





## Important Notes

- The Board of Directors, Board of Supervisors, directors, supervisors and senior management of the Company guarantee that the information presented in the Report are true, accurate and complete, and do not contain false records, misrepresentations and major omissions and bear individual and joint legal liabilities.
- The 2020 Annual Report was approved on 2 March 2021 by the 19th Meeting of the 7th Board of Directors. Fourteen directors were expected to attend the meeting. Fourteen directors were present at the meeting. All supervisors of the Company were present at the meeting.
- KPMG Huazhen LLP issued a standard unqualified auditors' report for the Company in accordance with the Chinese Enterprise Accounting Standards.
- The Annual Report is prepared in simplified Chinese, traditional Chinese and in English. The simplified Chinese version shall prevail if the Chinese and English versions do not conform.
- Mr. Lu Guofeng, Chairman of the Board of Directors of the Company, Mr. Cheng Jinsong, President of the Bank, Ms. Sun Weiling, Chief Accountant, and Ms. Wei Sanfang, Head of Finance Department represent that financial reports presented in the Annual Report are true, accurate and complete.
- The profit appropriation plan for the reporting period approved at the 19th Meeting of the 7th Board of Directors of the Company is to distribute cash dividend totaling RMB545 million to all shareholders of 2.18 billion capital shares at December 31, 2020 on the basis of RMB 2.5 (including tax) for every 10 shares.
- Unless otherwise stated, the accounting and financial data mentioned in the report are consolidated data.
- Forward-looking descriptions involved in the report, including future planning and development strategies are not regarded as the Bank's substantial commitments to its investors. Investors and relevant parties should be sufficiently aware of the related risks and understand the distinction among plans, forecasts and commitments.
- Investors are expected to read the full text of the report carefully. Further details on existing major risks and proposed countermeasures are set out in the report. Please refer to "Discussion and Analysis on Operating Performance" for information relating to risk management.

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# Interpretation

In the report, unless otherwise stated, the following terms contain connotations as below:

1. “Bank of Dongguan”, “the Bank”, “our Bank” and “the Company” all refer to Bank of Dongguan Co., Ltd.
2. Cai Kuai [2018] No.36 represents the Notice on Revising and Issuing the Format of Financial Statements of Financial Enterprises for 2018.
3. The reporting period represents the year 2020.
4. “Articles of Association” refer to the “Articles of Association of Bank of Dongguan Co., Ltd.”.

## Chairman's Address

The year of 2020 was truly extraordinary. Standing at a new period in which the timeframes of the Two Centenary Goals converge, the Bank was faced with unprecedented new situations, new changes and new requirements. Under the effective superintendence of regulatory authorities, and with the concern of governments at all levels as well as the strong support from all sectors of society, the Bank is always adhering to its original aspiration and striving ahead, and has achieved sound development in an environment full of various uncertainties.

In the past year:

**We have held the bottom line of prudent operation characterized by steady improvement of asset quality and simultaneous emergence of operating benefits.** The total assets of the Bank exceeded RMB 400 billion, achieving the balanced development of scale, quality and efficiency, continuously optimising the non-performing loan ratio, after-tax net profit, capital adequacy ratio, provision coverage and other indicators, and continuously enhancing the risk-resistance capacity.

**We have maintained our focus and spared no effort to ensure the “stability in six areas” and implement the tasks of “security in six areas”.** With a firm grasp of the general principle of pursuing progress while ensuring stability, we actively integrated into the new development paradigm by earnestly implementing the deployment of the central and regulatory authorities, and steadily advancing the implementation of the five-year strategic plan, so as to make every effort to provide financial services to micro-, small- and medium-sized enterprises and provide active support in the development of the real economy.

**We deepened reform to unleash the vitality of our institutions and mechanisms.** We have deepened the 5 reform projects of organizational system, risk control system, asset-liability management, resource allocation management and human resources management, in order to break down the institutional obstacles and stimulate our internal momentum through reform.

**We have fulfilled our social responsibilities and taken the initiative to fulfill our responsibilities as a state-owned enterprise.** Through targeted poverty alleviation and elimination, we have helped the poverty to achieve “two assurances and three guarantees” and completed the task of poverty alleviation in an all-round way. With the opening of green financial service channels, we have taken multiple measures to support the resumption of work and production of enterprises, and fully implemented various financial enterprise-benefiting policies.

The year of 2021 marks the 100th anniversary of the founding of the Communist Party of China (CPC) and the first year of the country's 14th Five-Year Plan. We will closely unite around the CPC Central Committee with Comrade Xi as the core and will be deeply involved in the development of the Guangdong-Hong Kong-Macao Greater Bay Area by adhering to the new development philosophy, seizing new development opportunities and actively fulfilling our mission of serving the real economy. We will continue to deepen reform, and continue to improve banking services by focusing on preventing and defusing financial risks, so as to repay the support from all sectors of society with more outstanding performance.

Chairman: Lu Guofeng

# Company Overview

## I. COMPANY STATUS

Legal Chinese name	东莞银行股份有限公司
Chinese abbreviation	东莞银行
Legal English name	BANK OF DONGGUAN CO., LTD
English abbreviation	BOD
Legal representative	Lu Guofeng
Date of initial registration	8 September 1999
Unified social credit code	914419007076883717
Financial license No.	B0201H244190001
Registered office address	No., 21 Tiyu Road, Guancheng District, Dongguan, Guangdong

## II. CONTACTS

Secretary of Board of Directors	Li Qicong
Contact address	Office of the Board of Directors, Bank of Dongguan, No. 21 Tiyu Road, Guancheng District, Dongguan, Guangdong
Tel	0769-22865192
Fax	0769-22116029
E-mail	zhanlb@dongguanbank.cn
Postal code	523000

## III. DISCLOSURE AND PREPARATION SITE FOR THE ANNUAL REPORT

Newspapers for publishing a summary of the annual report	<i>Financial Times</i>
Website for annual report publishing	Official website of the Bank: <a href="http://www.dongguanbank.cn">http://www.dongguanbank.cn</a>
Site for preparing the annual report	Office of the Board of Directors and branch offices of the Company

## IV. OTHER RELEVANT INFORMATION

Certified public accountant engaged	KPMG Huazhen LLP
Office address	8th Floor, KPMG Tower Oriental Plaza, 1 East Chang An Avenue, Beijing
Signing Certified Public Accountants	Huang Aizhou, Li Jiali

# Summary of Accounting Data and Financial Indicators

## I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: RMB'000, %

Operating performance	2020	2019	Increase or decrease over the previous year	2018
Operating income	9,157,567	9,082,673	0.82	7,495,102
Operating profit	2,568,137	2,953,416	-13.05	2,589,217
Total profits	2,554,984	2,947,255	-13.31	2,677,341
Net profits	2,876,031	2,832,463	1.54	2,461,066
Net profit attributable to shareholders of the Company	2,875,584	2,826,134	1.75	2,456,745
Net profit attributable to shareholders of the Company after deducting non-recurring profit and loss	2,877,174	2,830,921	1.63	2,391,341
Net cash flows from operating activities	9,680,383	6,501,861	48.89	5,203,127
Basic earnings per share (RMB/share)	1.32	1.30	1.54	1.13
Diluted earnings per share (RMB/share)	1.32	1.30	1.54	1.13
Basic earnings per share after deducting non-recurring profit and loss (RMB/share)	1.32	1.30	1.54	1.10
Net cash flow from operating activities per share (RMB/share)	4.44	2.98	48.99	2.39
Fully diluted return on equity (%)	11.60	12.44	-0.84	11.90
Weighted average return on equity (%)	12.17	13.20	-1.03	12.78
Fully diluted return on net assets after deducting of non-recurring profit or loss (%)	11.61	12.46	-0.86	11.59
Weighted average return on equity after deducting of non-recurring profit or loss (%)	12.17	13.22	-1.05	12.44

Note 1: The Bank's operating income includes net interest income, net income from fee and commissions, investment income, profit and losses on the changes in fair value, exchange gain and loss, other business income, gains and losses on disposal of assets and other income.

Note 2: The net assets in the fully diluted return on equity exclude the capital bonds without fixed terms issued by the Bank.

Unit: RMB'000, %

Item scale indicators	2020	2019	Increase or decrease over the end of the previous year	2018
Total assets	416,326,107	372,007,876	11.91	314,498,863
Total disbursement of loans and advances	229,103,304	190,207,125	20.45	145,287,784
Including: Corporate loans	121,453,717	120,953,082	0.41	93,951,300
Personal loans	78,132,581	67,613,048	15.56	45,988,918
Notes discounted	29,517,006	1,640,995	1,698.73	5,347,566
Provision for loan impairment	5,890,313	4,966,160	18.61	3,664,666
Total liabilities	389,245,133	349,199,810	11.47	293,773,402
Total principal of deposits	291,694,448	263,711,462	10.61	227,961,137
Including: Corporate deposit	192,071,907	175,468,582	9.46	161,032,319
Individual deposit	87,278,098	79,926,425	9.20	59,786,451
Shareholders' equity	27,080,974	22,808,066	18.73	20,725,461
Including: Equity attributable to shareholders of the Company	26,980,679	22,717,531	18.77	20,638,585
Capital	2,180,000	2,180,000	0.00	2,180,000
Net assets per share attributable to shareholders of the Company (RMB/share)	12.38	10.42	18.81	9.47

Note: According to the Notice on Revising and Issuing the Format of Financial Statements of Financial Enterprises for 2018 of the Ministry of Finance (Cai Kuai [2018] No. 36), the interest of financial instruments based on the effective interest method is included in the book balance of financial instruments. Interest on the financial instruments that have matured and is receivable or payable but have not been received or paid at the balance sheet date is listed under "Other assets" or "Other liabilities". Unless otherwise stated, the "Loans and advances", "Accepted Deposits" and their details referred to in the Report are non-interest amounts.

## II. NON-RECURRING GAINS AND LOSSES AND AMOUNT

Unit: RMB'000, %

Item scale indicators	2020	2019	Increase or decrease over the end of the previous year	2018
Net gain or loss from disposal of non-current assets	3,036	-3,526	186	-1,193
Government grants recognised in current gains or losses	11,002	3,359	228	1,863
Other items qualified as non-recurring gains or losses	-13,153	-6,161	-113	88,124
Net non-recurring gains or losses	885	-6,328	114	88,794
Effect of income tax	1,020	-1,588	164	23,362
Total	-135	-4,740	97	65,432

## III. SUPPLEMENTARY FINANCIAL AND REGULATORY INDICATORS

Unit: %

Item	Standard value	2020	2019	2018
Capital adequacy ratio	≥10.5	14.54	14.10	13.03
Tier 1 capital adequacy ratio	≥8.5	10.03	9.30	9.85
Core tier 1 capital adequacy ratio	≥7.5	9.20	9.30	9.84
Leverage ratio	≥4	5.84	5.59	6.06
Liquidity ratio	≥25	58.70	74.78	77.73
Liquidity coverage rate	≥100	145.96	153.68	137.27
Non-performing loan ratio	≤5	1.19	1.27	1.39
Provision coverage ratio	≥130	219.17	208.03	182.06
Provision-loan ratio	≥2	2.60	2.63	2.52
Loan concentration ratio of a single customer	≤10	4.54	5.08	5.14
Credit concentration ratio of a single group customer	≤15	7.00	8.03	8.02
Migration ratio of pass loans	-	1.50	2.17	2.01
Migration ratio of special-mentioned loans	-	33.40	25.70	42.63
Migration ratio of substandard loans	-	44.81	83.57	92.11
Migration ratio of doubtful loans	-	16.28	11.97	23.62
Return on total assets	≥0.6	0.73	0.83	0.85
Cost-income ratio	≤35	30.67	28.97	32.41
Net interest spread	-	2.11	2.30	2.02
Net interest margin	-	2.08	2.27	2.21

Note 1: Regulatory indicators are calculated and listed in accordance with the regulatory specification.

Note 2: Net interest spread = the difference between the average return on interest-earning assets and average cost rate of interest-paying liabilities.

Note 3: Net interest margin = daily average balance ratio of net interest income to interest-earning assets.

Note 4: In accordance with the provisions in the Circular on Adjusting the Regulatory Requirements for Loan Loss Provision of Commercial Banks (No. 7 [2018] of China Banking Regulatory Commission), differential dynamic adjustment shall be implemented on the provision regulatory policy for commercial banks.

Note 5: During the reporting period, the Bank reclassified credit card installment income from commission charges to interest income, regulated the comparative figures for the same period accordingly, and adjusted the net interest spread and net interest margin for the years 2018 and 2019.



#### IV. CHANGE IN SHAREHOLDERS' EQUITY

Unit: RMB'000

Item	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profit	Minority equity	Total shareholders' equity
Opening balance	2,180,000	-	2,089,535	302,457	2,281,062	4,533,268	11,331,209	90,535	22,808,066
Increase in the current period	-	2,197,358	-	-	288,253	142,447	1,844,306	9,760	4,482,124
Decrease in the current period	-	-	-	209,216	-	-	-	-	209,216
Ending balance	2,180,000	2,197,358	2,089,535	93,241	2,569,315	4,675,715	13,175,515	100,295	27,080,974

#### V. CAPITAL COMPOSITION AND ITS CHANGE

Unit: RMB'000

Item	2020	2019	2018
Net capital in total	3,869,091	3,414,497	2,722,655
Net core tier 1 capital	2,449,587	2,253,599	2,056,651
Net tier 1 capital	2,669,617	2,253,872	2,056,927
Net tier 2 capital	1,199,474	1,160,625	665,728
Risk-weighted assets	26,617,593	24,223,300	20,891,309

# Corporate Business Overview

## I. MAJOR BUSINESSES IN THE REPORTING PERIOD

Attracting public deposits; lending short-term, mid-term and long-term loans; domestic settlement; discounting bills; issuing, cashing and underwriting government bonds as an agency; trading government bonds; inter-bank borrowings; issuing financial bonds; providing bank guarantees; collecting and settling payments; safe box service; entrusted deposits and loans service of local fiscal revolving fund; foreign currency deposits; foreign currency loans; foreign currency remittances; foreign currency exchange; international settlement; inter-bank borrowing of foreign currency; acceptance and discounting of foreign currency bills; foreign currency guarantees; settling and selling foreign currency; foreign currency exchange as an agency; settling foreign credit card payment as an agency; insurance service as an agency (operating by branches with permit); selling securities investment funds as an agency; self-supporting foreign exchange trading; other businesses approved by the China banking regulatory authorities (Items subject to approval according to laws shall not be carried out before such approval is granted by the competent authorities).

## II. MATERIAL CHANGES IN MAJOR ASSETS

During the reporting period, there were no material changes in the Bank's major assets.

## III. CORE COMPETITIVENESS ANALYSIS

**(I) Comprehensive financial services capacity can be strengthened by taking advantage of regional development.** The Bank is located in Dongguan, a central city on the east coast of the Pearl River Delta, and is faced with the three major historical opportunities, that is, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, the Pilot Demonstration Area of Socialism with Chinese Characteristics in Shenzhen and the Construction of Provincial Manufacturing Supply Side Reform and Innovation Experimental Zone in Dongguan. We are deeply engaged in government business in Dongguan and actively undertake government services such as education, medical care and people's livelihood, and have been granted the agent bank qualification in many business areas, including centralised payment of city – and town-level financial treasury and municipal non-tax revenue. As the main bank of government financial business in the region, we have undertaken basic endowment insurance, endowment insurance of government and public institutions, basic medical insurance, maternity insurance, local endowment insurance, security fund for expropriated land and other businesses in Dongguan city, and have rich experience in government financial business services.

**(II) The Bank can realize the competitive edge as a responsive and flexible financial institution through structural reform.** Focusing on the main reform line of “flattening, strengthening the head office and professionalizing”, the Bank has deepened the reform of its management system through firm reform and innovation-driven development, and has promoted the five major reforms of organizational system, risk control system, asset-liability management, resource allocation management and human resource management. By fully activating the creative vitality and building a flattening and professional organizational structure, the Bank enhances the management and control power, deployment power and flexibility in business operation and practice, with a view to producing an agile business management mode, and realizing the competitive edge of being “responsive and flexible”.

**(III) The adaptability of financial development can be improved through digital transformation.** The Bank builds itself into a digital bank and open bank by following closely the development trend of financial technology and conforming to the trend of modern banking reform. In the new core system projects, we have built service-oriented, platform-based and standardized application architecture, data architecture and infrastructure architecture, implemented the information construction mode and project management system that are deeply integrated with the business, and improved our financial technology innovation capability and independent security controllability capacity. We take the initiative to connect with the “digital government” platform, achieve the integration of “government service + financial service”, and develop a series of products of open banking platform and digital system platform under the B2G mode to improve online channels and enhance the capabilities of product iteration. We have embedded financial technology into the whole process of business services and risk management, promoted the application of cloud computing, big data and artificial intelligence technologies in business scenarios, and improved the informatisation and intelligence level of financial services and risk control. Relying on technology leadership and data driving, we create the intelligent service mode at the outlets, make constant efforts in optimising the functions of intelligent devices, and realize the online implementation of offline scenes.

**(IV) The sustainable business development can be guaranteed through prudent operation.** We adhere to the general principle of steady development, establish the risk strategies coordinated and unified with business development, and promote the standardisation of risk control data, the platformization of risk control system and the modeling of risk control technique. By building a “four-in-one” intelligent risk control system with a whole closed-loop process, we continuously optimize risk management policies and technologies and further integrate risk and business, so as to actively adapt to the demand of risk management in the new normal of banking industry and ensure the sound and sustainable development of various businesses.

