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38 RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (“ECL”) (Continued)

(iii) *Rescheduled loans and advances to customers*

The Group has no rescheduled loans and advances to customers at 31 December 2020 and 31 December 2019.

(iv) *Credit rating*

The Group adopts a credit rating approach for managing the credit risk arising from the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments (excluding interest accrued) analysed by the rating agency designations as at the end of the reporting period are as follows:

	31 December 2020	31 December 2019
Neither overdue nor impaired		
Ratings		
– AAA	40,769,324	33,212,536
– AA- to AA+	1,253,048	483,947
– Below AA-	280,000	–
Subtotal	42,302,372	33,696,483
Unrated	108,407	149,297
Total	42,410,779	33,845,780

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38 RISK MANAGEMENT (Continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The Group has especially built up a market risk management structure and team. The Department of Risk Management takes the major responsibility for the exposure of market risk and preparation of relevant market risk management policies to submit to the Committee of Risk Management. According to the established standards and current management capabilities, the Group measures market risk with the major adoption of sensitivity analysis. Before the new products or new businesses are launched, their market risks will be identified according to regulations.

The major source of market risk of the Group is the asset and liability businesses involved in market operation and the risks in interest rate and exchange rate relating to products.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of financial markets business position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of bank assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

Trading interest rate risk

Trading interest rate risk mainly arises from investment portfolios of treasury businesses. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the fair value of investment portfolios given a 100 basis points (1%) movement in the interest rates.

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38 RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

(i) The following tables indicate the assets and liabilities as at the end of the reporting period by the next expected repricing dates or by maturity dates, depending on which is earlier:

	31 December 2020					
	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	20,535,802	415,674	20,120,128	-	-	-
Deposits with banks and other financial institutions	2,244,037	14,093	1,579,934	650,010	-	-
Placements with banks and other financial institutions	1,100,435	435	800,000	300,000	-	-
Derivative financial assets	86	86	-	-	-	-
Financial assets held under resale agreements	18,915,305	655	18,224,398	690,252	-	-
Loans and advances to customers <i>(i)</i>	131,836,512	585,848	44,826,617	46,000,404	30,552,831	9,870,812
Financial investments <i>(ii)</i>	91,659,903	27,480,459	4,219,439	13,490,485	32,142,825	14,326,695
Others	4,651,517	4,651,517	-	-	-	-
Total assets	270,943,597	33,148,767	89,770,516	61,131,151	62,695,656	24,197,507
Liabilities						
Borrowings from the central bank	1,893,459	799	209,340	1,683,320	-	-
Deposits from banks and other financial institutions	1,905,784	8,647	337,137	1,560,000	-	-
Placements from banks and other financial institutions	800,730	730	300,000	500,000	-	-
Financial assets sold under repurchase agreements	13,430,473	10,809	13,344,022	75,642	-	-
Deposits from customers	176,781,696	3,388,309	77,676,690	31,198,000	64,518,697	-
Debt securities issued	52,176,626	93,370	17,558,304	30,525,943	3,999,009	-
Others	2,913,458	2,913,458	-	-	-	-
Total liabilities	249,902,226	6,416,122	109,425,493	65,542,905	68,517,706	-
Asset-liability gap	21,041,371	26,732,645	(19,654,977)	(4,411,754)	(5,822,050)	24,197,507

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38 RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

(i) The following tables indicate the assets and liabilities as at the end of the reporting period by the next expected repricing dates or by maturity dates, depending on which is earlier: (Continued)

	31 December 2019					
	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	19,108,325	505,488	18,602,837	-	-	-
Deposits with banks and other financial institutions	1,303,659	7,361	1,065,244	99,834	131,220	-
Placements with banks and other financial institutions	1,300,375	383	1,299,992	-	-	-
Financial assets held under resale agreements	16,630,018	5,023	10,111,157	6,513,838	-	-
Loans and advances to customers (i)	111,712,557	490,986	41,821,404	42,577,380	22,944,418	3,878,369
Financial investments (ii)	92,912,639	27,424,714	6,911,655	17,400,101	29,678,749	11,497,420
Others	4,603,640	4,603,640	-	-	-	-
Total assets	247,571,213	33,037,595	79,812,289	66,591,153	52,754,387	15,375,789
Liabilities						
Borrowings from the central bank	870,731	731	180,000	690,000	-	-
Deposits from banks and other financial institutions	4,211,308	17,392	1,513,916	2,680,000	-	-
Placements from banks and other financial institutions	1,911,455	1,455	900,000	1,010,000	-	-
Financial assets sold under repurchase agreements	12,201,162	5,771	12,195,391	-	-	-
Deposits from customers	155,322,230	2,344,100	68,952,874	27,992,998	55,985,232	47,026
Debt securities issued	50,345,104	50,372	14,008,106	29,292,059	6,994,567	-
Others	2,549,874	2,549,874	-	-	-	-
Total liabilities	227,411,864	4,969,695	97,750,287	61,665,057	62,979,799	47,026
Asset-liability gap	20,159,349	28,067,900	(17,937,998)	4,926,096	(10,225,412)	15,328,763