## IV. IMPLEMENTATION OF KEY BUSINESSES DURING THE REPORTING PERIOD

### (I) Corporate banking

#### 1. Business results

By adhering to the strategic positioning of “being the government's bank” and “being the host bank of small and medium-sized enterprises”, the Bank firmly implements the reform driven, innovation driven and risk driven strategies, focusing on government finance, industrial finance, technology finance and transaction finance, for hoping of speeding up transformation, innovation and development, as well as structural optimization and adjustment, and constantly enhancing the competitiveness of the Bank's business development.

**(1) The scale of deposits increased steadily.** Firstly, we actively responded to the changes in market liquidity, and strengthened customer cooperation stickiness by adhering to the customer-centered principle and counting on flexible product portfolio and high-quality and efficient whole process service, and meantime continued to improve the proportion of settlement deposit scale. **Secondly**, we vigorously strengthened the expansion of key deposit customers and consolidated the deposit customer base through broadening the channels of attracting customers, reinforcing the process delicacy management and adopting low-cost strategies, and therefore achieved a steady growth of the deposit scale. At the end of the reporting period, the Company's business deposit balance amounted to RMB192.072 billion, an increase of RMB16.604 billion or 9.46% compared with that at the beginning of the year.

**(2) Asset investment was accurate and effective.** Firstly, with a firm commitment to serving the real economy with finance, the Bank made all-out efforts to combat the COVID-19 epidemic, took a combination of measures to support the resumption of work and production of enterprises, poured financial resources into small and micro enterprises and private enterprises, and spared no effort to solve the financing problems of small, medium and micro enterprises. **Secondly**, the Bank fully served the real economy, giving priority to the development of strategic emerging industries such as manufacturing, health care, education and science and technology, and realistically allocated financial resources to key areas of economic and social development, such as industries and people's livelihood. At the end of the reporting period, the Company's business loan balance (including discount) reached RMB150.971 billion, an increase of RMB28.377 billion or 23.15% over the beginning of the year.

## 2. Features of business development

**(1) In terms of strengthening bank-government cooperation**, the Bank has deepened the "digital village" government affairs and finance, implemented the financial service platform project of rural integration, and added new functional modules such as inter-bank rent payment, payment of social security expense and electronic social security card. The Bank has developed the financial business of "digital politics and laws", and launched the integrated fund supervision platform for bankruptcy cases of Dongguan courts. The Bank has set up self-service machines for diagnosis and treatment with an all-purpose card to support the digital construction and upgrading of community health service centers in towns and streets of Dongguan city, and to provide high-quality and convenient financial services for citizens.

**(2) In terms of serving the real economy**, the Bank was deeply involved in the local economy, proving complete support for the construction of major projects and municipal infrastructures and providing credit aid. The Bank made every effort to help enterprises resume work and production, and actively adopted monetary policies such as special rel oan for epidemic prevention and control, rel oan and rediscount for banks in small-sized cities to provide credit support to enterprises in the regions we serve. By closely following the government's policy strategies, the Bank was deeply involved in projects such as urban renewal and labor reform and upgrading to provide better financial services for regional economic development. The Bank actively expanded its customer group business in education, medical and pharmaceutical industries, and vigorously supported the development of education, medical and pharmaceutical industries and other livelihood industries, with a view to improving the comprehensive contribution of industry customers.

**(3) In terms of digital transformation**, the Bank innovated and developed digital system platform products, developed a series of digital system platform products under the B2G mode, and completed projects such as non-tax collection system, worker wage supervision platform, electronic bidding guarantee system of public resource trading center, and guarantee payment system for pre-sale of commercial residential buildings. The Bank innovatively launched online products, including "Cloud Order" payment, "Guan Yintong" online order, "Online E-post" and other products, so as to broaden customer settlement and financing channels and improve customer experience. Through big data mining technology, the Bank identified potential customers in the capital chain, carried out mass precision marketing, and improved customer service capacity combined with customer view analysis.

## (II) Retail banking

### 1. Business results

The Bank strove to deal with the impact of the COVID-19 epidemic and the complex external situation with the aim of protecting people's livelihoods, and continued to compete successfully as a responsive and flexible financial institution. The Bank promoted the process of offering products online and focused on precise marketing for target customers, thus realizing the optimization of the Bank's product structure, customer structure and profit structure.

**(1) The AUM for individual customers increased steadily.** The Bank took the agency service business as the prioritized segment of personal business, carried out "private linkage" on a regular basis, enriched the portfolio of wealth management products and deposit products for the purpose of enhancing customers' asset-liability management, and increased the total AUMs of customers. By the end of the reporting period, the balance of AUM for individual customers increased by RMB22.204 billion compared with that at the beginning of the year, the biggest rise ever recorded. The deposit balance reached RMB87.278 billion, an increase of RMB7.352 billion or 9.20% compared with that at the beginning of the year.

**(2) The profit structure was optimized.** By strengthening the management of deposit cost and improving the capital retention out of agency service business and business owners, the Bank has stabilized the external interest payment rate of savings deposits. The Bank doubled the intermediary income from fund products by selecting high-quality fund products, seizing market opportunities, and providing marketing guidance and supervision. The Bank steered the change of insurance product offering from serving the need for investment and financing to long-term protection, so as to ensure that regulatory requirements are met and customers' rights and interests are protected.

**(3) Achievements were made in the transformation of loan business.** In response to what the national policies call for, the Bank accelerated the restructuring of loan structure, strengthened the control of housing loan quota, and completed the securitisation issue of the first housing loan assets. The Bank accelerated the online offering of consumer credit products to meet the growing demand of household consumption, promoted the development of inclusive financial services, and boosted the resumption of work and production of small and medium-sized business owners. By the end of the reporting period, the balance of individual credit was RMB78.133 billion, with an increase of RMB10.52 billion or 15.56% compared with that at the beginning of the year. In 2020, non-housing loans accounted for 54% of the total loans of the year, and the structure of new credit business was significantly optimized.

## 2. Features of business development

**(1) In terms of product supply**, the Bank satisfied the diversified and personalized needs of customers through product customization and differentiated product services, and worked on attracting deposits through productization. The Bank ensured the uninterrupted offering of financial service, strengthened system support and process transformation while seeking proactive change and continuous innovation, improved the online process of existing products and promoted the digital transformation. By implementing differentiated and localized services, the Bank adopted the product manager system, and continued to improve its product portfolio and comprehensive customer financial service plan from the perspective of customer asset and liability management.

**(2) In terms of customer service**, the Bank enhanced the marketing campaigns directed towards shareholders and executives from various businesses with the help of various government financing projects, gradually rolled out payment agent service for policy-related funds, and achieved the bulk acquisition of customers through 2G2B2C, 2G2C and 2B2C channels. By focusing on the villages and communities, agency service, private banking, the elderly and other key customer groups, the Bank implemented the precision marketing directed at target customer groups. The Bank optimized classified management of customers, devised comprehensive customer financial service solutions to address the need for management of customer life cycle and journey, improved customer experience and enhanced the competitiveness of the Bank's business.

**(3) In terms of business management**, the Bank consolidated the management of line profit center under the guidance of asset liability management. The Bank adhered to professional operation and division of labor to strengthen the construction of line team and enhance the operational capability of the entire staff. The Bank promoted the reform of the assessment and resource allocation system, and improved the enthusiasm of the team to continuously consolidate the Bank's competitive advantages in relevant market segments.

## (III) Inclusive finance

### 1. Business results

**(1) The goals of "Two Increases and Two Controls" and "Targeted Cuts to Required Reserve Ratios" were smoothly completed.** By the end of the reporting period, the balance of unified small and micro loans (including small and micro enterprises, individual business, small and micro business owners) was RMB86.661 billion, an increase of RMB12.715 billion over the beginning of the year, and the number of small and micro loans was 21,665 households, with an increase of 112 households compared with that the beginning of the year. Among them, the loan balance of inclusive finance in the whole bank totalled RMB22.205 billion, an increase of RMB4.908 billion compared with that at the beginning of the year, the total number of inclusive finance loans reached 20,450, an increase of 105 over the beginning of the year, and the average interest rate of inclusive finance loans was 5.18%. The bank successfully completed the goals of "Two Increases and Two Controls" and "Targeted Cuts to Required Reserve Ratios" and was granted 2020 Top 10 Small and Micro Enterprises Financial Services Innovation Award of China Financial Innovation Award.

**(2) The number of "Three Integrations" loan households, the number of loans and the amount of loans were in the forefront of the city.** The Bank concentrated on strategic emerging industries and advanced manufacturing, increased support for small and micro technology-based enterprises, and continuously optimized and innovated sci-tech financial products by following the policy guidance of "Three Integrations". In 2020, among the 16 "Three Integrations" sci-tech credit government cooperative banks in Dongguan, the number of "Three Integrations" loan households, the number of loans and the amount of loans of the Bank ranked the top in the city. At the end of the reporting period, the Bank had 1,807 technology-finance credit customers, with a credit balance of RMB29.235 billion, with an increase of RMB5.448 billion or 22.9% from the beginning of the year.

## 2. Features of business development

**(1) In terms of institutional construction**, the Bank established the Inclusive Finance Department aiming to comprehensively promote the development of inclusive finance business throughout the Bank. The Bank set up 163 outlets, including 13 community branches and 4 small and micro branches, thereby extending the service radius of small and micro enterprises and expanding the service coverage of small and micro enterprises.

**(2) In terms of product R&D**, the Bank has innovated a large number of credit products suitable for small – and medium-sized enterprises, such as Dongguan Bank Tax e-loan, Technology e-loan, and special loans for small and micro enterprises, housing e-loan, high-tech enterprise credit loan and loan doubling. The Bank accelerated the transformation and upgrading of small and micro offline products to the "online + offline" model through the sci-tech empowerment, and built a comprehensive inclusive financial product system.

**(3) In terms of credit loan placement**, the Bank has given full play to the policy synergy and actively connected with two innovative monetary policy tools, namely the inclusive small and micro enterprise credit loan support plan and the inclusive loan extension support tool. The Bank has precisely invested low-cost funds in small and micro businesses, such as reloan and rediscount for banks in small-sized cities, policy bank sub-loan and small and micro financial bonds, effectively supporting the development of the real economy.

## (IV) International business

### 1. Business results

The Bank persisted in the business philosophy of "market-oriented and customer-centered", constantly strengthened the product supply, deepened the intensive and electronic operation of the documentation center, and improved the integrated operation management and service efficiency of local and foreign currencies. The Bank has strengthened its business compliance control capability, improved profitability and market competitiveness, and achieved steady growth of its line business. During the reporting period, the amount of domestic and foreign currency trade financing issued by the Bank reached RMB26.014 billion in total, with a year-on-year increase of 42.63%.

## 2. Features of business development

**(1) The development of asset-light business was accelerated.** The Bank vigorously promoted the application of domestic letters of credit, forfeiting and other light capital consuming trade financing products, and effectively adjusted the credit structure of the Bank, so that the asset turnover rate reached 67.86%, and formed a new growth point of income from intermediary business.

**(2) The promotion of new products was expedited.** The Bank has expanded the settlement flow, realizing the contract amount of “Dongguan Huibao” of \$545 million, with a year-on-year increase of 641.44%. In addition, it also expanded the channels for application of capitals, reaching a foreign currency bond investment of \$101 million, with an increase of 350% compared with that at the beginning of the year.

**(3) The qualification for new businesses was actively expanded.** In October, the Bank successfully obtained the approval from the Dongguan Central Branch of the State Administration of Foreign Exchange to open RMB and foreign exchange option products business, which provides a strong breakthrough for the Bank to carry out foreign exchange business in an orderly manner.

**(4) The informatisation support system was improved.** By building and transforming the information system, the Bank promoted the digital operation building of documents and improved the level of international business informatisation, so as to effectively control operational risks and improve the efficiency of business processing.

## (V) Financial market business

### 1. Business results

**(1) In terms of bond business,** the Bank, by following prudent and flexible investment strategies, further optimised the asset structure, and actively applied interest rate swaps to hedge portfolio risks, thereby reducing volatility and improving overall benefits. In 2020, the Bank maintained a relatively high transaction activity in the interbank bond market, and was awarded the “Active Dealer” by the National Interbank Funding Centre and the “Innovation Pioneer Award” by China Central Depository & Clearing Co., Ltd.

**(2) In terms of inter-bank financial business,** the Bank promoted the inter-bank business to be standardized based on its development strategy, focusing on optimising the inter-bank business and standardized and capital-light new businesses. Simultaneously, the Bank carried out its business around the inter-bank credit assets such as bills, optimised the bill chain business and bill system, and improved the flow rate of direct-discount bills.

### 2. Features of business development

**(1) In terms of business qualifications,** the Bank has obtained the qualification of general derivatives products and successfully participated in the underwriting syndicate of book-entry national bonds, opening up more operational tools for development of subsequent businesses.

**(2) In terms of bond issuance,** the Bank successfully issued RMB2.2 billion of undated capital bonds in May 2020, becoming the first city commercial bank in Guangdong Province to successfully issue such bonds, further consolidating the Bank's capital and enhancing its ability to resist risks. In September 2020, the Bank successfully issued RMB4 billion of financial bonds for small and micro businesses to actively support the development of small and micro enterprises.

**(3) In terms of business innovation,** the Bank has successfully implemented online interbank deposit business, gold interbank lending business, and structured deposit business of linked option companies, which has expanded new financing methods, enriched business types, and better met the diversified needs of customers.

## (VI) Asset management business

### 1. Business results

**The bank strictly implemented the reduction plan of old products and actively promoted the transformation of financial management business.** The Bank's optimisation of product structure, improvement of product system, construction of investment and research system, improvement of risk management and control and promotion of system group construction promoted the steady development of asset management business. By the end of the reporting period, the Bank's outstanding financial products amounted to RMB51.305 billion, an increase of RMB18.688 billion or 57.3% over the end of the previous year.

### 2. Features of business development

**(1) In terms of product transformation,** the Bank accelerated the pace of net-worth transformation of financial products and constantly enriched product types and functions. The Bank has successively launched cash management products, customer cycle products, periodic open products, closed and private placement financial products, actively distributed mixed financial products, and gradually increased the issuance proportion of net worth financial products. By the end of the reporting period, the balance of net worth products of the Bank was RMB29.153 billion, accounting for 56.82%

**(2) In terms of investment and research capabilities**, the Bank has made greater efforts in investment and research, strengthened macro strategy research and credit analysis, optimised portfolio management, adjusted asset allocation structure in an orderly manner, and enhanced asset allocation in major categories, so as to further achieve the balance among risk, return and liquidity management.

**(3) In terms of risk control system**, the Bank constantly improved the business process and system construction, refined internal control requirements, and promoted the standardized operation of the business; moreover, the Bank also strengthened its monitoring of asset and product market risks and credit risks, reinforced the management of liquidity risks and operational risks, and deployed risk prevention measures in combination with pressure tests and investment and research support, so as to comprehensively improve the risk management ability of asset management business.

**(4) In terms of technological support**, the Bank has promoted the optimisation of asset management system and the construction of financial asset management system in an orderly way, and gradually built system architecture in line with the development requirements of the asset management business.

## **(VII) Direct banking business**

### **1. Business results**

**(1) In terms of loan business**, the Bank focused on high-quality units with houses and high-quality villager and citizen customer groups, and launched a series of standardized loan products of online and offline integration, such as premium worker loan, resettlement e-loan, online decoration loan and mechanical equipment loan. The Bank has built a loan product system guided by hierarchical management, hoping to meet the diversified needs of customers and continue to shape the stickiness and reputation of direct-sale loan products. By the end of the reporting period, outstanding loans from direct banks reached RMB6.941 billion, with an increase of RMB3.808 billion or 122% compared with that at the beginning of the year.

**(2) In terms of credit card business**, the Bank focused on high-quality customer groups such as payroll credit, villagers and mortgage loans to carry out business joint marketing, and vigorously promoted competitive brand products such as “Meng Meng Card” and “Jingdong Co-branded Card”. Through the “online-offline dual channel card issuance” model, the Bank made constant efforts in expanding the scale of issued credit cards. At the end of the reporting period, the credit card holdings of the Bank reached 363,600 credit cards, with an increase of 58,200 or 19% compared with that at the beginning of the year.

**(3) In terms of settlement business**, the Bank focused on the construction of Dongguan e-rent business under the renting scenario. By providing management services such as housing sources, leases and bills, the Bank achieved the mass acquisition of landlords and tenants under the renting scenario, and promoted the settlement and retention of rent funds. By the end of the reporting period, there were 1,477 landlords and 73,000 rooms in Dongguan e-rent, with a transaction value of RMB119 million.

### **2. Features of business development**

**(1) Adhere to the digital transformation to drive business growth.** In terms of business model, the Bank adhered to the orientation of digital banking pilot field, created digital and standardized products of online and offline integration, and actively developed financial and non-financial services of direct banking. In terms of platform construction, the Bank has actively improved the open banking platform of direct banks, and utilized functional open components to connect the internal and external businesses of the Bank, thus enabling business development efficiently. In terms of data governance, the Bank has generated data application strategies of “multi-channel accumulation and multi-label response”, built an analysis platform of data mart and data visualization, strengthened the support of data to business to assist in quickly obtaining insight in demand and supporting business promotion and precision marketing.

**(2) Adhere to the customer-centered principle to promote the business innovation.** The Bank has firmly established the “customer-centered” service concept, and provided professional and comprehensive financial service solutions around the pain spots of customers. The Bank focused on the high-quality units, villagers and citizens with houses in the housing scene. Through continuous innovation and optimisation of consumer finance, credit card and other services of direct banking, the Bank has created convenient operation process combining online and offline operations, so as to save customers’ processing time and improve service efficiency.

**(3) Adhere to the digital risk control to help the high quality development of business.** Prior to lending, the Bank made persisting efforts in conducting iterative management of customer rule model strategies, monitoring and adjusting the availability of the rule model as per the business development situation, and constantly improved the working mechanism to strictly check the credit access threshold. After lending, the Bank properly managed the early warning and collection, and identified the risk base of direct banking credit business through digital means. The Bank consistently carried out the monitoring of the flow of loan funds, negative information and commercial information of merchants etc., promoted the verification of loan files, the post-loan return visit by telephone, collection of overdue loans, risk disposal, etc., and established a collaborative working mechanism between risk and business.

## **(VIII) Information technology business**

Centering on the strategic planning of information technology, the Bank took the overall improvement of science and technology empowerment capacity as the main line and the major construction of new core project groups as the important starting-point, so as to reconstruct the enterprise-level information system architecture and implement the customer-centered and market-oriented information construction. By optimising the security operation and maintenance mechanism and strengthening the construction of the information technology team, the Information Technology Division is committed to playing the role of science and technology as an important engine driving the high-quality and sustainable development of its businesses.

**(I) The integration of technology and science was reinforced.** The Bank’s new core project group was successfully put into operation on 8 June 2020, which has comprehensively enhanced the ability of technology to support business, financial-tech innovation, independent safety and control ability and technology empowerment capacity. The Bank has also built service-oriented, platform-based and standardized application architecture, data architecture and infrastructure, laying a solid foundation for the digital transformation. Through solid implementation of the system construction, the Bank will assist in business innovation and development, optimise data asset management, enhance digital operation capability, constantly promote joint modeling and improve the construction and monitoring of online credit business, with a view to improving the level of customer service, risk control and online credit business.

**(II) The safety operation and maintenance mechanism was optimised.** The Bank built a stable and efficient security infrastructure. By strengthening the capability of independent and controllable technologies, it could create a continuous integration release platform, respond to business changes in an agile manner, and construct an intelligent operation and maintenance scenario to move towards intelligent operation and maintenance. The Bank has built a total quality management system to enhance its capacity for sustainable development, continuously optimise its information security management and technology system, and build a solid network security barrier. The Bank has paid close attention to information technology risk prevention and control, in order to effectively ensure the continuous, safe and stable operation of the production system throughout the year. In the information technology regulatory rating of China Banking and Insurance Regulatory Commission, the Bank was in the leading position among similar banks.

**(III) The building of the information technology team was strengthened.** The Bank accelerated the introduction of IT talents to lay a solid foundation for the development of financial technology. By the end of the reporting period, the number of IT employees reached 280, accounting for 5.6% of the total number of employees in the Bank. In line with the business development, the Bank reasonably formulated the annual IT budget, and the capital invested into IT was able to continuously meet the needs of business and IT development. During the reporting period, the investment in information technology reached RMB657 million, accounting for 5.27% of the total investment of the Bank in the year.

## V. SOCIAL HONOURS

Honour (extracted)	Evaluation Unit	Time of Evaluation
2019 Active Dealer on Inter-Bank Local Currency Market	National Interbank Funding Center	2020.1
Dongguan top 20 companies with main business income in 2019	Dongguan Committee of the CPC, People's Government of Dongguan City	2020.3
2019 Benefit Contribution Award	Dongguan Committee of the CPC, People's Government of Dongguan City	2020.3
2019 Advanced Unit of Financial Consumption Rights and Interests Protection in Dongguan	Dongguan Central Sub-branch of the People's Bank of China, Protection Association of Financial Consumption Rights and Interests of Dongguan	2020.3
2019 Top 100 Settlement Companies in Chinese Bond Members – Excellent Dealer	China Central Depository & Clearing Co., Ltd.	2020.4
2019 Advanced Unit of Credit Investigation	Dongguan Central Sub-branch of the People's Bank of China	2020.7
No. 350 in Top 1000 World Banks 2019	The Banker	2020.7
2019 Guangdong Provincial Excellent Unit of Financial System Comprehensive Management	Comprehensive Management of Public Security in the Financial System of Guangdong Province and Safe Finance Creation Leading Group	2020.10
2020 Top 10 Small and Micro Enterprises Financial Services Innovation Award	The Banker and the Institute of Finance and Banking of Chinese Academy of Social Sciences	2020.11
2020 Best Financial Innovation Award	The Banker and the Institute of Finance and Banking of Chinese Academy of Social Sciences	2020.11
2020 Top 10 Financial Technology Innovation Award	The Banker and the Institute of Finance and Banking of Chinese Academy of Social Sciences	2020.11
2019 Best Cultural Construction	The Banker	2020.11
National Advanced Collective of Internal Audit	China Institute of Internal Audit	2020.11
Excellent Organization Units for Popularization of Financial Knowledge	China Banking and Insurance Regulatory Commission, Guangdong Administration for Market Regulation	2020.12
2020 China E-bank Golden Award, "Best Mobile Banking Growth Award"	China Financial Certification Authority (CFCA)	2020.12

## VI. COMPANY'S OUTLOOK FOR FUTURE DEVELOPMENT

### (I) Industry competition pattern and development trend

At present, the profound and complex changes in the international and domestic situation have generated multiple impacts on our economy, including the overlap of cyclical and structural factors, the interweaving of short-term and long-term problems, and the confluence of external shocks and COVID-19. However, the fundamentals of China's economy, which are stable and sound in the long run, remain unchanged. The mixed changes have brought many opportunities and challenges to the development of the banking industry:

#### 1. Opportunities

China's economy and society have stepped into a new stage of development. The political advantages under the leadership of the Communist Party and the advantages of the socialist market economy system will be conducive to the long-term good prospects of the Chinese economy and the rise of overall national strength. The fostering of a new development paradigm with domestic circulation as the mainstay and domestic and international circulations reinforcing each other will break down the institutional and mechanism obstacles in front of China's current high-quality development. The new journey of building a great modern socialist country in an all-round way will bring unprecedented opportunities for the development of the banking industry.

#### 2. Challenges

(1) Economic transformation and the COVID-19 epidemic pose material development challenges. China's economy, which is in a new stage of transformation from high-speed growth to high-quality growth, and the sudden COVID-19 epidemic have led to significant changes in the global economic pattern, which has brought unprecedented external pressure to the development of the banking industry.

(2) The opening-up of finance to the outside world brings great competition challenges. China's acceleration of new round of financial opening to the outside world, the come of the era of global competition in the banking industry and the fierce market competition under the interest rate liberalization will bring huge external pressure to the banking industry.

(3) The advent of digital age presents significant transformation challenges. The rapid development of digital economy has brought great impact to the traditional operation and management mode of the banking industry, making the banking industry in a critical period of digital transformation.

## (II) Corporate development strategy

Medium – and long-term strategic development goals of the Bank: Promote continuous improvement in the return on equity (ROE) level and ensure that ROE is at the forefront of the industry to achieve the goal of satisfying all shareholders.

In 2020, the Bank insisted on the new concept of development, implemented the requirements of high-quality development and firmly pursued reform and innovation-driven development, aiming at improving the quality and efficiency of serving the real economy to achieve sustainable and sound development. The year of 2021 is the first year of the country's 14th Five-Year Plan and the final year for implementing the Bank's five-year strategic plan. The Bank will take the initiative to adapt to the new macro-economic and financial situation, adhere to the principle of steady development, firmly grasp the strategic positioning of "serving the local, serving the entities and serving the community", deepen the reform of the financial supply side, and enhance its ability to serve the real economy; deepen comprehensive risk management and further guard against financial risks; persist in the innovation-driven development, strengthen technological empowerment and financial product innovation, and improve the level of financial services, in order to create the competitive edge as a responsive and flexible financial institution, and make persisting efforts in promoting high-quality and sustainable development.

## (III) Business plan for the year 2021

In 2021, the Bank will adhere to the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, thoroughly implement the spirits of the 19th National Congress of the Communist Party of China and the 5th Plenary Session of the CPC Central Committee, and earnestly understand and implement the *Recommendations of the Central Committee of the Communist Party of China for the 14th Five-Year Plan for Economic and Social Development and the Long-range Goals Through 2035*. The Bank will fully strengthen the party leadership and the party building, adhere to the new development concept, deepen reform and innovation-driven development, and firmly seize the new development pattern and the major historical opportunities from the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, with a view to continuously enhancing its development capacity and achieving high-quality and sustainable development. The following six areas are our top priorities:

- 1. Adhere to the principle of the Party exercising leadership over finance and strengthen strategic guidance, so as to improve the efficiency of corporate governance in an all-round way.** Coordinate the strategic development plan properly, further strengthen the full implementation of the principle of managing the finance under the leadership of the Party, improve the operational mechanism of "three meetings and one level", speed up the listing pace, and strengthen the working mechanism of affiliated transaction management and information disclosure.
- 2. Insist on the new development philosophy and serve the new development pattern.** By relying on serving the real economy, focusing on key customer bases and seizing market opportunities, improve the Company's business development competitiveness and the market share of personal business, and improve the quality and efficiency of financial asset management business.
- 3. Deepen reform and make every effort to build new edges for development.** Deepen reform in the organizational system, asset-liability management, risk control systems, customer services and market-based disposal of non-performing assets, and enhance our new competitive edge as a responsive and flexible financial institution.
- 4. Pursue innovation-driven development and comprehensively advance digital transformation.** Accelerate the enhancement of digital operation capability, and make persisting efforts in improving service quality and efficiency. Deepen the development of an open banking platform and promote iterative innovation in products and services. Improve the level of risk control and decision making with data empowerment.
- 5. Adhere to the strategy of "promoting the development of the Bank with talents" and fully stimulate the passion to create new businesses.** Expand the channels of introducing high-end talents, improve the talent cultivation system and scientific personnel evaluation and incentive plus restraint mechanism, and accelerate the growth and ability improvement of our employees.
- 6. Uphold the leadership of the Communist Party and the effective governance of the Bank to ensure our stable and long-term development.** Adhere to the people-centered principle, strengthen the party building in an all-round way and provide powerful political and organizational guarantee for reform and development. Fully implement the strict governance of the Bank, seriously implement the rectification of problems identified in the inspections, and undertake further work on improving Party conduct and upholding integrity and discipline.



# Discussion and Analysis on Operating Performance

## I. OVERVIEW

In 2020, affected by the Novel Coronavirus Pneumonia (COVID-19), the global economy was under pressure and showed a downward trend. Facing the complex and serious external situation and fierce market competition, the Bank adheres to the market positioning of “supporting local and real economy, and providing services for citizens”, and insists on the standards of “following market demands and providing client-oriented services based on consideration of its own profits”, so as to achieve steady operation and stable development of various businesses, which is illustrated in the following aspects:

**First**, the business grew steadily. At the end of the reporting period, the balance of the Bank’s total assets amounted to RMB416.326 billion, with a year-on-year growth of RMB44.318 billion or 11.91%. Its total liabilities amounted to RMB389.245 billion, with a year-on-year growth of RMB40.045 billion or 11.47%. Its deposit balance was RMB291.694 billion, with a year-on-year growth of RMB27.983 billion or 10.61%. The loan balance was RMB229.103 billion, with a year-on-year growth of RMB38.896 billion or 20.45%.

**Second**, the profitability further enhanced. During the reporting period, the Bank achieved operating income of RMB9.158 billion, with a year-on-year growth of RMB75 million or 0.82%; the Bank’s net profit was RMB2.876 billion, with a year-on-year growth of RMB44 million or 1.54%, including net profit attributable to shareholders of the parent company of RMB2.876 billion.

**Third**, the asset quality was enhanced steadily. At the end of the reporting period, the quality of the Bank’s assets was improved continually, with a non-performing loan ratio of 1.19%, which showed a decrease of 0.08 percentage from the beginning of the year. Provision coverage ratio was 219.17%, with an increase of 11.14 percentage points from the beginning of the year. The Bank’s provisions were adequately provided and risk resistance was further enhanced.

At the end of the reporting period, all indicators of the Bank remained good to reach and surpass the regulatory standards. Eight indicators under three categories are summarised as follows:

Type	Item	Unit: %
		Percentage
Performance indicator	Return on average assets	0.73
Performance indicator	Return on fully diluted net assets	11.60
Performance indicator	Cost-income ratio	30.67
Asset quality indicator	Non-performing loan ratio	1.19
Prudential operation indicator	Capital adequacy ratio	14.54
Prudential operation indicator	Loan concentration ratio of a single customer	4.54
Prudential operation indicator	Provision coverage ratio	219.17

## II. ANALYSIS ON MAJOR BUSINESSES

### (I) Income statement analysis

In 2020, the Bank actively responded to the impact of the epidemic, continually optimise its business structure, and persistently improved the quality and efficiency of operation and development. During the reporting period, the Bank achieved operating income of RMB9.158 billion, with a year-on-year increase of RMB75 million or 0.82%; achieved net profit attributable to shareholders of the parent company of RMB2.876 billion, with a year-on-year increase of RMB49 million or 1.75%.

During the reporting period, the changes in the main items of the Bank's profits are shown in the table below :

Item	Unit: RMB'000, %			
	2020	2019	Increase/Decrease	Growth rate
Operating income	9,157,567	9,082,673	74,894	0.82
Net interest income	7,556,664	7,130,808	425,856	5.97
Interest income	15,817,366	14,860,884	956,482	6.44
Interest expense	8,260,702	7,730,076	530,626	6.86
Non-interest income	1,600,903	1,951,865	-350,962	-17.98
Net fee and commission income	786,519	665,772	120,747	18.14
Other non-interest income	814,384	1,286,093	-471,709	-36.68
Operating expenses	6,589,430	6,129,257	460,173	7.51
Taxes and surcharges	98,362	88,293	10,069	11.40
Operating and administrative expenses	2,808,885	2,631,639	177,246	6.74
Credit impairment loss	3,682,183	3,409,325	272,858	8.00
Operating profit	2,568,137	2,953,416	-385,279	-13.05
Net Non-operating income	-13,153	-6,161	-6,992	-113.49
Total profits	2,554,984	2,947,255	-392,271	-13.31
Income tax expenses	-321,047	114,792	-435,839	-379.68
Net profits	2,876,031	2,832,463	43,568	1.54
Including: Net profit attributable to shareholders of the Company	2,875,584	2,826,134	49,450	1.75
Profit or loss attributable to minority interests	447	6,329	-5,882	-92.94

Note: During the reporting period, the Bank reclassified the credit card installment income from commission income to interests income, and adjusted the comparative figures for the same period accordingly.

### 1. Net interest income

During the reporting period, the Bank shifted the business focus back to the real economy with constant expansion in credit availability and optimising its asset and liability portfolio. During the reporting period, the Bank achieved net interest income of RMB7.557 billion, representing an increase of RMB426 million or a year-on-year growth of 5.97% compared with the last year.

During the reporting period, changes in the Bank's net interest income are summarised as follows:

Item	Unit: RMB'000, %			
	2020	2019	Increase/Decrease	Growth rate
Interest income	15,817,366	14,860,884	956,482	6.44
Loans and advances to customers	11,391,606	9,920,416	1,471,190	14.83
Investments	3,878,824	4,174,963	-296,139	-7.09
Deposits in the central bank	405,415	403,722	1,693	0.42
Financial assets purchased under resale agreements	121,732	207,288	-85,556	-41.27
Loans to banks and other financial institutions	7,198	136,054	-128,856	-94.71
Deposits with banks and other financial institutions	12,591	18,441	-5,850	-31.72
Interest expense	8,260,702	7,730,076	530,626	6.86
Accepted deposits	5,670,957	5,259,289	411,668	7.83
Bonds payable	1,800,880	1,861,470	-60,590	-3.25
Deposits from banks and other financial institutions	121,935	259,582	-137,647	-53.03
Financial assets sold under repurchase agreements	304,258	212,340	91,918	43.29
Deposits from banks and other financial institutions	111,977	86,488	25,489	29.47
Borrowings from the central bank	250,695	50,907	199,788	392.46
Net interest income	7,556,664	7,130,808	425,856	5.97

The Bank's daily average balance of interest-earning assets and interest-paying liabilities, interest income (expenses) and average return (cost rate) are summarised as follows:

Unit: RMB'000, %

Item	2020			2019		
	Daily average balance	Interest income/Expense	Average return/Cost rate	Daily average balance	Interest income/Expense	Average return/Cost rate
Loans and advances to customers	213,580,687	11,391,606	5.33	177,136,953	9,920,416	5.60
Investments	113,110,114	3,878,824	3.43	97,432,733	4,174,963	4.28
Deposits in the central bank	27,606,156	405,415	1.47	26,657,661	403,722	1.51
Financial assets purchased under resale agreements	6,707,569	121,732	1.81	8,800,731	207,288	2.36
Deposits with banks and other financial institutions	1,667,228	12,591	0.76	1,468,416	18,441	1.26
Loans to banks and other financial institutions	479,209	7,198	1.50	3,196,067	136,054	4.26
Total interest-earning assets <sup>1</sup>	363,150,963	15,817,366	4.36	314,692,561	14,860,884	4.72
Accepted deposits	270,119,050	5,670,957	2.10	242,697,961	5,259,289	2.17
Bonds payable	61,405,452	1,800,880	2.93	53,951,665	1,861,470	3.45
Deposits from banks and other financial institutions	5,758,346	121,935	2.12	8,758,595	259,582	2.96
Financial assets sold under repurchase agreements	15,583,873	304,258	1.95	9,397,261	212,340	2.26
Loans from banks and other financial institutions	4,965,344	111,977	2.26	2,828,172	86,488	3.06
Borrowings from the central bank	9,792,132	250,695	2.56	1,847,245	50,907	2.76
Total interest-earning liabilities <sup>1</sup>	367,624,197	8,260,702	2.25	319,480,899	7,730,076	2.42
Net interest income	-	7,556,664	-	-	7,130,808	-
Net interest spread <sup>2</sup>	-	-	2.11	-	-	2.30
Net interest margin <sup>3</sup>	-	-	2.08	-	-	2.27

Note 1: The daily average balance of interest-earning assets and interest-paying liabilities are unaudited data provided by the Bank's management.