Notes:

- (i) As at 31 December 2020, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB1,331 million (31 December 2019: RMB1,455 million).
- (ii) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

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38 RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	31 December 2020	31 December 2019
Change in net profit	(Decrease)/ Increase	(Decrease)/ Increase
Up 100 bps parallel shift in yield curves	(189,250)	(113,743)
Down 100 bps parallel shift in yield curves	189,315	117,867

	31 December 2020	31 December 2019
Change in equity	(Decrease)/ Increase	(Decrease)/ Increase
Up 100 bps parallel shift in yield curves	(202,929)	(242,004)
Down 100 bps parallel shift in yield curves	203,104	254,094

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of the reporting period apply to non-derivative financial instruments of the Group;

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38 RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

- At the end of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rate movements over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign currency risk

The majority of the business of the Group is related to Renminbi, as well as a small amount of business related to United States dollars and other foreign currencies.

The changes in exchange rates will affect the financial position and cash flows of the Group. Due to the small amount of foreign currency business of the Group, the effect of foreign currency risk on the Group would be immaterial. The major principle of the Group's control on foreign currency risk is to achieve matching of assets and liabilities in each currency and to conduct daily monitoring on currency exposure.

The Group adopts sensitivity analysis to measure the possible effects of changes in exchange rates on net gains and losses and interests of the Group. As the foreign currency assets and liabilities account for an immaterial part of the total assets and total liabilities of the Group, the effect of changes in exchange rates on net gains and losses and interests of the Group would be immaterial.

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38 RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures as at the end of each of the reporting periods are as follows:

	31 December 2020			Total (RMB equivalent)
	RMB	USD (RMB equivalent)	Other (RMB equivalent)	
Assets				
Cash and deposits with the central bank	20,535,668	46	88	20,535,802
Deposits with banks and other financial institutions	2,176,678	34,541	32,818	2,244,037
Placements with banks and other financial institutions	1,100,435	–	–	1,100,435
Derivative financial assets	86	–	–	86
Financial assets held under resale agreements	18,915,305	–	–	18,915,305
Loans and advances to customers	131,836,512	–	–	131,836,512
Financial investments (i)	91,659,903	–	–	91,659,903
Others	4,651,517	–	–	4,651,517
Total assets	270,876,104	34,587	32,906	270,943,597
Liabilities				
Borrowings from the central bank	1,893,459	–	–	1,893,459
Deposits from banks and other financial institutions	1,905,784	–	–	1,905,784
Placements from banks and other financial institutions	800,730	–	–	800,730
Financial assets sold under repurchase agreements	13,430,473	–	–	13,430,473
Deposits from customers	176,780,688	886	122	176,781,696
Debt securities issued	52,176,626	–	–	52,176,626
Others	2,880,382	33,076	–	2,913,458
Total liabilities	249,868,142	33,962	122	249,902,226
Net position	21,007,962	625	32,784	21,041,371
Off-balance sheet credit commitments	64,188,683	–	–	64,188,683

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38 RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures as at the end of each of the reporting periods are as follows:
(continued)

	31 December 2019			Total (RMB equivalent)
	RMB	USD (RMB equivalent)	Other (RMB equivalent)	
Assets				
Cash and deposits with the central bank	19,108,193	55	77	19,108,325
Deposits with banks and other financial institutions	1,107,497	48,426	147,736	1,303,659
Placements with banks and other financial institutions	1,300,375	–	–	1,300,375
Financial assets held under resale agreements	16,630,018	–	–	16,630,018
Loans and advances to customers	111,712,557	–	–	111,712,557
Financial investments (i)	92,912,639	–	–	92,912,639
Others	4,603,640	–	–	4,603,640
Total assets	247,374,919	48,481	147,813	247,571,213
Liabilities				
Borrowings from the central bank	870,731	–	–	870,731
Deposits from banks and other financial institutions	4,211,308	–	–	4,211,308
Placements from banks and other financial institutions	1,911,455	–	–	1,911,455
Financial assets sold under repurchase agreements	12,201,162	–	–	12,201,162
Deposits from customers	155,321,102	1,002	126	155,322,230
Debt securities issued	50,345,104	–	–	50,345,104
Others	2,497,069	34,890	17,915	2,549,874
Total liabilities	227,357,931	35,892	18,041	227,411,864
Net position	20,016,988	12,589	129,772	20,159,349
Off-balance sheet credit commitments	41,263,179	–	–	41,263,179

(i) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

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38 RISK MANAGEMENT (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet its repayment obligations.