Note 2: Net interest spread represents the difference between the average return on interest-earning assets and average cost rate of interest-paying liabilities.

Note 3: Net interest margin represents the daily average balance ratio of net interest income to interest-earning assets.

#### (1) Interest income

During the reporting period, the Bank achieved interest income of RMB15.817 billion, representing a year-on-year growth of 6.44%. The continuous increase in interest income of the Bank was mainly due to the continuous increase in the average daily size of the Bank's interest-earning assets.

##### 1) Loans and advances interest income

During the reporting period, the Bank achieved loans and advances interest income of RMB11.392 billion, which took up 72.02% of interest income, represented a year-on-year growth of 14.83%. The growth in interest income from loans and advances was mainly attributable to the Bank's steady increase in the loans scale. During the reporting period, the daily average balance of the Bank's loans and advances increased by RMB36.444 billion year-on-year, and the average return from loans and advances witnessed a year-on-year decrease by 27 BP to 5.33% due to the influence of fees reduction and decline in market interest rates.

During the reporting period, the daily average balance, interest income and average return of all components in loans and advances are summarised in the following table:

Unit: RMB'000, %

Item	2020			2019		
	Daily average balance	Interest income	Average return	Daily average balance	Interest income	Average return
Corporate loans	123,148,647	6,987,839	5.67	112,991,368	6,607,807	5.85
Personal loans	75,581,445	4,020,952	5.32	55,839,286	3,028,983	5.42
Discounted bills	14,850,595	382,815	2.58	8,306,299	283,626	3.41
Total	213,580,687	11,391,606	5.33	177,136,953	9,920,416	5.60

## 2) Income from investment interest

During the reporting period, the Bank achieved interest income from investments of RMB3.879 billion, which accounted for 24.52% of interest income, representing a year-on-year decrease of 7.09%. The decrease was mainly due to the decline in the overall market return, and the Bank's proactive adjustment to its capital business structure based on its strategic orientation and risk appetite. The average return from investments witnessed a year-on-year decrease by 85 BP to 3.43%.

### (2) Interest expenses

During the reporting period, the Bank achieved interest expense of RMB8.261 billion, representing a year-on-year growth of 6.86%. This is mainly due to the continuous increase in the average daily size of interest-bearing liabilities.

#### 1) Interest expense of accepted deposits

Interest expense of accepted deposits is the largest component in the Bank's interest expense. During the reporting period, the Bank's interest expense on accepted deposits was RMB5.671 billion, accounting for 68.65% of interest expense, with a year-on-year increase of 7.83%. In 2020, the Bank proposed and established the concept and mechanism of "new three-characteristic (safety, liquidity, efficiency)" asset and liability management. For the liability side, the volume and quality of deposit business were improved through increasing the deposit management and control, controlling the scale of high-interest deposits, and adjusting and optimising the deposit structure. During the reporting period, the Bank's average daily balance of accepted deposits increased by RMB27.421 billion year-on-year, and the average cost of deposits decreased by 7BP year-on-year to 2.10%.

During the reporting period, the daily average balance, interest expense and average cost rate of all components in accepted deposits are summarised in the following table:

Unit: RMB'000, %

Item	2020			2019		
	Daily average balance	Interest expense	Average cost rate	Daily average balance	Interest expense	Average cost rate
Corporation demand deposits	85,435,382	720,084	0.84	71,974,409	543,179	0.75
Corporation time deposits	99,790,671	3,131,214	3.14	100,903,536	3,281,295	3.25
Retail demand deposits	32,185,135	99,723	0.31	27,537,412	84,701	0.31
Retail time deposits	52,707,862	1,719,936	3.26	42,282,605	1,350,114	3.19
Total	270,119,050	5,670,957	2.10	242,697,961	5,259,289	2.17

#### 2) Interest expenses on bonds payable

During the reporting period, the Bank's interest expenses on bonds payable amounted to RMB1.801 billion, accounting for 21.80% of interest expenses. During the period, the interest expenses on bonds payable represented a year-on-year decrease of 3.25% due to the decrease in interest rates of inter-bank certificates of deposit.

## 2. Non-interest income

During the reporting period, the Bank achieved non-interest income of RMB1.601 billion, with a year-on-year reduction of RMB351 million or a decrease of 17.98%, including net fees and commission income of RMB787 million and other non-interest income of RMB814 million.

The Bank's non-interest income is presented as follows:

Item	Unit: RMB'000, %			
	2020	2019	Increase/decrease	Growth rate
Fee and commission income	869,296	731,254	138,042	18.88
Agency service charges	288,500	254,459	34,041	13.38
Bank card charges	75,605	72,803	2,802	3.85
Guarantee service charges	117,378	89,269	28,109	31.49
Settlement charges	87,687	70,386	17,301	24.58
Entrusted service charges	48,144	36,322	11,822	32.55
Consulting services charges	46,413	27,720	18,693	67.44
Account management charges	2,539	17,176	-14,637	-85.22
Security lending service charges	2,186	5,376	-3,190	-59.34
Custody service charges	3,232	1,628	1,604	98.53
Other charges	197,612	156,115	41,497	26.58
Fee and commission expenses	82,777	65,482	17,295	26.41
Net fee and commission income	786,519	665,772	120,747	18.14
Other non-interest income	814,384	1,286,093	-471,709	-36.68
Investment income	740,764	1,437,599	-696,835	-48.47
Net (losses)/gains from changes in fair value	86,757	-195,148	281,905	144.46
Foreign exchange gains and losses	-28,836	41,037	-69,873	-170.27
Other operating income	1,661	2,772	-1,111	-40.08
Net (losses)/gains from disposal of assets	3,036	-3,526	6,562	186.10
Other income	11,002	3,359	7,643	227.54
Total	1,600,903	1,951,865	-350,962	-17.98

### (1) Fee and commission income

During the reporting period, the Bank achieved fee and commission income of RMB869 million, representing a year-on-year growth of 18.88%. The increase was mainly due to the fact that the Bank's agency business, guarantee business and innovation business grew rapidly during the reporting period, which led to a year-on-year increase in fee and commission income. The components of fee and commission income are summarised as below:

The Bank achieved the agency business fee income of RMB289 million, representing a year-on-year growth of 13.38%. This is mainly due to the fact that the Bank actively broadened its channels for intermediate business and stepped up the development of agency business, thus boosting the continuous development of agency business.

The Bank achieved the guarantee business fee income of RMB117 million, representing a year-on-year growth of 31.49%. This is mainly due to the Bank's focus on expanding off-balance sheet related businesses, which led to the continuous increase in guarantee business fees.

The Bank achieved the fee income from other businesses of RMB198 million, representing a year-on-year growth of 26.58%. It is mainly due to the Bank's increased resource allocation for light-capital and light-asset mid-income businesses, and continuous improvement of channels and products to vigorously improve other intermediate business income.

## (2) Investment income

During the reporting period, the Bank achieved the investment income of RMB741 million, representing a year-on-year decrease of 48.47%. This is mainly due to the gradual maturity of the Bank's existing high-yield investment business, and the relatively low return on newly allocated investment assets which was affected by the decline in overall market returns and the Bank's risk appetite.

**3. Operating and administrative expenses**

During the reporting period, the Bank's operating and administrative expenses was RMB2.809 billion, representing a year-on-year growth of 6.74%, including year-on-year growth of 20.08% in depreciation and amortisation, 10.83% in other office and administrative expenses. The increase in operating and administrative expenses was mainly due to the increased investment in operating expenses to support business development. As at the end of the reporting period, the Bank's cost-to-income ratio was 30.67%, representing a year-on-year increase by 1.7 percentages.

Item	Unit: RMB'000, %			
	2020	2019	Increase/decrease	Growth rate
Employee benefits expenses	1,770,591	1,692,911	77,680	4.59
Depreciation and amortisation	202,181	168,377	33,804	20.08
Rent and management fee	187,140	184,813	2,327	1.26
Other office and administrative expenses	648,973	585,538	63,435	10.83
Total	2,808,885	2,631,639	177,246	6.74

**4. Credit impairment losses**

During the reporting period, the Bank made provision for credit impairment loss of financial asset of RMB3.682 billion. Detailed composition is summarised as below:

Item	Unit: RMB'000, %			
	2020	2019	Increase/decrease	Growth rate
Loans and advances to customers	2,379,758	1,551,950	827,808	53.34
Debt investment	1,185,600	1,756,458	-570,858	-32.50
Other debt investments	75,203	15,054	60,149	399.55
Balances with banks and other financial institutions	1,063	-3,766	4,829	128.23
Loans to banks and other financial institutions	-5,517	17,513	-23,030	-131.50
Credit commitments	25,219	18,824	6,395	33.97
Financial assets purchased under resale agreements	112	-179	291	162.57
Others	20,745	53,471	-32,726	-61.20
Total	3,682,183	3,409,325	272,858	8.00

**5. Income tax expenses**

During the reporting period, the Bank accrued income tax expenses for RMB -321 million, representing a year-on-year decrease of RMB436 million or 379.68%. During the reporting period, the significant year-on-year decrease in the Bank's income tax expense was mainly due to the fact that the Bank increased the portfolio of tax-exempt assets such as national bonds, local government bonds, and funds by adjusting the asset structure, resulting in such year-on-year increase in tax-exempt income.

## (II) Balance sheet analysis

### 1. Assets

At the end of the reporting period, the total amount of the Bank's assets reached RMB416.326 billion, representing a year-on-year growth of RMB44.318 billion or 11.91%. The increase in total assets was mainly due to the increase in the assets such as loans and advances issued by the Bank and debt investments. The distribution of the Bank's asset structure is summarised as below:

Item	Unit: RMB'000, %					
	2020		2019		Changes	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Cash and balances with central bank	34,092,525	8.19	34,333,577	9.23	-241,052	-1.04
Balances with banks and other financial institutions	1,393,621	0.33	1,876,164	0.50	-482,543	-0.17
Loans to banks and other financial institutions	718,544	0.17	1,734,534	0.47	-1,015,990	-0.03
Derivative financial assets	353,665	0.08	28,345	0.01	325,320	0.07
Financial assets purchased under resale agreements	6,124,068	1.47	6,962,619	1.87	-838,551	-0.40
Loans and advances to customers	223,735,473	53.74	185,709,647	49.92	38,025,826	3.82
Financial investments						
Financial assets held for trading	34,041,580	8.18	34,584,725	9.30	-543,145	-1.12
Debt investment	90,791,318	21.81	75,971,240	20.42	14,820,078	1.39
Other debt investments	18,820,080	4.52	26,570,788	7.14	-7,750,708	-2.62
Investments in other equity instruments	17,631	0.01	18,914	0.01	-1,283	0.00
Long-term equity investments	882,394	0.21	874,202	0.23	8,192	-0.02
Fixed assets	852,494	0.20	569,523	0.15	282,971	0.05
Construction-in-progress	811,729	0.19	591,375	0.16	220,354	0.03
Intangible assets	422,340	0.10	319,282	0.09	103,058	0.01
Deferred tax assets	2,020,933	0.49	1,503,299	0.40	517,634	0.09
Other assets	1,247,712	0.30	359,642	0.10	888,070	0.20
Total assets	416,326,107	100.00	372,007,876	100.00	44,318,231	-

#### (1) Loans and advances to customers

At the end of the reporting period, the Bank's balance for loans and advances was RMB229.103 billion, representing a year-on-year growth of 20.45%. In 2020, the Bank actively fulfilled its social responsibilities, maintained a stable credit policy, and support the development of real economy: **Firstly**, in order to cope with the impact of the epidemic on real economy and help companies win the battle against the epidemic, the Bank launched a series of business products such as "Anti-Epidemic Loan" and "Resumption of Work Loan" to alleviate customers' operational difficulties, reduce corporate financing costs, and assist companies with the resumption of work and production. **Secondly**, the Bank focused on the fundamental requirements of serving real economy, actively cooperated with the constructions of major projects and urban infrastructures, closely followed the government's policy strategies, and deeply intervened in urban renewal, industrial transformation and other projects; provided financing support for the development, construction and daily operation of industrial park customers; actively provided support for the development of industries in the fields of education, medical and pharmaceuticals etc. **Thirdly**, the Bank continuously increased the promotion in financial technology business, and comprehensively promoted the development of financial technology. **Fourthly**, the Bank established an inclusive financial service platform by focusing on various business scenarios and customer characteristics, continuously strengthened product innovation and service upgrades, and continued to deepen inclusive financial services.

1) At the end of the reporting period, distribution of the loans and advances issued by the Bank is summarised as below:

Item	Unit: RMB'000, %			
	31 December 2020		31 December 2019	
	Amount	Percentage	Amount	Percentage
Loans and advances to corporate customers	121,453,717	53.02	120,953,082	63.59
Loans and advances to personal customers	78,132,581	34.10	67,613,048	35.55
Discounted bills	29,517,006	12.88	1,640,995	0.86
Total	229,103,304	100.00	190,207,125	100.00

At the end of the reporting period, the corporate loan balance of the Bank amounted to RMB121.454 billion, which accounts for 53.02% of loans and advances, while the individual customer loan balance amounted to RMB78.133 billion, which accounts for 34.10% of loans and advances. The Bank continued to optimise and adjust its credit structure in combination with its risk appetite. While taking into account the increase in revenue, it also continued to optimise its asset quality, and lay a solid foundation for risk prevention and control.

#### 2) Balance of top ten loan clients and their percentages

At the end of the reporting period, the top ten loan clients of the Bank are summarised as below

Unit: RMB'000, %			
No.	Client Name	Balance	Percentage among total loans and advances
1	** Company	1,758,136	0.77
2	** Company	1,439,556	0.63
3	** Company	1,298,710	0.57
4	** Company	1,032,220	0.45
5	** Company	990,000	0.43
6	** Company	950,790	0.42
7	** Company	941,739	0.41
8	** Company	790,000	0.34
9	** Company	761,612	0.33
10	** Company	725,750	0.32
Total		10,688,514	4.67

#### 3) Top five industries that received loans from the Bank and their percentages

At the end of the reporting period, the top five industries that received most loans from the Bank and their corresponding percentage are summarised as below:

Unit: RMB'000, %		
Industry	Amount	Percentage among the loans and advances to customers
Lease and commercial services	27,708,635	12.09
Manufacturing	25,132,361	10.97
Wholesale and retail business	18,695,627	8.16
Real estate	15,389,448	6.72
Construction	8,937,537	3.9

#### 4) Guarantee types during the reporting period

At the end of the reporting period, the guarantee types and their corresponding percentages of the Bank are summarised as below:

Unit: RMB'000, %		
Guarantee types	31 December 2020	
	Amount	Percentage
Unsecured loans	21,094,637	9.21
Guaranteed loans	61,004,489	26.63
Loans secured by mortgages	123,190,802	53.77
Pledged loans	23,813,376	10.39
Total	229,103,304	100.00



## (2) Loan asset quality analysis

## 1) Five-tier loan classification

At the end of the reporting period, the Bank's five-tier loan classification is summarised as below:

Category	Unit: RMB'000	
	31 December 2020	31 December 2019
Normal	224,734,358	184,918,809
Special mention	1,653,134	2,880,803
Substandard	1,543,612	792,492
Doubtful	779,315	1,135,640
Loss	392,885	479,381
Total	229,103,304	190,207,125

## 2) Debt-expiated assets

At the end of the reporting period, the carrying amount of the Bank's debt-expiated assets amounted to RMB14,837,500.

## (3) Investment

The investment business of the Bank is mainly denominated in Renminbi. While maintaining sufficient liquidity and meeting its capital needs, the Bank realizes the stability and diversification of its assets and broadens its income source.

At the end of the reporting period, investments of the Bank included: 1) Financial assets held for trading; 2) Debt investments; 3) Other debt investments; 4) Other equity instrument investments; 5) Long-term equity investments.