The Group plays an active part in managing liquidity risks and improves the related management system in terms of organisation, institution, system, management and mechanism. The organisational structure of the Group's liquidity risk management consists of the Board of Directors, senior management and its Risk Management Committee and Asset and Liability Management Committee, Department of Risk Management, Department of Asset and Liability Management, Department of Corporate Finance, Department of Personal Credit Assets, Department of Trade Finance, Department of Credit Examination, Department of Financial Market, Department of Information Technology and Audit Department, which are responsible for formulating liquidity risk management strategy and establishing internal control mechanism to support the implementation and supervision of liquidity risk management strategy.

The measurement of liquidity risk of the Group adopts liquidity indicator and cash flow gap calculation. By stress testing, the Group sets up mild, moderate and severe scenarios to examine the capacity to withstand liquidity or liquidity crises and improve liquidity contingency measures. In terms of response to liquidity risks, the Group strengthens management and monitoring of liquidity limits; establishes related liquidity emergency leading groups, early-warning indicators for internal and external liquidity risks and indicators that could trigger contingency plans and monitors these indicators; builds up quality liquidity assets reserve and financing capability management; erects liquidity risk reporting mechanism, in which the asset and liability management department reports to the Asset and Liability Management Committee, senior management and the Board of Directors on issues related to the status, stress testing and contingency plans of liquidity risks on a regular basis.

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38 RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

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

	31 December 2020							Total
	Indefinite (/)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	13,658,026	6,871,068	6,708	-	-	-	-	20,535,802
Deposits with banks and other financial institutions	-	1,279,985	104,591	200,661	658,800	-	-	2,244,037
Placements with banks and other financial institutions	-	-	800,060	-	300,375	-	-	1,100,435
Derivative financial assets	-	-	-	-	-	86	-	86
Financial assets held under resale agreements	-	-	13,615,032	4,610,021	690,252	-	-	18,915,305
Loans and advances to customers	2,614,488	3,288,856	8,870,557	14,573,381	46,473,166	32,312,294	23,703,770	131,836,512
Financial investments	1,509,399	25,375,979	655,327	3,636,466	13,237,435	32,833,947	14,411,350	91,659,903
Others	4,131,976	519,541	-	-	-	-	-	4,651,517
Total assets	21,913,889	37,335,429	24,052,275	23,020,529	61,360,028	65,146,327	38,115,120	270,943,597
Liabilities								
Borrowings from the central bank	-	-	-	210,139	1,683,320	-	-	1,893,459
Deposits from banks and other financial institutions	-	138,019	202,536	1,394	1,563,835	-	-	1,905,784
Placements from banks and other financial institutions	-	-	-	730	300,000	500,000	-	800,730
Financial assets sold under repurchase agreements	-	-	12,277,375	1,077,455	75,643	-	-	13,430,473
Deposits from customers	-	62,600,942	6,506,371	9,879,542	31,722,189	66,072,652	-	176,781,696
Debt securities issued	-	-	249,867	17,339,915	30,580,667	4,006,177	-	52,176,626
Others	-	2,432,235	14,931	14,113	150,193	241,476	60,510	2,913,458
Total liabilities	-	65,171,196	19,251,080	28,523,288	66,075,847	70,820,305	60,510	249,902,226
Net position	21,913,889	(27,835,767)	4,801,195	(5,502,759)	(4,715,819)	(5,673,978)	38,054,610	21,041,371

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38 RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period: (continued)

	31 December 2019							Total
	Indefinite (/)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	13,303,425	5,798,482	6,418	-	-	-	-	19,108,325
Deposits with banks and other financial institutions	-	665,078	236,119	-	402,462	-	-	1,303,659
Placements with banks and other financial institutions	-	-	1,300,375	-	-	-	-	1,300,375
Financial assets held under resale agreements	-	-	10,323,258	4,919,792	1,386,968	-	-	16,630,018
Loans and advances to customers	1,167,589	263,728	9,599,136	12,774,727	45,219,973	24,832,119	17,855,285	111,712,557
Financial investments	986,155	26,387,552	3,306,281	3,132,462	17,207,616	30,344,145	11,548,428	92,912,639
Others	3,767,156	836,484	-	-	-	-	-	4,603,640
Total assets	19,224,325	33,951,324	24,771,587	20,826,981	64,217,019	55,176,264	29,403,713	247,571,213
Liabilities								
Borrowings from the central bank	-	-	731	180,000	690,000	-	-	870,731
Deposits from banks and other financial institutions	-	513,916	-	1,151,685	2,545,707	-	-	4,211,308
Placements from banks and other financial institutions	-	-	900,443	1,012	1,010,000	-	-	1,911,455
Financial assets sold under repurchase agreements	-	-	12,136,265	64,897	-	-	-	12,201,162
Deposits from customers	-	57,442,897	3,739,047	8,497,576	28,620,210	56,975,471	47,029	155,322,230
Debt securities issued	-	-	2,635,902	11,372,204	29,292,059	5,007,037	2,037,902	50,345,104
Others	-	2,460,492	-	-	41,957	47,425	-	2,549,874
Total liabilities	-	60,417,305	19,412,388	21,267,374	62,199,933	62,029,933	2,084,931	227,411,864
Net position	19,224,325	(26,465,981)	5,359,199	(440,393)	2,017,086	(6,853,669)	27,318,782	20,159,349

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue for more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of “repayable on demand”. Indefinite amount of investments represents impaired investments or those overdue for more than one month. Equity investments are listed under the category of “indefinite”.