At the end of the reporting period, the Bank's investment composition is summarised as below:

Item	Unit: RMB'000, %			
	31 December 2020		31 December 2019	
	Amount	Percentage	Amount	Percentage
Financial assets held for trading	34,041,580	23.55	34,584,725	25.06
Debt investment	90,791,318	62.81	75,971,240	55.04
Other debt investments	18,820,080	13.02	26,570,788	19.25
Investments in other equity instruments	17,631	0.01	18,914	0.01
Long-term equity investments	882,394	0.61	874,202	0.64
Total	144,553,003	100.00	138,019,869	100.00

## 1) Financial assets held for trading

At the end of the reporting period, the carrying amount of the Bank's financial assets held for trading amounted to RMB34.042 billion, accounting for 23.55% of total investments, mainly including funds, bonds, trust schemes, interbank certificate of deposits and asset management plans.

## 2) Debt Investments

At the end of the reporting period, the carrying amount of the Bank's debt investments amounted to RMB90.791 billion, accounting for 62.81% of total investments, mainly including bonds, interbank certificate of deposits and asset management plans.

## 3) Other debt investments

At the end of the reporting period, the carrying amount of the Bank's other debt investments amounted to RMB18.820 billion, accounting for 13.02% of total investments, mainly including bonds and asset management plans.

## 4) Investments in other equity instruments

At the end of the reporting period, the carrying amount of the Bank's investments in other equity instruments amounted to RMB18 million, accounting for 0.01% of the total investments, the majority of which was unlisted equity investment in China UnionPay Co., Ltd. and Guangfa Bank Co., Ltd.

## 5) Long-term equity investment

At the end of the reporting period, the carrying amount of the Bank's long-term equity investment amounted to RMB882 million, accounting for 0.61% of total investments.

## (4) Interbank transactions (asset item)

Interbank transactions (asset item) include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements. At the end of the reporting period, interbank transactions (asset item) amounted to RMB8.236 billion, accounting for 1.98% of total assets and representing a year-on-year decrease by RMB2.337 billion or 22.10%. This is mainly due to the Bank's appropriate reduction of placements with banks and other financial institutions and financial assets purchased under resale agreements with shorter terms based on its business strategy and capital position.

At the end of the reporting period, the composition of the Bank's interbank transactions (asset item) is summarised as below:

Unit: RMB'000, %

Item	31 December 2020		31 December 2019	
	Amount	Percentage	Amount	Percentage
Deposit with banks and other financial institutions	1,393,621	16.92	1,876,164	17.74
Loans to banks and other financial institutions	718,544	8.72	1,734,534	16.40
Financial assets purchased under resale agreements	6,124,068	74.36	6,962,619	65.86
Total	8,236,233	100.00	10,573,317	100.00

## (5) Cash and balances with central bank

Cash and balances with central bank include cash, statutory reserves, excess reserve, foreign exchange risk reserve, public financial deposit and interest accrued. As at the end of reporting period, the Bank's cash and balances with central bank amounted to RMB34.093 billion, representing a year-on-year decrease of RMB241 million and accounting for 8.19% of total assets.

At the end of the reporting period, the composition of the Bank's cash and balances with central bank is summarised as below:

Unit: RMB'000, %

Item	31 December 2020		31 December 2019	
	Amount	Percentage	Amount	Percentage
Cash	748,255	2.19	941,870	2.74
Statutory reserves	25,625,141	75.16	23,579,861	68.68
Excess reserves	7,580,810	22.24	9,687,453	28.22
Foreign exchange risk reserves	76,031	0.22	24,463	0.07
Fiscal deposits	49,204	0.14	87,114	0.25
Interest accrued	13,084	0.04	12,816	0.04
Total	34,092,525	100.00	34,333,577	100.00

## 2. Liabilities

At the end of the reporting period, the total amount of the Bank's liabilities reached RMB389.245 billion, representing a year-on-year growth of RMB40.045 billion or 11.47%. The increase in the Bank's total liabilities was mainly due to the increase in accepted deposits and borrowings from the central bank. The composition of the Bank's liabilities is summarised as below:

Item	Unit: RMB'000, %					
	31 December 2020		31 December 2019		Changes during the period	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Borrowings from central bank	27,598,978	7.09	3,364,545	0.96	24,234,433	6.13
Deposits from banks and other financial institutions	4,156,208	1.07	7,078,263	2.03	-2,922,055	-0.96
Derivative financial liabilities	284,200	0.07	19,216	0.01	264,984	0.06
Loans from banks and other financial institutions	3,720,866	0.96	4,404,361	1.26	-683,495	-0.30
Financial assets sold under repurchase agreements	9,825,540	2.52	9,521,420	2.73	304,120	-0.21
Accepted deposits	295,939,082	76.03	267,641,639	76.64	28,297,443	-0.61
Employee benefits payable	1,062,639	0.27	900,032	0.26	162,607	0.01
Taxes and surcharges payable	164,549	0.04	566,341	0.16	-401,792	-0.12
Provisions	212,670	0.06	187,451	0.05	25,219	0.01
Bonds payable	44,889,144	11.53	54,635,718	15.65	-9,746,574	-4.12
Other liabilities	1,391,257	0.36	880,824	0.25	510,433	0.11
Total liabilities	389,245,133	100.00	349,199,810	100.00	40,045,323	-

### (1) Accepted deposits

Accepted deposits are the major source of funding of the Bank. During the reporting period, the Bank's deposits continued to growth, providing a significant source of funding to the Bank's overall business development. At the end of the reporting period, the balance of accepted deposits of the Bank (excluding interest accrued) amounted to RMB291.694 billion, representing a year-on-year growth of RMB27.983 billion or 10.61%. Among the deposits, the balance of corporate deposits amounted to RMB192.072 billion with a year-on-year growth of 9.46% while that of individual customer deposits amounted to RMB87.278 billion with a year-on-year growth of 9.20%.

At the end of the reporting period, the composition of the Bank's deposits is summarised as below:

Item	Unit: RMB'000, %			
	31 December 2020		31 December 2019	
	Amount	Percentage	Amount	Percentage
Corporate deposits				
Including: demand	91,895,312	31.05	85,535,125	31.96
Time	100,176,595	33.85	89,933,457	33.60
Sub-total of corporate deposits	192,071,907	64.90	175,468,582	65.56
Individual deposits				
Including: demand	33,646,866	11.37	31,065,516	11.61
Time	53,631,232	18.12	48,860,909	18.26
Sub-total of individual deposits	87,278,098	29.49	79,926,425	29.86
Margin deposits	11,724,180	3.96	8,020,699	3.00
Other deposits	620,263	0.21	295,756	0.11
Interest accrued	4,244,634	1.43	3,930,177	1.47
Total accepted deposits	295,939,082	100.00	267,641,639	100.00

## (2) Interbank transactions (liabilities item)

Interbank transactions (liabilities item) include deposits from banks and other financial institutions, loans from banks and other financial institutions and financial assets sold under repurchase agreements. As at the end of the reporting period, the balance of the Bank's interbank liabilities amounted to RMB17.703 billion, accounting for 4.55% of total liabilities and representing a year-on-year decrease of RMB3.301 billion or 15.72%.

As at the end of the reporting period, the composition of the Bank's interbank transactions (liabilities item) is summarised as below:

Item	Unit: RMB'000, %			
	31 December 2020		31 December 2019	
	Amount	Percentage	Amount	Percentage
Deposits from banks and other financial institutions	4,156,208	23.48	7,078,263	33.70
Loans from banks and other financial institutions	3,720,866	21.02	4,404,361	20.97
Financial assets sold under repurchase agreements	9,825,540	55.50	9,521,420	45.33
Total	17,702,614	100.00	21,004,044	100.00

## (3) Bonds payable

The Bank's bonds payable mainly include tier 2 capital bonds, financial bonds and interbank certificate of deposits. As at the end of the reporting period, the balance of the Bank's bonds payable amounted to RMB44.889 billion, accounting for 11.53% of total liabilities and representing a year-on-year decrease of RMB9.747 billion or 17.84%.

At the end of the reporting period, the composition of the Bank's bonds payable is summarised as below:

Item	Unit: RMB'000, %			
	31 December 2020		31 December 2019	
	Amount	Percentage	Amount	Percentage
Tier 2 capital bonds payable	8,997,454	20.04	8,996,075	16.47
Financial bonds payable	5,998,991	13.37	3,998,913	7.32
Certificates of deposit payable	29,618,484	65.98	41,384,308	75.74
Interest accrued	274,215	0.61	256,422	0.47
Total	44,889,144	100.00	54,635,718	100.00

## (4) Borrowings from central bank

At the end of the reporting period, the balance of the Bank's borrowings from central bank amounted to RMB27.599 billion, accounting for 7.09% of total liabilities and representing a year-on-year growth of RMB24.234 billion or 720.29%. As at the end of the reporting period, the year-on-year increase in the balance of the Bank's borrowings from central bank was significant, which was mainly due to the Bank's obtaining of qualification for using the Medium-term Lending Facility (MLF) to absorb policy funds, and the expanding of financing channels in 2020.

**(III) Analysis on cash flow statement****1. Net cash flows from operating activities**

Item	Unit: RMB'000	
	2020	2019
Sub-total of cash inflows from operating activities	62,245,412	60,963,892
Sub-total of cash outflows from operating activities	52,565,029	54,462,031
Net cash flows from operating activities	9,680,383	6,501,861

During the reporting period, the net cash flows from operating activities amounted to RMB9.680 billion. Including: the cash inflows from operating activities amounted to RMB62.245 billion, representing a year-on-year increase by RMB1.281 billion, mainly due to the year-on-year decrease in the growth of borrowings from central bank; the cash outflows from operating activities amounted to RMB52.565 billion, representing a year-on-year decrease by RMB1.897 billion, mainly due to the year-on-year decrease in loans and advances.

## 2. Net cash flow used in investing activities

Item	Unit: RMB'000	
	2020	2019
Sub-total of cash inflows from investing activities	1,154,173,439	1,216,037,310
Subtotal of cash outflows from investing activities	1,158,529,326	1,226,780,171
Net cash flow (used in)/from investing activities	-4,355,887	-10,742,861

During the reporting period, the net cash flows from operating activities amounted to RMB -4.356 billion. Among which the cash inflows from investing activities amounted to RMB1,154.173 billion, representing a year-on-year decrease of RMB61.864 billion, mainly due to the decrease in cash inflows received from disposal of investments; the cash outflows from investing activities amounted to RMB1,158.529 billion, representing a year-on-year decrease of RMB68.251 billion, mainly due to the decrease in cash outflows paid to investments.

## 3. Net cash flow used in/(generated from) financing activities

Item	Unit: RMB'000	
	2020	2019
Sub-total of cash inflows generated from financing activities	93,379,458	84,871,736
Sub-total of cash outflows generated from financing activities	103,264,633	79,653,232
Net cash flow generated from/(used in) financing activities	-9,885,175	5,218,504

During the reporting period, the net cash flows from financing activities amounted to RMB -9.885 billion. Including: cash inflows from financing activities amounted to RMB93.379 billion, representing a year-on-year growth of RMB8.508 billion, which was mainly due to year-on-year increase of interbank certificates of deposit and bonds issued; cash outflows in financing activities amounted to RMB103.265 billion with a year-on-year growth of RMB23.611 billion, mainly due to the year-on-year increase in the redemption on maturity of existing interbank certificates of deposit and bonds partly issued.

## (IV) Segment analysis

According to business lines, the Bank divides its business into four segments: corporate, individual, capital and other businesses. Segment assets and liabilities and segment revenue, expenses and financial performance are measured in accordance with the Bank's accounting policies. Internal charges and transfer pricing are determined by reference to market prices and are reflected in the performance of each segment.

During the reporting period, the situation in each business segment of the Bank is summarised as below:

Item	Unit: RMB'000			
	2020		2019	
	Operating income	Total profits	Operating income	Total profits
Corporate business	4,794,302	1,507,093	4,515,393	1,882,473
Individual banking	2,620,173	997,747	2,099,564	1,076,207
Capital business	1,727,393	83,202	2,465,111	29,002
Other business	15,699	-33,058	2,605	-40,427
Total	9,157,567	2,554,984	9,082,673	2,947,255

During the reporting period, the Bank's operating income of corporate banking business amounted to RMB4.794 billion, accounting for 52.35% of total operating income; the operating income of individual banking business amounted to RMB2.620 billion, representing a significant year-on-year growth of RMB521 million or 24.80%.

## (V) Other balances of off-balance sheet items that have material impact on operating results

Please refer to the "Notes to Financial Statements 62. Credit Commitment" in the "Section X Financial Reports".

**(VI) Assets and liabilities measured at fair value**

Unit: RMB'000

Item	Balance at the beginning of the year	Losses/gains from changes of fair value during the year	Fair value changes recognized in equity during the year	Provision for impairment during the year	Balance at the end of the period
Financial assets held for trading	34,584,725	26,885	-	-	34,041,580
Derivative financial instruments	9,129	59,872	-	-	69,465
Including: Derivative financial assets	28,345	-	-	-	353,665
Derivative financial liabilities	19,216	-	-	-	284,200
Other debt investments	26,570,788	-	-472,705	75,203	18,820,080
Investments in other equity instruments	18,914	-	-1,283	-	17,631
Loans and advances measured at fair value through other comprehensive income	1,716,228	-	100,332	19,669	31,751,633
Total	62,899,784	86,757	-373,656	94,872	84,700,389

**III. INVESTMENT STATUS ANALYSIS****(I) Overview****1. Information about the subsidiaries during the reporting period**

Unit: RMB'000, %

Name of subsidiaries	Investment cost (31 December 2020)	Shareholding ratio
Chongqing Kaizhou Taiye Village Bank Co., Ltd.	31,550	63.10
Dongyuan Taiye Village Town Bank Co., Ltd.	51,000	51.00
Zongyang Taiye Village Bank Co., Ltd.	81,020	84.55

**2. Acquired subsidiary during the reporting period**

Name of subsidiaries	Method for acquiring the subsidiary during the reporting period	Impact on the overall performance
Zongyang Taiye Village Bank Co., Ltd.	Equity transfer and targeted capital increase	No significant impact

**3. Major joint stock companies during the reporting period**

Unit: RMB'000, %

Invested companies	book balance (31 December 2020)	Shareholding ratio
Bank of Xingtai Co., Ltd.	714,778	9.79
Dongguan Chang'an Village Bank Co., Ltd.	107,728	20.00
Dongguan Houjie Huaye Village Bank Co., Ltd.	33,632	35.00
Lingshan Taiye Village Bank Co., Ltd.	26,256	30.00

**(II) Obtained significant equity investment during the reporting period**

In September 2020, the Bank contributed RMB18 million to purchase 18 million shares of Zongyang Taiye Village Bank Co., Ltd. through equity transfer. The Bank's shareholding ratio increased from 40.00% to 85.00%, and the Bank has formed the actual control over Zongyang Taiye Village Bank Co., Ltd., so it was included in the scope of the consolidated financial statements. In December 2020, Zongyang Taiye Village Bank Co., Ltd. made a targeted capital increase. The Bank contributed RMB59 million, and totally held its 93 million shares after the capital increase, with the final shareholding ratio of 84.55%.

**(III) Ongoing significant non-equity investment during the reporting period**

During the reporting period, except as disclosed, the Bank had no ongoing significant non-equity investment.

**(IV) Sale of major asset and equity**

During the reporting period, the Bank had no matters concerning sale of major asset and equity.

**(V) Subsidiaries****1. Chongqing Kaizhou Taiye Village Bank Co., Ltd.**

Major financial data during the last year and last period:

Item	Unit: RMB'000	
	31 December 2020	31 December 2019
Total assets	442,929	513,578
Net assets	81,095	75,549
Operating income	20,791	17,974
Net profits	5,546	1,791

**2. Dongyuan Taiye Village Town Bank Co., Ltd.**

Major financial data during the last year and last period:

Item	Unit: RMB'000	
	31 December 2020	31 December 2019
Total assets	547,017	730,777
Net assets	126,832	127,873
Operating income	26,928	30,297
Net profits	5,358	11,570

**3. Zongyang Taiye Village Bank Co., Ltd.**

Major financial data during the last year and last period:

Item	Unit: RMB'000	
	31 December 2020	31 December 2019
Total assets	620,943	628,275
Net assets	47,384	38,792
Operating income	10,021	13,868
Net profits	-61,407	1,006

**(VI) Structured entities controlled by the Bank****1. Structured entities not included in the scope of consolidated financial statements**

Structured entities not included in the consolidated financial statements initiated by the Bank mainly include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are mainly to manage the investors' assets and collect management fees. Its financing method is to issue investment products to investors. Interest in the unconsolidated structured entities held by the Bank mainly represents administrative fees charged on managing these structured entities.

The Bank owns interests in structured entities initiated through direct holding of the investment. Such structured entities include wealth trust schemes, wealth management products, asset management plans, funds and asset-backed security and the Bank does not consolidate these structured entities. The nature and purpose of these structured entities are mainly to manage the investors' assets and earn management fees. Its financing method is to issue investment products to investors.

For details about structured entities of the Bank, please refer to the "Notes to Financial Statements 63: Interests in structured entities not included in the consolidated financial statements" in the "Section X Financial Reports".

## 2. Consolidated structured entities included in the consolidated financial statements

The structured entities included in the consolidated financial statements are principal-guaranteed wealth management products issued and managed by the Bank. As of the end of the reporting period, the balance of the Bank's principal-guaranteed wealth management products was RMB1.765 billion.