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38 RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flows of the non-derivative liabilities of the Group at the end of the reporting period:

	31 December 2020							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative liabilities								
Borrowings from the central bank	1,893,459	1,923,210	-	-	219,986	1,703,224	-	-
Deposits from banks and other financial institutions	1,905,784	1,955,658	138,019	202,863	11,403	1,603,373	-	-
Placements from banks and other financial institutions	800,730	840,352	-	-	5,975	313,194	521,183	-
Financial assets sold under repurchase agreements	13,430,473	13,432,971	-	12,279,873	1,077,455	75,643	-	-
Deposits from customers	176,781,696	185,640,179	62,606,323	7,361,735	10,356,990	33,638,833	71,676,298	-
Debt securities issued	52,176,626	53,068,343	-	250,018	17,401,706	31,142,432	4,274,187	-
Other liabilities	2,913,458	2,963,147	2,432,235	16,944	16,015	157,688	271,598	68,667
Total non-derivative liabilities	249,902,226	259,823,860	65,176,577	20,111,433	29,089,530	68,634,387	76,743,266	68,667
	31 December 2019							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative liabilities								
Borrowings from the central bank	870,731	894,213	-	-	180,000	714,213	-	-
Deposits from banks and other financial institutions	4,211,308	4,311,499	513,916	-	1,178,111	2,619,472	-	-
Placements from banks and other financial institutions	1,911,455	1,944,669	-	901,033	-	1,043,636	-	-
Financial assets sold under repurchase agreements	12,201,162	12,195,884	-	12,130,823	65,061	-	-	-
Deposits from customers	155,322,230	160,194,769	57,284,116	3,575,262	8,133,390	28,409,502	62,734,871	57,628
Debt securities issued	50,345,104	52,046,000	-	2,640,000	11,440,000	30,186,000	5,664,000	2,116,000
Other liabilities	2,549,874	2,611,708	1,997,679	17,052	27,894	100,035	360,764	108,284
Total non-derivative liabilities	227,411,864	234,198,742	59,795,711	19,264,170	21,024,456	63,072,858	68,759,635	2,281,912

This analysis of the non-derivative liabilities by contractual undiscounted cash flows might be different from actual results.

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38 RISK MANAGEMENT (Continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, human mistakes and information system failures, or impact from other external events.

The Group has specified issues of operational risks, including its manifestation, management mode, reporting procedure, reporting cycle and statistics of loss and improved comprehensive risk management system, with major initiatives as follows:

- Establishment of operational risk management system in a crisscrossing manner. On the one hand, the Group establishes an operational risk management framework that is compatible with its nature, scale, complexity and risk characteristics, including the operational risk management mechanism that involves its board of directors, board of supervisors, senior management, head office and branches. On the other hand, a three-tier risk prevention system for the front office, middle office and back office has been established for every major risk faced by the Group.
- Formation of business philosophy of compliance and robustness. The Group fosters favourable control environment, including constant advances and promotion in operational risk culture by the board of directors and senior management.
- Preference to low operational risk under the framework of “robust” risk preference. By conducting controls on operational risk including identification, measurement, resolution, monitoring and reporting, the Group establishes mechanisms for risk avoidance, loss prediction, prevention, control, reduction, financing to control operational risk within the carrying capacity of the Group and maximise its profits.
- Prevention of operational risks based on the means of inspection and supervision. All departments and branches of the head office actively perform their duties of supervision and management, conduct routine and special inspections on operational risks in major businesses, establish ledger of all problems identified for rectification and check-off. Based on the inspection by departments, the internal audit department fully uses the off-site audit system, business risk early-warning system and remote monitoring system to detect violations and pay constant attention to risk-prone problems to prevent operational risks. In the meantime, inspections and investigations are exercised on key businesses, key institutions and key personnel to prevent operational risks.
- Combination of punishment and incentives to encourage compliance and standard operations. Integral management will be implemented on personnel who violate operational standards for strict ascertainment of responsibility; employees are encouraged to spontaneously disclose and actively report operational risks; internal management, compliance operation, inspection and supervision and swindle prevention and control of the head office and branches shall be quantitatively assessed for penalty points; innovative implementation of compliance and internal control management of institutions shall be assessed for bonus points.
- Substantive achievements in carrying out system training and improving staff operation skills have been effective in preventing operational risks for the Group.

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39 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, and financial investments.

Deposits with the central bank, deposits with banks and other financial institutions and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate to the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBoC rates. Accordingly, the carrying amounts approximate to the fair values.

Financial investments at fair value through other comprehensive income and financial assets at fair value through profit or loss are stated at fair value. The carrying amounts of financial investments at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

The book value and fair value of debt securities issued are presented in Note 29. The carrying amounts of other financial liabilities approximate to their fair values.

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39 FAIR VALUE (Continued)

(c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs, i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs, i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, and the discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and exchange rate. Where the discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is by reference to another instrument that is substantially the same.

	31 December 2020			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
<i>Financial investments at fair value through profit or loss</i>				
- debt securities	-	1,631,868	108,407	1,740,275
- fund investments	-	25,375,979	-	25,375,979
- investment management products	-	368,609	2,240,068	2,608,677
- other investments	-	-	50,155	50,155
<i>Financial investments at fair value through other comprehensive income</i>				
- debt securities and interbank deposits	-	8,072,387	-	8,072,387
- investment management products	-	690,614	-	690,614
- equity investments	-	-	135,453	135,453
<i>Loans and advances to customers measured at fair value through other comprehensive income:</i>				
- corporate loans and advances	-	-	-	-
- discounted bills	-	29,600,410	-	29,600,410
Total	-	65,739,867	2,534,083	68,273,950

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39 FAIR VALUE (Continued)

(c) Fair value hierarchy (Continued)

	31 December 2019			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
<i>Financial investments at fair value through profit or loss</i>				
– debt securities	–	1,049,720	149,297	1,199,017
– fund investments	–	26,387,551	–	26,387,551
– investment management products	–	54,371	2,276,444	2,330,815
– other investments	–	–	59,097	59,097
<i>Financial investments at fair value through other comprehensive income</i>				
– debt securities and interbank deposits	–	10,785,411	–	10,785,411
– equity investments	–	–	151,190	151,190
– investment management products	–	772,517	–	772,517
<i>Loans and advances to customers measured at fair value through other comprehensive income:</i>				
– corporate loans and advances	–	187,447	–	187,447
– discounted bills	–	24,709,293	–	24,709,293
Total	–	63,946,310	2,636,028	66,582,338

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39 FAIR VALUE (Continued) (c) Fair value hierarchy (Continued)

The movements during the year ended 31 December 2020 in the balance of Level 3 fair value measurements are as follows:

	1 January 2020	Transfer into Level 3	Transfer out of Level 3	Total gains or losses			Purchases, issues, sales and settlements			Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year
				Recorded in profit or loss	Recorded in other comprehensive income	Recorded in comprehensive income	Purchases	Issues	Sales	
Assets										
Financial assets at fair value through profit or loss										
- debt securities	149,297	-	-	(40,890)	-	-	-	-	-	108,407
- investment management products	2,276,444	-	-	(35,376)	-	-	-	(1,000)	-	2,240,068
- other investments	59,097	-	-	(853)	-	-	-	(8,089)	-	50,155
Subtotal	2,484,838	-	-	(77,119)	-	-	-	(9,089)	-	2,398,630
Financial investments at fair value through other comprehensive income										
- equity investments	151,190	-	-	-	(15,737)	-	-	-	-	135,453
Total	2,636,028	-	-	(77,119)	(15,737)	-	-	(9,089)	-	2,534,063

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39 FAIR VALUE (Continued) (c) Fair value hierarchy (Continued)

The movements during the year ended 31 December 2019 in the balance of Level 3 fair value measurements are as follows:

	Total gains or losses				Purchases, issues, sales and settlements			Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year		
	1 January 2019	Transfer into Level 3	Transfer out of Level 3	Recorded in comprehensive income	Recorded in profit or loss	Purchases	Issues		Sales	Settlements
Assets										
Financial assets at fair value through profit or loss										
- debt securities	134,330	-	-	14,967	-	-	-	-	-	149,297
- investment management products	3,627,708	-	-	(6,556)	-	-	-	-	(1,344,708)	2,276,444
- other investments	58,285	-	-	812	-	-	-	-	-	59,097
Subtotal	3,820,323	-	-	9,223	-	-	-	-	(1,344,708)	2,484,838
Financial investments at fair value through other comprehensive income										
- equity investments	151,190	-	-	-	-	-	-	-	-	151,190
Total	3,971,513	-	-	9,223	-	-	-	-	(1,344,708)	2,636,028

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39 FAIR VALUE (Continued)

(c) Fair value hierarchy (Continued)

During the year ended 31 December 2020 and the year ended 31 December 2019, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements are categorised within Level 3.