## IV. RISK MANAGEMENT

### (I) Risk management overview

During the reporting period, by focusing on "unswervingly deepening the reform of the risk control system and building a multi-pronged approach to strengthen the bottom line of risk prevention and control", the Bank always adhered to the general tone of "steady development", strictly implemented regulatory requirements, promoted the implementation of "risk-driven and proactive Management", continuously improved the risk management systems, tools, and methods, promoted intensive and refined risk management, continuously improved comprehensive risk management capabilities, and actively built a scientific risk management system that matches business development.

### (II) Credit risk management

Credit risk refers to the risk that a customer (or transaction partner) may be unable or unwilling to perform its agreed obligations to the Bank. The Bank's assets that take credit risks include various loans, call loan to Banks, Buying back the sale of assets due from banks, bond investment, special purpose carrier investments, interest receivables, other receivables and off-balance sheet asset. Credit risk management refers to the entire process of active identification, measurement, monitoring, control or resolution, and reporting of credit risk.

During the reporting period, the Bank adhered to the overall risk appetite principle of "making progress while maintaining stability, optimising structure, controlling risks, and operating in compliance with laws and regulations", continuously deepened the reform of the risk control system, optimised the credit risk management process, improved credit risk management tools, and strengthened asset quality control, reduced credit risk losses, continuously improved the credit risk management system, and improved the level of credit risk management.

**Firstly**, establish a scientific risk transmission mechanism. Unify the risk appetite and standards of the whole bank, create a sensitive, efficient, and up-bottom policy transmission mechanism and execution mechanism, and strengthened the precise guidance of risk management for business development; implemented credit risk limit management, optimised credit asset structure, and guided credit resources to support real economy development and innovation-driven strategic areas.

**Secondly**, establish a full-process closed-loop management mechanism. Under the "four-in-one" credit management system of product managers, account managers, credit managers, and risk managers, through a comprehensive review of online and offline credit business process characteristics and risk distribution characteristics, the Bank has iteratively optimised credit business processes, implemented risk proactive intervention, and strengthened risk control in key links.

**Thirdly**, continuously optimise the risk monitoring mechanism. The Bank regularly carries out self-assessment, risk investigation, inspection and evaluation work to strengthen credit risk prevention and control; and continuously improves the credit risk monitoring indicator system to improve the level of post-loan management effectively.

**Fourthly**, continuously improve risk management tools. The Bank continuously enriches and improves credit risk identification and evaluation tools, uses big data, artificial intelligence and other technologies to build and optimise risk management information systems, in order to improve business efficiency and quality; explores the organic combination of system application, monitoring and inspection to achieve early detection, early reporting, early intervention and early disposal of credit risks to improve asset quality management and control.

The Bank adopts the weighting method to measure credit risk-weighted assets in accordance with the requirements of the *Administrative Measures on the Capital of Commercial Banks (for Trial Implementation)*. As of the end of the reporting period, credit risk weighted assets amounted to RMB241.936 billion, of which: on-balance sheet credit risk weighted assets amounted to RMB221.422 billion, off-balance sheet credit risk weighted assets amounted to RMB19.071 billion, and counterparty credit Risk weighted assets amounted to RMB1.443 billion.

According to the *Management Measures for Large-Scale Risk Exposure of Commercial Banks*, large risk exposure refers to the commercial bank's exposure to credit risk of a single customer or a group of related customers exceeding 2.5% of its net tier 1 capital. The Bank incorporated large risk exposure management into a comprehensive risk management system, monitored changes of large risk exposure, and effectively controlled customer risk concentration. As of the end of the reporting period, in addition to regulatory exempt customers, the Bank's single non-financial institution customers, non-financial institution group customers, single financial institution customers, financial institution group customers, and anonymous clients that reached the large exposure standards all met the regulatory requirements.



### (III) Market risk management

Market risk refers to the risk that the bank's on-balance sheet and off-balance sheet businesses will suffer losses due to adverse changes in market prices (interest rates, exchange rates, stock prices, and commodity prices). The market risk of the Bank comes from bank books and transaction books, and the main risks faced are interest rate risk and exchange rate risk. Market risk management refers to the entire process of actively identifying, measuring, monitoring and controlling market risks.

During the reporting period, the Bank actively strengthened market risk management and improved the pertinence and effectiveness of market risk management. **First**, according to the needs of business planning and risk management, formulate market risk management policies and quota systems, promote the implementation of policies, and continue to monitor, early warning, risk prevention and control. **The second** is to promote market risk stress testing and emergency management in an orderly manner, and improve the organizational structure and operating system of the emergency management. **The third** is to continuously optimise the market risk management system, formulate the interest rate risk management systems of bank books and limit plans in conjunction with regulatory policies, and strengthen the interest rate risk management of bank books. **Fourth**, regularly report the market risk level and management status to the senior managements and its subordinate risk management and internal control committees, the board of directors and its subordinate risk management committees, etc.

The Bank adopts the standard method to measure market risk-weighted assets in accordance with the requirements of the *Administrative Measures on the Capital of Commercial Banks (for Trial Implementation)*. The Bank conducts business strictly within the limits. There are no business overruns and the market risk is generally controllable. As of the end of the reporting period, market risk-weighted assets were RMB8.155 billion.

### (IV) Operational risk management

Operational risk refers to the risk of losses caused by imperfect or problematic internal procedures, employees and information technology systems, and external events.

During the reporting period, the Bank continued to promote the implementation and improvement of the internal control system, optimised the three major operational risk management tools, actively prevented and responded to various operational risks, and supported the steady development of the business. **The first** is to strengthen the management of rules and regulations, regularly carry out system post-evaluation, and promptly "establish, modify, and abolish" the system in accordance with laws, regulations and regulatory requirements. **The second** is to promote the optimization and application of operational risk management tools, continuously carry out operational risk control and self-assessment, and regularly carry out key risk indicator monitoring, re-inspection and optimization. **The third** is to strengthen employees' behavior management, increase the monitoring and investigation of abnormal behaviors of employees, actively carry out education and training for employees, and guide employees to stick to the bottom line of risk. **The fourth** is to vigorously establish information system, complete core system upgrades and supporting transformations, steadily promote the construction of the "two locations and three centers" disaster recovery system, continuously improve the system of emergency response plan, and effectively carry out emergency drills to ensure business continuity. **The fifth** is that we will strictly control the risk of business outsourcing, conduct regular risk assessment of outsourced business across the Bank, and improve the overall risk prevention and control capabilities of business outsourcing.

The Bank adopts the basic index method to measure operational risk-weighted assets in accordance with the requirements of the *Administrative Measures on the Capital of Commercial Banks (for Trial Implementation)*. As of the end of the reporting period, the operational risk-weighted assets were approximately RMB16.085 billion.

### (V) Liquidity risk management

Liquidity risk refers to the risk of failures to obtain sufficient funds in a timely manner at reasonable prices for repaying mature debts, honouring other payment obligations, or supporting regular business activities.

During the reporting period, the main measures of the Bank's liquidity management are: **1.** keeping a close eye on the market, formulating and dynamically adjusting the bank's financing arrangements on a daily basis, strictly implementing large capital position management and cash management systems, preventing day-to-day liquidity risks, and maintaining adequate cash payment; **2.** continuously monitoring changes in the ratio of asset-liability structure and increasing the scale of high-liquidity assets to ensure that the Bank's liquidity needs are met; **3.** conducting liquidity risk limit management to ensure that the indicators are in good quality and meet management requirements; **4.** establishing multi-level liquidity guarantees; consolidating liabilities Business foundation, increasing the ratio of core liabilities, and maintaining good market financing capabilities; **5.** establishing a liquidity risk early warning mechanism and emergency plan; **6.** regularly carrying out liquidity risk stress tests to identify factors that may trigger liquidity risk in a timely manner.

According to the *Measures for Liquidity Risk Management of Commercial Banks and the Measures for Liquidity Coverage Information Disclosure of Commercial Banks*, as of the end of the reporting period, the Bank's liquidity coverage rate information is as follows:

Unit: RMB'000, %

Qualified high-quality liquid assets	Net cash outflow in the next 30 days	Liquidity Coverage
59,748,798	40,935,270	145.96

Note: The above indicators are calculated and presented in accordance with the regulatory consolidation standards.

According to the *Commercial Bank Liquidity Risk Management Measures and the Commercial Banks' Net Stable Fund Ratio Information Disclosure Measures*, as of the end of the reporting period, the Bank's net stable fund ratio details are as follows:

Item	Unit: RMB'000, %	
	31 December 2020	
Available stable funds	248,649,032	
Required stable funds	225,902,451	
Net stable funding ratio	110.07	

Note: The above indicators are calculated and presented in accordance with the regulatory consolidation standards

## (VI) Risk and Compliance

Compliance risk refers to the risk that commercial banks may be subject to legal sanctions, regulatory penalties, major financial losses, and reputation losses due to failure to follow laws, rules, and guidelines.

During the reporting period, the Bank actively carried out compliance risk prevention work based on the goal of ensuring legal compliance management. **The first** is to further improve compliance risk management system and complete compliance management regime. Through leading measures such as interpretation of external regulatory regulations, multi-dimensional review of rules and regulations, and post-assessment evaluation of key business and risk management organizations, the Bank refers to the information, such as regulatory inspection, regulatory hotspots, customer complaints, and scientific and technological development projects, to provide recommendations for the system optimization to ensure the implementation of external regulatory requirements and strengthen the compliance and operability of the system. **The second** is to deepen the product compliance management. The Bank conducts management intervenes in advance with specific product dimensions, conducts business reviews, combs and analyzes product compliance risks, and optimises risk prevention and control measures. At the same time, the contract text is used as a starting point to optimise the review plan, standardize the review requirements, and improve the quality and efficiency of the review. **The third** is to carry out compliance risk monitoring and evaluation. The Bank improves the compliance risk information reporting mechanism, and the Compliance Department of head office takes the lead in compliance risk reports, and other head office management departments and branches collect, analyze, and report compliance risk information as required. **The fourth** is to improve the compliance inspection management mechanism. The Bank formulates an annual inspection plan across the Bank to control the quality of inspections and rectifications in terms of standardisation of inspection procedures, effectiveness of inspection results, and follow-up due diligence of rectification. **The fifth** is to strengthen the construction of compliance culture. The Bank actively creates a good compliance culture atmosphere, popularizes compliance culture knowledge and strengthens employee compliance awareness by means of such activities as compliance document learning, new employee training, compliance culture promotion, and violation case publicity, compliance knowledge competition and compliance evaluation and assessment etc.; **The sixth** is to improve the level of compliance management. The Bank organizes compliance management personnel to actively participate in internal and external compliance risk management training, learn the latest regulatory requirements, compliance management concepts, internal control points and inspection methods, etc., so as to improve personnel compliance management level; strengthen the team of compliance specialists and further give full play to the leading and organization role of compliance specialists in the compliance management of the Bank, and promotes the effective implementation of compliance management. The Bank continues to regard compliance management as a core risk management, and realizes effective identification and management of compliance risks by building an effective compliance risk management mechanism and cultivating an excellent compliance culture, provides corresponding supporting systems and measures, comprehensively improves the appropriateness and effectiveness of compliance risk management, and effectively guarantees the company's legal, compliance, safe and stable development.

## (VII) Reputation risk management

Reputational risk refers to the risk that the behaviors of bank and insurer institutions, the behaviors of relevant practitioners, or external events cause stakeholders, the public and the media etc. to negatively evaluate bank and insurer institutions, thereby damaging their brand value, going against their normal operations, and even affecting the market stability and social stability. Reputation risk management refers to the whole process of identifying, monitoring, controlling reputation risk and responding to all reputation events. The objective of the Bank's reputational risk management is to realize the identification, monitoring, control and resolution of reputational risk by establishing an active, reasonable and effective reputational risk management mechanism, so as to establish and maintain the Bank's good image and promote the Bank's stable development.

During the reporting period, the Bank's reputation risk prevention and control and management measures include: **Firstly**, practice the joint defense system of the Group's reputation risk, focus on the prerequisites of reputation management and control; regularly carry out public opinion monitoring, implement early detection and early handling of public opinion; strengthen the emergency plans management of key events, and strengthen the publicity of emergency plans and organization of exercises; regularly conduct emergency drills of reputation risk events to verify the scientific nature of the reputation risk prevention and control system; regularly carry out the Group's reputation risk assessment and strengthen the reputation risk management of branches and affiliates; **secondly**, strengthen positive guidance and create a good image of external public opinion; carry out positive image promotion at the right time, show to the outside world that state-owned financial enterprises actively fulfill their role in serving the development of the real economy, and shape a positive corporate image. **Thirdly**, deepen the service concept of "customers always come first" and improve the quality and efficiency of customer service; further improve the consumer rights protection management system and institutional system, and strengthen the protection of consumer rights; continuously strengthen the "customer-centric" service concept, and improve the customer's satisfaction.

### (VIII) Country risk management

Country risk refers to the risk that borrowers or debtors in a foreign country or region may fail to repay or refuse to repay debts owed to banking financial institutions due to economic or political or social changes and events in the country or region, or that banking financial institutions may incur business losses or other types of losses as a result of such events in the country or region.

The Bank incorporates country risk management into the comprehensive risk management system. During the reporting period, the Bank continued to improve and strengthen country risk management, refer to the results of external ratings and the economic development of relevant countries/regions, determined country risk levels, and approved country risk limits based on this, and regularly and continuously monitored the situation of country risk business and limit implementation.

During the reporting period, the Bank's country risk exposure was small, the country risk level was low, and the country risk was generally controllable.

### (IX) Anti-money laundering risk management

The Bank strictly follows anti-money laundering laws and regulations, actively implements risk-based anti-money laundering regulatory requirements, earnestly performs anti-money laundering social responsibilities and legal obligations, and strives to improve the level of anti-money laundering and anti-terrorist financing risk management.

**Firstly**, the Bank implements anti-money laundering and anti-terrorist financing risk control requirement, further improves the internal control system for the risk management of money laundering and terrorist financing, and fully implements the anti-money laundering laws, regulations and regulatory requirements. **Secondly**, the Bank effectively implements relevant requirements of anti-money laundering for senior management, and timely reports the risk of money laundering and terrorist financing to the board of directors and senior management; **Thirdly**, the Bank strengthens the support of personnel and system, improves the construction of anti-money laundering systems, list monitoring system and business systems, and continuously improves anti-money laundering technical support capabilities. **Fourthly**, the Bank effectively fulfills the statutory obligations of anti-money laundering; by focusing on the statutory obligations of anti-money laundering in the major aspects of customer identification, beneficiary owner identification, customer identity information and transaction records storage large transaction reports, and suspicious transaction reports, the Bank strengthens the control of high-risk customers and high-risk businesses; the Bank carries out anti-money laundering publicity and training activities. **Fifthly**, the Bank cracks down on money-laundering-related crimes, makes in-depth excavation, analysis and reporting on key suspicious transaction clues, and actively cooperates with the People's Bank of China's anti-money laundering investigation and research, so as to provide strong support for the People's Bank and public security departments to combat money laundering and other illegal criminal activities.

## V. CAPITAL MANAGEMENT

### (I) Overview of capital management

The Bank's capital management is centered on the capital adequacy ratio and core capital adequacy ratio. It aims to achieve synergy in external supervision, credit rating, risk compensation and shareholder return, etc., and closely integrates development planning and risk management practices to achieve scale expansion and coordination of profitability, total capital and structural optimization, optimal capital scale and return on capital.

During the reporting period, the Bank regularly monitored the bank's capital adequacy ratio and regulatory capital in accordance with the *Administrative Measures on the Capital of Commercial Banks (for Trial Implementation)* and related regulations, and reported relevant information to the regulatory agency at the end of the year and quarterly. **Firstly**, the Bank uses scenario simulation and stress tests etc. to predict, plan and manage the capital adequacy ratio based on the factors such as strategic development planning, business expansion and risk change trends. **Secondly**, in accordance with the requirements of the *Administrative Measures on the Capital of Commercial Banks (for Trial Implementation)* and the *Notice of the China Banking Regulatory Commission on Issues concerning Transitional Arrangements for the Implementation of <the Administrative Measures on the Capital of Commercial Banks (for Trial Implementation)>*, the Bank combined with its actual situation and used the capital replenishment mechanism based on endogenous capital accumulation and supplemented by external financing to meet regulatory standards for capital adequacy ratios continuously. **Thirdly**, the Bank establishes a set of practical capital management systems based on the overall development strategy. By improving the internal management mechanism, a series of policies and systems such as capital adequacy ratio management, economic capital management and internal capital adequacy assessment process management are formulated to standardize various capital management links and strengthen risk portfolio limit management, so as to ensure that the Bank's capital level is compatible with the main risks and risk management levels it faces, and that the capital plan matches the operating conditions, risk trends, and long-term development strategies.

## (II) Capital adequacy ratio

According to the requirements of the Administrative Measures on the Capital of Commercial Banks (for Trial Implementation), the capital adequacy ratio of the Bank on each balance sheet date is as follows:

Item	Unit: RMB'000, %	
	31 December 2020	31 December 2019
Net core tier 1 capital	2,449,587	2,253,599
Net tier 1 capital	2,669,617	2,253,872
Net tier 2 capital	1,199,474	1,160,625
Net capital in total	3,869,091	3,414,497
Total risk-weighted assets	26,617,593	24,223,300
– Credit risk weighted assets	24,193,630	21,713,339
– Market risk weighted assets	815,504	1,114,132
– Operation risk weighted assets	1,608,459	1,395,829
Core tier 1 capital adequacy ratio	9.20	9.30
Tier 1 capital adequacy ratio	10.03	9.30
Net core tier 1 capital	14.54	14.10

Note: For more information on the Bank's capital measurement, please refer to the "2020 Capital Adequacy Ratio Report of Bank of Dongguan Co., Ltd." issued by the Bank.