Quantitative information of Level 3 fair value measurement is set out below:

	Fair value as at 31 December 2020	Valuation techniques	Unobservable input
Financial investments at fair value through profit or loss			
– debt securities	108,407	Discounted cash flow	Risk-adjusted discount rate, cash flow
– other investments	50,155	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Investment management products	2,240,068	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through other comprehensive income			
– equity investments	135,453	Discounted cash flow	Risk-adjusted discount rate, cash flow
	Fair value as at 31 December 2019	Valuation techniques	Unobservable input
Financial investments at fair value through profit or loss			
– debt securities	149,297	Discounted cash flow	Risk-adjusted discount rate, cash flow
– other investments	59,097	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Investment management products	2,276,444	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through other comprehensive income			
– equity investments	151,190	Discounted cash flow	Risk-adjusted discount rate, cash flow

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39 FAIR VALUE (Continued)

(c) Fair value hierarchy (Continued)

During the years ended 31 December 2020 and 2019, there was no significant change in the valuation techniques.

As at 31 December 2020 and 2019, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly equity investments and investment management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value on changes in unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 1 percent of change in fair value to reasonably possible alternative assumptions.

	At 31 December 2020			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Financial investments at fair value through profit or loss				
- debt securities	2,873	(2,787)	-	-
- other investments	375	(368)	-	-
- investment management products	34,060	(32,440)	-	-
Financial investments at fair value through other comprehensive income				
- equity investments	-	-	945	(790)

	At 31 December 2019			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Financial investments at fair value through profit or loss				
- debt securities	3,274	(3,175)	-	-
- other investments	376	(368)	-	-
- investment management products	45,026	(42,409)	-	-
Financial investments at fair value through other comprehensive income				
- equity investments	-	-	578	(483)

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40 FIDUCIARY ACTIVITIES

(a) Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statement of financial position. Surplus funding is accounted for as other liabilities.

	31 December 2020	31 December 2019
Entrusted loans	8,239,963	11,100,352
Entrusted funds	8,240,332	11,105,820

(b) Intermediary matchmaking service

As at 31 December 2020 and 2019, the balance of intermediary matchmaking service business is as follows:

	31 December 2020	31 December 2019
Intermediary matchmaking service business	7,222,838	6,108,043

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41 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments are in the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loan commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December 2020	31 December 2019
Loan commitments		
– Original contractual maturity within one year	2,163,216	733,891
– Original contractual maturity more than one year (inclusive)	7,604,160	2,947,449
Credit card commitments	6,677,521	6,542,674
Subtotal	16,444,897	10,224,014
Acceptances	42,685,919	27,215,046
Letters of credit	4,348,112	3,344,576
Letters of guarantees	709,755	479,543
Total	64,188,683	41,263,179

The Group may be exposed to credit risk in all the above credit businesses. The Group's management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of the expected future cash outflows.

(b) Credit risk-weighted amount for credit commitments

	31 December 2020	31 December 2019
Credit risk-weighted amounts	30,556,100	21,095,590

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

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41 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(c) Capital commitments

As at the end of the reporting period, the Group's authorised capital commitments are as follows:

	31 December 2020	31 December 2019
Contracted but not paid for	129,275	100,315
Authorised but not contracted for	–	–
Total	129,275	100,315

(d) Outstanding litigations and disputes

As at 31 December 2020, the Group was the defendant in certain outstanding litigations and disputes with an estimated gross amount of RMB10 million (31 December 2019: RMB1,015 million). The Group has assessed the impact of the above outstanding litigation and disputes that may lead to an outflow of economic benefits. In the opinion of the Group's lawyers and external lawyers, it is unlikely for the Group to receive unfavourable ruling in these cases. Therefore, the Group did not make provision for the litigation. The directors of the Bank are of the view that these litigations will not have any material adverse effects on the Group's businesses, financial condition, results of operations or prospects.

(e) Bonds underwriting commitments and redemption obligations

The Group has no outstanding bond underwriting commitments at the end of the reporting period.

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back its bonds if the holders decide to early redeem the bonds. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with relevant rules of the Ministry of Finance ("MOF") and the PBoC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at 31 December 2020 or 31 December 2019:

	31 December 2020	31 December 2019
Redemption obligations	2,969,900	3,363,845

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41 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(f) Pledged assets

(i) Assets pledged as collateral

	31 December 2020	31 December 2019
For repurchase agreements:		
– Financial investments measured at amortised cost	13,102,283	8,750,712
– Discounted bills	1,391,874	63,822
Total	14,494,157	8,814,534

Financial assets pledged by the Group as collateral for liabilities are mainly debt securities for repurchase agreements.

(ii) Pledged assets received

The Group conducts resale agreements under standard terms of placements and holds collateral for these transactions. The Group's balance of the financial assets held under resale agreements is disclosed in Note 17. The fair value of such collateral accepted by the Group was RMB19,127 million as at 31 December 2020 (31 December 2019: RMB16,625 million). These transactions were conducted under standard terms in the normal course of business.

42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds interests:

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include the wealth management products issued by financial institutions and investment management products under trust schemes. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

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42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

(a) Structured entities sponsored by third party institutions in which the Group holds interests: (Continued)

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised as at 31 December 2020 and 31 December 2019:

	31 December 2020		31 December 2019	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	28,034,811	28,034,811	28,718,366	28,718,366
Financial investments at fair value through other comprehensive income	690,614	690,614	772,517	772,517
Financial investments at amortised cost	18,238,227	18,238,227	24,204,400	24,204,400
Total	46,963,652	46,963,652	53,695,283	53,695,283

As at 31 December 2020 and 31 December 2019, the carrying amounts of the unconsolidated structured entities are equal to the maximum exposures.

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds interests:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interests held by the Group include investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2020 and 31 December 2019, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the statement of financial position.

For the year ended 31 December 2020, the amount of fee and commission income received from the above-mentioned structured entities by the Group was RMB149 million (year ended 31 December 2019: RMB142 million).

As at 31 December 2020, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB38,335 million (31 December 2019: RMB31,274 million).

In July 2020, the regulatory authorities made a decision on extending the transition period for the Guiding Opinions on Regulating Asset Management Business of Financial Institutions to the end of 2021 and encouraged orderly disposal of legacy assets in a variety of ways such as undertaking by new wealth management products, market-based transfer, and transferring assets back to the balance sheet. According to the regulatory requirements, the Group has promoted the disposal of the legacy wealth management business in a pragmatic way in order to achieve a smooth transition of the wealth management business.

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42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

(c) Unconsolidated structured entities sponsored by the Group during the period in which the Group does not have interests as at 31 December 2020:

For year ended 31 December 2020, the aggregate amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 31 December was RMB14,690 million (year ended 31 December 2019: RMB15,788 million).

43 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2020	31 December 2019
Assets			
Cash and deposits with the central bank		20,496,210	19,043,695
Deposits with banks and other financial institutions		1,841,945	1,184,082
Placements with banks and other financial institutions		1,100,435	1,300,375
Derivative financial assets		86	–
Financial assets held under resale agreements		18,915,305	16,630,018
Loans and advances to customers		131,578,344	111,398,169
Financial investments:			
Financial investments at fair value through profit or loss		29,775,086	29,976,480
Financial investments at fair value through other comprehensive income		8,898,454	11,709,118
Financial investments at amortised cost		52,986,363	51,227,041
Interest in an associate		294,119	272,576
Investment in a subsidiary	21	25,500	25,500
Property and equipment		1,478,441	1,463,392
Deferred tax assets		1,684,646	1,427,534
Other assets		1,173,927	1,417,845
Total assets		270,248,861	247,075,825

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

43 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

(Continued)

Note	As at 31 December 2020	As at 31 December 2019
Liabilities and equity		
Liabilities		
Borrowing from the central bank	1,893,459	870,731
Deposits from banks and other financial institutions	1,961,243	4,419,591
Placements from banks and other financial institutions	800,730	1,911,455
Financial assets sold under repurchase agreements	13,430,473	12,201,162
Deposits from customers	176,076,245	154,652,911
Income tax payable	272,139	193,808
Debt securities issued	52,176,626	50,345,104
Other liabilities	2,627,898	2,345,564
Total liabilities	249,238,813	226,940,326
Equity		
Share capital	5,838,650	5,838,650
Capital reserve	6,627,602	6,627,602
Surplus reserve	3,623,310	3,467,020
General reserve	2,801,940	2,781,004
Fair value reserve	(64,335)	(23,204)
Impairment reserve	12,892	18,320
Deficit on remeasurement of net defined benefit liability	(765)	(1,223)
Retained earnings	2,170,754	1,427,330
Total equity	21,010,048	20,135,499
Total liabilities and equity	270,248,861	247,075,825

Approved and authorised for issue by the Board of Directors on 26 March 2021.

Wang Liyan
Director

Sun Shihu
Director

Hou Xiuping
Chief Financial Officer

(Company chop)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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44 SUBSEQUENT EVENTS

(a) Change in a major shareholder's equity

On 28 December 2020, the CBIRC Shanxi Office approved Shanxi Finance Bureau to become the shareholder of the Bank. Shanxi Financial Investment Holding Group Co., Ltd., the current shareholder of the Bank, gave all its domestic shares (accounting for 12.25% of the total issued shares of the Bank) to the Shanxi Finance Bureau for nil consideration. After the registration of such share transfer completed, the Shanxi Finance Bureau will become the new shareholder and hold 715,109,200 domestic shares of the Bank. As at the reporting date, the registration procedures are still in process.