## (III) Leverage

Item	Unit: RMB'000, %	
	31 December 2020	31 December 2019
Leverage	5.84	5.59

Note: The leverage is calculated and presented in accordance with the regulatory consolidation standards.

## VI. OVERVIEW OF BRANCHES AND SUB-BRANCHES

As of the end of the reporting period, the Bank had 1 head office business department and 12 branches (Dongguan Branch, Guangzhou Branch, Shenzhen Branch, Huizhou Branch, Changsha Branch, Foshan Branch, Hefei Branch, Qingyuan Branch, Zhuhai Branch, Shaoguan Branch, Zhongshan Branch, Nansha Branch of Guangdong Pilot Free Trade Zone), 58 tier-1 sub-branches, 75 tier-2 sub-branches, 13 community sub-branches, 4 small and micro sub-branches and the Hong Kong representative office.

No.	Institution name	Address	Telephone
1	Bank of Dongguan Co., Ltd.	No.21 Tiyu Road, Guancheng District, Dongguan City	0769-22111741
2	Dongguan Branch, Bank of Dongguan Co., Ltd.	Store 101, Office Properties 801 & 901, Building 1, Hyde Square, No.200, Hongfu Road, Nancheng District, Dongguan City	0769-23308000
3	Government affairs and Small-and-Micro Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 102, No.199, Hongfu Road, Nancheng Sub-district, Dongguan City	0769-23660516
4	Central District Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 07-12, Floor 1 and Room 01-10, Floor 2, Building 1, Private Finance Building, No.111, Guantai Road, Nancheng District, Dongguan City	0769-22403905
5	Central District Shidai Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 138-141, No.1, Hongwei Road, Nancheng District, Dongguan City	0769-22987866
6	Central District Dongzheng Sub-Branch, Bank of Dongguan Co., Ltd.	No.52, Dongzheng Road, Dongguan City	0769-22213957
7	Central District Zhenghe Sub-Branch, Bank of Dongguan Co., Ltd.	Floor 1, Unicom Building, Shenghe Road, Nancheng District, Dongguan City	0769-22412568
8	Central District Renhe Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 112, 113 and 115, Dongjunhaoyuan, Dongjun Road, Nancheng District, Dongguan City	0769-22902718
9	Central District Hongfu Sub-Branch, Bank of Dongguan Co., Ltd.	1/F, Line 5-8 and 2/F Line 6-8, Building A, Sanlian Building, 73, Hongfu West Road, Nancheng District, Dongguan City	0769-22427800
10	Central District Xinghua Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 02 and 03, Building 1, Jinghuwanpan, Xinji Community, Yanhe Road, Nancheng District, Dongguan City	0769-22902813
11	Central District Yizhan Sub-Branch, Bank of Dongguan Co., Ltd.	Rm. 116, No. 73 Zhongli Rd., Nancheng District, Dongguan City	0769-22850355

No.	Institution name	Address	Telephone
12	Donghu Sub-Branch, Bank of Dongguan Co., Ltd.	No.96, Qifeng Road, Downtown Centre, Dongguan City	0769-22389670
13	Wanjiang Sub-Branch, Bank of Dongguan Co., Ltd.	No.363, Wanfu Road, Wanjiang District, Dongguan City	0769-22279348
14	Wanjiang Wansheng Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 1 and 2, Building 8, Wanfu Road, Wanjiangxuxu, Wanjiang District, Dongguan City	0769-22275686
15	Wanjiang Wangu Sub-Branch, Bank of Dongguan Co., Ltd.	A121A, Building 20, Phase I, Fenglin Meiliwan, Intersection of Guansui Avenue and Xicheng Road, Wanjiang District, Dongguan City	0769-22279350
16	Wanjiang Yangguanghaian Community Sub-Branch, Bank of Dongguan Co., Ltd.	No. 120 and 121, Building 8, Phase I, Yangguanghaian Garden, Wanjiang New City Community, Dongguan City	0769-21663367
17	Dongcheng Sub-Branch, Bank of Dongguan Co., Ltd.	Changchunge, Jinze Garden, Middle Dongcheng Road, Dongguan City	0769-22360826
18	Dongcheng New City District Sub-Branch, Bank of Dongguan Co., Ltd.	Store 101D, Donghai Sunshine Apartment, No.65 Dongyuan Road, Dongcheng Sub-district, Dongguan City	0769-26626015
19	Dongcheng Chengfeng Sub-Branch, Bank of Dongguan Co., Ltd.	A112-113, Fenghua Yuan, No. 18, Huajie, Yuxing Road, Qiantou, Dongcheng District, Dongguan City	0769-22265890
20	Dongcheng New District Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 82, 84, 86 and 88, Jinyuan Garden, Dajingtou Road, Dongcheng District, Dongguan City	0769-22264364
21	Dongcheng Woling Sub-Branch, Bank of Dongguan Co., Ltd.	Dongcheng Market, Woling Village, Dongcheng District, Dongguan City	0769-22336371
22	Dongcheng Taihe Sub-Branch, Bank of Dongguan Co., Ltd.	Stores A01-A03, Outside of Youyi City Shopping Mall, Dongtai Taihe Commercial Street, Dongcheng District, Dongguan City	0769-23104532
23	Dongcheng Nianfeng Sub-Branch, Bank of Dongguan Co., Ltd.	No.130-136, Nianfeng Villa Xincun, No.163, Shiyang Street, Wentang Community, Dongcheng District, Dongguan City	0769-22478125
24	Dongcheng Xingcheng Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 73-75, New Century Star City, Dongcheng District, Dongguan City	0769-23604031
25	Dongcheng Dongsheng Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 124 – 127, Building 10, Kaisheng Jinyuan Garden, No. 33, Dongcheng Section, Dongsheng Road, Dongcheng Sub-district, Dongguan City	0769-22299897
26	Dongcheng Wentang Community Sub-Branch, Bank of Dongguan Co., Ltd.	No.8, Shiqiaozhen Road, Chazhong Council, Wentang Community, Dongcheng District, Dongguan City	0769-22015314
27	Dongcheng Fangguiyuan Community Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 1061 & 1062, Dongcheng Section No.408, Dongcheng Middle Road, Dongcheng Sub-district, Dongguan City	0769-22867407
28	Shilong Sub-Branch, Bank of Dongguan Co., Ltd.	Floors 1-3, Left Side of Building 204-252, Xihu Middle Road, Xihu District, Shilong Town, Dongguan City	0769-86113073
29	Shilong Xinglong Sub-Branch, Bank of Dongguan Co., Ltd.	Ground Stores B3, B5-B7, Juhaohuati, Yuxing Road, Huangzhou New City District, Shilong Town, Dongguan City	0769-86183722
30	Shilong Lvhua Sub-Branch, Bank of Dongguan Co., Ltd.	No. 6, Lvhua West Road, Shilong Town, Shilong Village, Dongguan City	0769-86621613
31	Humen Sub-Branch, Bank of Dongguan Co., Ltd.	Zone C, 1/F, Longquan Hotel, Jinzhou Section, Liansheng Road, Humen Town, Dongguan City	0769-85116993
32	Humen Yinxiang Road Sub-branch, Bank of Dongguan Co., Ltd.	Stores 112 – 114, Building 24, Yilin Jiayuan Garden, No. 3, Chigang Junma Road, Humen Town, Dongguan City	0769-85116733
33	Humen Zexu Sub-branch, Bank of Dongguan Co., Ltd.	No. 7, Gangkou Road, Humen Town, Dongguan City	0769-85115922
34	Humen Liansheng Sub-Branch, Bank of Dongguan Co., Ltd.	Store A2, 1/F, A+ Building, No. 399 Liansheng North Road, Humen Town, Dongguan City	0769-85011218
35	Humen Shatai Sub-Branch, Bank of Dongguan Co., Ltd.	No.18, Taisha Road, Humen Town, Dongguan City	0769-85511740
36	Humen Fumin Sub-Branch, Bank of Dongguan Co., Ltd.	Fumin Commercial Building, Yinlong Road, Humen Town, Dongguan City	0769-85121998
37	Humen Xinzhou Sub-Branch, Bank of Dongguan Co., Ltd.	No.201, Shatai Road, Humen Town, Dongguan City	0769-85103678
38	Humen Longquan Sub-Branch, Bank of Dongguan Co., Ltd.	No.92, Renmin Road, Humen Town, Dongguan City	0769-85113118
39	Humen Beizha Sub-Branch, Bank of Dongguan Co., Ltd.	Crossing of Nanfang Avenue, Beizha, Humen Town, Dongguan City	0769-85551188
40	Humen Bomei Sub-Branch, Bank of Dongguan Co., Ltd.	A1001, Fumin Fabric Market, Bomei Village, Humen Town, Dongguan City	0769-85233128
41	Humen Zhenxing Sub-Branch, Bank of Dongguan Co., Ltd.	No. 54, Zhenxing Avenue, Gate of Humen Town, Dongguan City	0769-85129288
42	Humen Jinjie Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 1106, 1107, 1980, 1981 and 1982, No. 156, Humen Avenue, Humen Town, Dongguan City	0769-82709238
43	Humen Fengtai Community Sub-Branch, Bank of Dongguan Co., Ltd.	No. 101, Fengtai District, Baikeng Reservoir, Xinlian Village, Humen Town, Dongguan City	0769-85021051
44	Humen Weiyuan Community Sub-Branch, Bank of Dongguan Co., Ltd.	No. 97, Huandao Road, Wushansha Community, Humen Town, Dongguan City	0769-82937523
45	Guancheng Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 22-26, Right Side of Hongfu Building, No. 39, Dongcheng West Road, Downtown Dongguan City	0769-22235295
46	Yunhe Sub-Branch, Bank of Dongguan Co., Ltd.	No.163, Yunhexiyi Road, Downtown, Dongguan City	0769-22235305
47	Yunhe Zhongxin Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 101 and 102, Building 19, City Landscape, No. 19, Hongtu Road, Nancheng District, Dongguan City	0769-22827701
48	Yunhe Yifeng Sub-Branch, Bank of Dongguan Co., Ltd.	B39, Yijage, Yifeng Urban Square, Yifeng Road, Dongcheng District, Dongguan City	0769-23132922
49	Yunhe Jingu Sub-Branch, Bank of Dongguan Co., Ltd.	Underground, Jingu Building, Huayuan New Village, Downtown, Dongguan City	0769-22290738
50	Xizheng Sub-Branch, Bank of Dongguan Co., Ltd.	Store 2, Floor 1, North Building, Shimin Square, No. 1, Gaodi Street, Guancheng District, Dongguan City	0769-22221696
51	Xiping Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 138-139 and 150-153, Zone A, Century City Commercial Street, Dongguan Avenue, Dongguan City	0769-22809810
52	Dongmen Sub-Branch, Bank of Dongguan Co., Ltd.	Street Store, Zone 1, Diwang Plaza, Downtown, Dongguan City	0769-23057680

No.	Institution name	Address	Telephone
53	Zhongtang Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 135-138 (Floor 1) and Stores 207-209 (Floor 2), Building 4, Yuji Garden, Yayuan Road, Zhongtang Town, Dongguan City	0769-88811208
54	Zhongtang Zhonghuang Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 6-13, Block 1, Stage 1, Nongming Apartment, South Side of Commercial Avenue, Huangyong Village, Zhongtang Town	0769-88816376
55	Shipai Sub-Branch, Bank of Dongguan Co., Ltd.	No. 299, Shipai Middle Avenue, Shipai Town, Dongguan City	0769-86652442
56	Changping Sub-Branch, Bank of Dongguan Co., Ltd.	Store 111, Floor 1, WanYe Financial Building, No. 3, Changping Avenue, Changping Town, Dongguan City	0769-83339608
57	Changping Jinyang Sub-Branch, Bank of Dongguan Co., Ltd.	No. 89-2, Jinmei Road, Changping Town, Dongguan City	0769-83335630
58	Changping Jinhua Sub-Branch, Bank of Dongguan Co., Ltd.	No. 18, Tutang Section, Changdong Road, Changping Town, Dongguan City	0769-83911506
59	Changping zijing Sub-Branch, Bank of Dongguan Co., Ltd.	No. 1-9, Fengrongge, Changfeng Plaza, Zijing Garden, Changping Town, Dongguan City	0769-81899003
60	Changping Guangdian Sub-Branch, Bank of Dongguan Co., Ltd.	Ground-floor Store, Guangdian Building, Changping Avenue Side, Changping Town, Dongguan City	0769-81173117
61	Changping Lijing Small-and-Micro Sub-Branch, Bank of Dongguan Co., Ltd.	Building No. 1-5, Lvhuating, Section G, Lijing Garden, Licheng Development Zone, Hengjiangxia Village, Changping Town, Dongguan City	0769-81182646
62	Wangniudun Sub-Branch, Bank of Dongguan Co., Ltd.	Zhenzhong Road, Wangniudun Town, Dongguan City	0769-88852859
63	Daojiao Sub-Branch, Bank of Dongguan Co., Ltd.	No. 197, Zhenxing East Road, Daojiao Town, Dongguan City	0769-88310633
64	Daojiao Jichuan Small-and-Micro Sub-Branch, Bank of Dongguan Co., Ltd.	Ground-floor Stores 1 and 2, Dao+ Apartment Building, No. 6, Changping Commercial Road, Changping Village, Daojiao Town, Dongguan City	0769-88833246
65	Machong Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 4-6, Building 1, (beside Machong Bridge), Yelin Mansion, Machong Avenue, Machong Town, Dongguan City	0769-88822547
66	Machong Ouchong Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 5-7, Ouchong Development Zone Building, Machong Town, Dongguan City	0769-88825737
67	Machong Zhangpeng Community Sub-Branch, Bank of Dongguan Co., Ltd.	Store 11, Ground Floor, Xinguanren Residence Center, Zhangpeng Village, Machong Town, Dongguan City	0769-81219131
68	Houjie Sub-Branch, Bank of Dongguan Co., Ltd.	No. 73, Dongfeng First Road, Houjie Town, Dongguan City	0769-85921666
69	Houjie Hetian Sub-Branch, Bank of Dongguan Co., Ltd.	No. 1, Heyang Building, Hetian Village, Houjie Town, Dongguan City	0769-85053622
70	Houjie Xincheng Sub-Branch, Bank of Dongguan Co., Ltd.	No. 141, Jiayu Avenue, Houjie Town, Dongguan City	0769-85913362
71	Houjie Santun Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 128, 129 and 130, Building 14, Varke Jinyu International Garden, Houjie Town, Dongguan City	0769-85899161
72	Houjie Xitou Sub-Branch, Bank of Dongguan Co., Ltd.	Floor 1, No. 3, Xinwei Estate, Xitou Community, Houjie Town, Dongguan City	0769-81520622
73	Chang'an Sub-Branch, Bank of Dongguan Co., Ltd.	Changsheng Road, Chang'an Town, Dongguan City	0769-85310232
74	Chang'an Fuli Sub-Branch, Bank of Dongguan Co., Ltd.	Stores E106-E107, Floor 1, No. 222, Dezheng Middle Road, Chang'an Town, Dongguan City	0769-85330825
75	Chang'an Fujing Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 116-120, Fuying Shanshui Haoting Commercial Building, Lianteng North Road, Chang'an Town, Dongguan City	0769-85330828
76	Chang'an Fudu Sub-Branch, Bank of Dongguan Co., Ltd.	Huanxiang Road, Wusha Village, Chang'an Town, Dongguan City	0769-85545532
77	Chang'an Fuchang Sub-Branch, Bank of Dongguan Co., Ltd.	No. 13-21 and 23, Changfu Road, Xiaobian Village, Chang'an Town, Dongguan City	0769-85330831
78	Chang'an Fusheng Sub-Branch, Bank of Dongguan Co., Ltd.	Wenshan Road (North of Chongtuo Comprehensive Market), Chongtuo Village, Chang'an Town, Dongguan City	0769-85330833
79	Chang'an Jinsha Sub-Branch, Bank of Dongguan Co., Ltd.	No. 38, Jinghai Middle Road, Shatou Village, Chang'an Town, Dongguan City	0769-85330823
80	Chang'an Fuxing Sub-Branch, Bank of Dongguan Co., Ltd.	Ground Floor, Nongmin Apartment, Shangsha Community, Chang'an Town, Dongguan City	0769-85397832
81	Chang'an Wusha Community Sub-Branch, Bank of Dongguan Co., Ltd.	Store 10, Tongda Garden, Jiangbei Village, Wusha Community, Chang'an Town, Dongguan City	0769-85358412
82	Chang'an Fushanju Community Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 55 and 56, Floor 1, Building 13, Fushanju Garden, No. 13, Hengtai Road, Xin'an Community, Chang'an Town, Dongguan City	0769-85330812
83	Dalingshan Sub-Branch, Bank of Dongguan Co., Ltd.	No. 16-18 and 32-33, Building 141, New Century Leaders' House, Dalingshan Town, Dongguan City	0769-85788118
84	Dalingshan Zhenhua Sub-Branch, Bank of Dongguan Co., Ltd.	No. 26, Zhenhua Road, Dalingshan Town, Dongguan City	0769-82780798
85	Liaobu Sub-Branch, Bank of Dongguan Co., Ltd.	No. 20, Qinzhen Road, Liaobu Town, Dongguan City	0769-83286208
86	Liaobu Hongtu Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 108-111, Commercial Building, No. 22, Zhonghui Songhu City Area 2, Jinxing Road, Liaobu Town, Dongguan City	0769-83305875
87	Liaobu Hengkeng Sub-Branch, Bank of Dongguan Co., Ltd.	Ground floor, Yongying Building, Wentang Intersection, Hengkeng Wanrong Industrial Park, Liaobu Town, Dongguan City	0769-83303328
88	Liaobu Songhu Zhigu Sub-branch, Bank of Dongguan Co., Ltd.	Store 110, Building 5, Songhu Zhigu R&D Center, No. 1, Renju Road, Liaobu Town, Dongguan City	0769-82566551
89	Zhangmutou Sub-Branch, Bank of Dongguan Co., Ltd.	Cultural Activities Center Building, No. 38, Weiduoli Avenue, Zhangmutou Town, Dongguan City	0769-87796828
90	Zhangmutou Xiangzhang Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 101-105, Building 7, Zhangcheng Huating, Xicheng Road, Zhangluo Community, Zhangmutou Town, Dongguan City	0769-87126618
91	Shijie Sub-Branch, Bank of Dongguan Co., Ltd.	Store 101, No. 33, Zhengwen West Road, Shijie Village, Shijie Town, Dongguan City	0769-86316766
92	Shijie Dongcheng Sub-Branch, Bank of Dongguan Co., Ltd.	Mingzhu West Road, Shijie Town, Dongguan City	0769-86322821
93	Shijie Dongsheng Sub-Branch, Bank of Dongguan Co., Ltd.	No. 26, The third Industrial Park, Juzhou, Shijie Town, Dongguan City	0769-86637799
94	Chashan Sub-Branch, Bank of Dongguan Co., Ltd.	No. 92, Dongyue Road, Chashan Town, Dongguan City	0769-86647608
95	Chashan Nanshe Sub-Branch, Bank of Dongguan Co., Ltd.	Floor 1, Nantian Department Building, Nanshe Industrial Park, Chashan Town, Dongguan City	0769-86414176