(b) Tier-two capital bonds issuance

Approved by the CBIRC Shanxi Office and PBoC in January 2021, the Bank publicly issued the tier-two capital bonds named JINSHANG BANK CO., LTD Tier II Capital bond 2021 1 in an amount of RMB20,000 million, which started trading through public offering since 25 January 2021.

Except for the above matters, the Group has no major matters that need to be disclosed after the reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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45 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

The information set out below does not form part of the consolidated financial statements, and is included herein for the purpose of providing information only.

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

1 Liquidity coverage ratio, leverage ratio and net stable funding ratio

(a) Liquidity coverage ratio

	31 December 2020	Average for the year ended 31 December 2020
Liquidity coverage ratio (RMB and foreign currencies)	327.19%	229.90%

	31 December 2019	Average for the year ended 31 December 2019
Liquidity coverage ratio (RMB and foreign currencies)	252.85%	240.44%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks (Trial), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

(b) Leverage ratio

	31 December 2020	31 December 2019
Leverage ratio	6.53%	7.16%

Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks issued by the former CBRC effective since 1 April 2015, a minimum leverage ratio of 4% is required.

(c) Net stable funding ratio

	31 December 2020	30 September 2020	31 December 2019
Net stable funding ratio	141.19%	136.89%	137.19%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio of 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

45 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Continued)

2 Currency Concentrations

	31 December 2020			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	34,587	32,698	209	67,494
Spot liabilities	(33,962)	(30,572)	(223)	(64,757)
Net position	625	2,126	(14)	2,737

	31 December 2019			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	48,481	147,605	208	196,294
Spot liabilities	(35,892)	(17,822)	(219)	(53,933)
Net position	12,589	129,783	(11)	142,361

As at 31 December 2020, the Group's structural position amounted to RMB33 million. As at 31 December 2019, the Group had no structural position.

3 International claims

The Group is principally engaged in business operations within mainland China, and regards all claims on third parties in Hong Kong, Macau, Taiwan and other countries and areas as international claims.

International claims include loans and advances to customers, deposits with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December 2020		Total
	Banks and other financial institutions	Non-bank private sector	
Asia Pacific	32,650	–	32,650
Europe	149	–	149
Total	32,799	–	32,799

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

45 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Continued)

3 International claims (Continued)

	31 December 2019		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	147,524	–	147,524
Europe	148	–	148
Total	147,672	–	147,672

4 Gross amounts of overdue loans and advances

	31 December 2020	31 December 2019
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	829,674	812,558
– between 6 months and 1 year (inclusive)	716,203	239,211
– between 1 year and 3 years (inclusive)	461,409	596,809
– over 3 years	174,258	458,785
Total	2,181,544	2,107,363
Percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.61%	0.70%
– between 6 months and 1 year (inclusive)	0.53%	0.21%
– between 1 year and 3 years (inclusive)	0.34%	0.52%
– over 3 years	0.13%	0.40%
Total	1.61%	1.83%

List of Branches

As at December 31, 2020, the details of the branches of the Bank are as follows:

No.	Institution name	Institution address	Note
1	Head office	No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province	4 sub-branches directly administered by the head office and 81 outlets under its jurisdiction
2	Lvliang Branch	Intersection of Changzhi Road and Longfeng Street, Lishi District, Lvliang, Shanxi Province	7 outlets under its jurisdiction
3	Yuncheng Branch	No. 989 Pu'an Street, Yanhu District, Yuncheng, Shanxi Province	6 outlets under its jurisdiction
4	Linfen Branch	Block B, Guangqi Fortune Center, Hefen Road, Linfen, Shanxi Province	9 outlets under its jurisdiction
5	Shuozhou Branch	North side of Zhenhua East Street, Shuozhou Economic Development Zone, Shanxi Province	10 outlets under its jurisdiction
6	Datong Branch	No. 46, Weidu Avenue, Datong, Shanxi Province	10 outlets under its jurisdiction
7	Changzhi Branch	No. 288 Chengdong Road, Changzhi, Shanxi Province	9 outlets under its jurisdiction
8	Xinzhou Branch	Yiren Commercial Complex, Jianshe South Road, Xinfu District, Xinzhou, Shanxi Province	12 outlets under its jurisdiction
9	Jincheng Branch	1/F – 2/F, Zizhulin Building, Fengtai West Street, Jincheng, Shanxi Province	6 outlets under its jurisdiction
10	Jinzhong Branch	No. 678, Anning Street, Yuci District, Jinzhong, Shanxi Province	7 outlets under its jurisdiction
11	Yangquan Branch	1/F – 5/F, Commercial Building, Wanlong International Phase I, Nanda East Street, Yangquan, Shanxi Province	3 outlets under its jurisdiction



晋商银行
Jinshang Bank