No.	Institution name	Address	Telephone
96	Hengli Sub-Branch, Bank of Dongguan Co., Ltd.	No. 38, Yanjiang South Road, Hengli Town, Dongguan City	0769-83375308
97	Hengli Hepan Sub-Branch, Bank of Dongguan Co. Ltd.	No. 1, Zhenxing West Road, Hengli Town, Dongguan City	0769-83732787
98	Dongkeng Sub-Branch, Bank of Dongguan Co., Ltd.	No. 259, Dongxing Road, Dongkeng Town, Dongguan City	0769-83383182
99	Dongkeng Country Garden Small-and-Micro Sub - Branch, Bank of Dongguan Co., Ltd.	Stores 110 and 111, Commercial Building, No. 13, Phase II, Dongkeng Country Garden, No. 233, Dongxing East Road, Dongkeng Town, Dongguan City	0769-88009962
100	Qishi Sub-Branch, Bank of Dongguan Co., Ltd.	No. 28, Zhenhua Road, Qishi Town, Dongguan City	0769-86663828
101	Qiaotou Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 101, 102, 103, and 104, No. 2, Qiaoguang Avenue (Tianxin Section), Tianxin Community, Qiaotou Town, Dongguan City	0769-83348125
102	Qiaotou Lianhu Sub-Branch, Bank of Dongguan Co., Ltd.	No. 106-110, Building 9, Phase 1, Kaida Huating, Bilian Road, Qiaotou Town, Dongguan City	0769-83342821
103	Qiaotou Shizhu Community Sub-Branch, Bank of Dongguan Co., Ltd.	Store No. 2#08, Wanglongxuan, Shizhu Shanshui Garden, No. 26, Qiaoxin Road, Qiaotou Town, Dongguan City	0769-82521286
104	Tangxia Sub-Branch, Bank of Dongguan Co., Ltd.	No. 47, Huayuan Street, Tangxia Town, Dongguan City	0769-87727089
105	Tangxia Hongye Sub-Branch, Bank of Dongguan Co., Ltd.	No. 63, Tanglong Road, Tangxia Town, Dongguan City	0769-87728223
106	Tangxia Shigu Sub-Branch, Bank of Dongguan Co., Ltd.	No. 3, Shigu Commercial Street, Tangxia Town, Dongguan City	0769-87888268
107	Tangxia Lincun Sub-Branch, Bank of Dongguan Co., Ltd.	Hongye North Road, West Lake, Lincun village, Tangxia Town, Dongguan City	0769-87812828
108	Tangxia Yingbin Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 122-126, Fukang Haoting, Yingbin Avenue, Tangxia Town, Dongguan City	0769-82016922
109	Tangxia Zhufoling Community Sub-Branch, Bank of Dongguan Co., Ltd.	South of Building 1, No. 1, Lane 8, Zhufoling New Village, Tangxia Town, Dongguan City	0769-81281978
110	Fenggang Sub-Branch, Bank of Dongguan Co., Ltd.	Yongsheng Avenue, Fenggang Town, Dongguan City	0769-87502896
111	Fenggang Jinfeng Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 103-104, Building 1, Yishanju Commercial Residential Block, Sanzheng Wolongshan Garden, Yongsheng North Street, Fenggang Town, Dongguan City	0769-87753326
112	Fenggang Yantian Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 24-29, Phase 1, Lanshanjin Harbor, Xiangxin East Road, Fenggang Town, Dongguan City	0769-87778812
113	Fenggang Guanjingtuo Community Sub-Branch, Bank of Dongguan Co., Ltd.	Stores B1038 to B1040, Building 1, Zone B(A/B Block), Jiahui Haoting, Guanjingtuo Section, Longping Road, Fenggang Town, Dongguan City	0769-87560289
114	Dalang Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 101-104 and Offices 301-309 in Unit 1, Huisheng Fazhan Building, No. 528, Meijing Middle Road, Dalang Town, Dongguan City	0769-83012338
115	Dalang Yinlang Sub-Branch, Bank of Dongguan Co., Ltd.	Store 8, Annex Building, Shanghui Building, No. 288, Yinlang South Road, Dalang Town, Dongguan City	0769-82816188
116	Dalang Xiangtou Sub-Branch, Bank of Dongguan Co., Ltd.	Store A5, No. 118, Fukang Road, Xiangtou Community, Dalang Town, Dongguan City	0769-81119806
117	Huangjiang Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 353, 355, 357 and 359, Huangjiang Avenue, Huangjiang Town, Dongguan City	0769-83603777
118	Huangjiang Meitang Sub-Branch, Bank of Dongguan Co., Ltd.	No. 1, Floor 1, Meitang Nongmin Apartment (Buildings 6 and 7), Binnong Second Road, Huangjiang Town, Dongguan City	0769-83624185
119	Hongmei Sub-Branch, Bank of Dongguan Co., Ltd.	Stores A18-20, Hongmei Cultural and Sports Commercial Center, Qiaodong Road, Hongmei Town, Dongguan City	0769-88438098
120	Songshan Lake Keji Sub-Branch, Bank of Dongguan Co., Ltd.	Floors 1 and 2, Office Building 1, No. 5, Keji Eighth Road, Songshan Lake High-tech Industrial Development Zone, Dongguan City	0769-23075229
121	Xiegang Sub-Branch, Bank of Dongguan Co., Ltd.	Store 105, Building 1, Yongjiang International Mansion, No. 1, Guangchang Middle Road, Xiegang Town, Dongguan City	0769-87760638
122	Shatian Sub-Branch, Bank of Dongguan Co., Ltd.	Stores A1-115 to A1-120, A1-215 to A1-220, Building A1, Binhai Center Commercial Street, Shatian Town, Dongguan City	0769-88805661
123	Qingxi Sub-Branch, Bank of Dongguan Co., Ltd.	Floors 1 and 2, Minghui Building, No. 5, Lucheng West Road, Qingxi Administrative Center, Dongguan City	0769-87302618
124	Qingxi Jufu Sub-Branch, Bank of Dongguan Co., Ltd.	No. 1, Jufu Shopping Mall, Jumin Jufu Road, Qingxi Town, Dongguan City	0769-82098182
125	Gaobu Sub-Branch, Bank of Dongguan Co., Ltd.	Floor 1 and 2, Office Building 14, Phase III, Xinshiji Yilongwan, No. 2, Yilong East Road, Gaobu Town, Dongguan City	0769-88789233
126	Binhaiwan New District Branch, Bank of Dongguan Co., Ltd.	Store 101, Building 1, No. 1, Wanqu Avenue, Binhaiwan New District, Dongguan City	0769-85310001
127	Shuixiang Sub-Branch, Bank of Dongguan Co., Ltd.	Part of Floor 1 & Floor 2 of Building 1, No. 6, Dazhong Road, Jiuqu Village, Daojiao Town, Dongguan City	0769-88319886
128	Guangzhou Branch, Bank of Dongguan Co., Ltd.	Store 126 in Ground Floor, and Floors 27 and 28, Building C, Fengxing Plaza, No. 240, Tianhe Road, Tianhe District, Guangzhou City	020-87508528
129	Guangzhou Panyu Sub-Branch, Bank of Dongguan Co., Ltd.	Store B101, Floor 1, Building 2, Donghanyuan, No. 71, Guanghua South Road, Shiqi Town, Panyu District, Guangzhou City	020-39258785
130	Guangzhou Zengcheng Sub-Branch, Bank of Dongguan Co., Ltd.	Room 101, No. 224, Room 101, No. 226, Rooms 114 and 115, No. 228, Fenghuang North-cross Road, Yongning Street, Zengcheng District	020-32164036

No.	Institution name	Address	Telephone
131	Guangzhou Dongpu Sub-Branch, Bank of Dongguan Co., Ltd.	Room 101, Floor 1 and Room 01, Mezzanine, Podium Building, Delida Commercial Building, No. 385, Daguan Middle Road, Tianhe District, Guangzhou City	020-32053840
132	Guangzhou Tianhe Sub-Branch, Bank of Dongguan Co., Ltd.	Stores in Floors 1 and 2, No. 1023, Zhongshan Avenue, Tianhe District, Guangzhou City	020-32232177
133	Guangzhou Luogang Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 101-105, Floor 1 and Room 203, Floor 2, Building 2, No. 31, Luolang Road, Huangpu District, Guangzhou City	020-22201297
134	Guangzhou Baiyun Sub-Branch, Bank of Dongguan Co., Ltd.	Floor 1, No. 20, Xiaoping West Road, Xinshi Street, Baiyun District, Guangzhou City	020-36403729
135	China (Guangdong) Pilot Free Trade Zone Nansha Branch, Bank of Dongguan Co., Ltd.	Stores 106, 107, 605 and 606 (Self-numbered Building 1), No. 106, Fengze East Road, Yunshan Shiyi Renjia, Nansha, Nansha District, Guangzhou City	020-39005832
136	Nansha Huangge Sub-Branch, Bank of Dongguan Co., Ltd.	Store 115, No. 1, Qilin Second Street, Huangge Town, Nansha District, Guangzhou City	020-84687364
137	Shenzhen Branch, Bank of Dongguan Co., Ltd.	Floors 1&11, Shidai Technology Building, No. 7028, Shennan Avenue, Futian District, Shenzhen City	0755-23955635
138	Shenzhen Longgang Sub-Branch, Bank of Dongguan Co., Ltd.	Store Unit 01(Mezzanine) and Unit 08 (Floor 1), Zhengzhong Times Square, No. 99, Longcheng Avenue, Zhongxincheng, Longcheng Street, Longgang District, Shenzhen City	0755-89613575
139	Shenzhen Bao'an Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 105 and 106, Building 1, Huasheng Shenghui Mingting, Xin'an Street, Bao'an District, Shenzhen City	0755-29583522
140	Shenzhen Qianhai Sub-branch, Bank of Dongguan Co., Ltd.	Floor 2, Qianhai Enterprise Hall Building, No. 63, Qianwan First Road, Qianhai Shenzhen-Hong Kong Cooperation District, Shenzhen City	0755-83183081
141	Shenzhen Nanshan Branch, Bank of Dongguan Co., Ltd.	Store 27 and 28a, Floor G, Building C, Kexing Science Park, No. 15, Keyuan Road, Middle Area, Science Park, Nanshan District, Shenzhen City	0755-83616071
142	Huizhou Branch, Bank of Dongguan Co., Ltd.	Stores 07-10, Floor 1, and Floor 9, Dewei Building, No. 4, Yunshan West Road, Jiangbei, Huizhou City	0752-2781888
143	Huizhou Huiyang Sub-Branch, Bank of Dongguan Co., Ltd.	All stores in Area A and partial stores in Area B, No. 01, Floor 1, Taixing International Building, Kaicheng Avenue, Danshui Town, Huiyang District, Huizhou City	0752-6518687
144	Huizhou Zhongkai Sub-Branch, Bank of Dongguan Co., Ltd.	Store 01, Floor 1, Zhongkai Investment Holdings Building, No. 8, East Hechang Fifth Road, Zhongkai High and New Technology Zone, Huizhou City	0752-5752188
145	Huizhou Yanda Avenue Community Sub-Branch, Bank of Dongguan Co., Ltd.	A31 Department Store, Floor 1, Qianjie Building of Sanhuan Decoration Center, No. 20, Yanda First Road, Henanan, Huizhou City	0752-5306329
146	Changsha Branch, Bank of Dongguan Co., Ltd.	Stores 104 on Floor 1 of T1 (Block A) and Floors 26-28 of T3 (Block C), Binjiang Financial Center, No. 112, Chazishan East Road, Yuelu District, Changsha City, Hunan Province	0731-88785173
147	Changsha Lushan Sub-Branch, Bank of Dongguan Co., Ltd.	Floors 1 and 2, Xiangsuhui Building, Lugu Information Harbour, No. 668, Lugu Avenue, Yuelu District, Changsha City, Hunan Province	0731-88197507
148	Changsha Xingsha Sub-Branch, Bank of Dongguan Co., Ltd.	Shangcheng Building B (108, 109, 209, 110 and 210), Kaiyuan East Road, Changsha County, Hunan Province	0731-88291906
149	Changsha Tianxin Sub-branch, Bank of Dongguan Co., Ltd.	Store 101-1, Building 18B, Shangxi Garden, No. 31, Xiangfu West Road, Tianxin District, Changsha City, Hunan Province	0731-88276672
150	Foshan Branch, Bank of Dongguan Co., Ltd.	Stores 901-910, Block A, No. 68 (and No. 9-12, Floor 1, No. 66), Jihua Fourth Road, Chancheng District, Foshan City	0757-82903806
151	Foshan Nanhai Branch, Bank of Dongguan Co., Ltd.	Stores 06 and Mezzanine, Chengye Building, No. 13, Nanping West Road, Guicheng, Nanhai District, Foshan City	0757-81858112
152	Foshan Sanshui Sub-Branch, Bank of Dongguan Co., Ltd.	Stores West 101, 102 of Tower 4, Huixin Huafu, No. 3, Jianshe Second Road, Sanshui District, Foshan City	0757-87733670
153	Hefei Branch, Bank of Dongguan Co., Ltd.	Wanghu Jiayuan Commercial Building, No.117, Meihe Road, Baohe District, Hefei City	0551-62689778
154	Hefei Guangshi Garden Community Sub-Branch, Bank of Dongguan Co., Ltd.	South of Building 1, Property Complex Building, Guangshi Garden Community, Ningxia Road, Baohe District, Hefei City	0551-63805368
155	Hefei Hi-tech Industry Development Zone Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 102 and 201, Tianmao Building, Northwest Corner of the Intersection of Kexue Avenue and Tianbo Road, Hefei City	0551-63807265
156	Hefei Science and Technology Sub-Branch, Bank of Dongguan Co., Ltd.	Stores 103-105, Floor 1, Building 4, Yindu Xiangshuijun, Feicui East Road, Shimen North Road, Hefei Economic and Technological Development Zone	0551-63812523
157	Hefei Luyang District Sub-branch, Bank of Dongguan Co., Ltd.	Store 101, Building A, Xinguanhe Building, No. 7377, Linquan Road, Luyang District, Hefei City	0551-63809500
158	Qingyuan Branch, Bank of Dongguan Co., Ltd.	Store 35, Block 7 and Floor 2&3, Block 5 and 7, Zone A, Wanji Jinhaiwan Haoting, No. 6, Jinxia Road, New Urban District, Qingyuan City	0763-3668867
159	Qingyuan Dongcheng Sub-branch, Bank of Dongguan Co., Ltd.	Stores 1-07, 1-08, 1-09, 1-10, 1-11, 1-12, Floor 1, Qiaoshun Building, Block 1, Xinshidai Jiayuan, No. 6, Dongcheng Avenue, Qingcheng District, Qingyuan City	0763-3898313
160	Zhuhai Branch, Bank of Dongguan Co., Ltd.	No. 377, No. 381, Floor 2 and No. 381, Floor 3, Qinglv Middle Road, Xiangzhou District, Zhuhai City	0756-2393175
161	Shaoguan Branch, Bank of Dongguan Co., Ltd.	Stores 1-6 of Floor 1 and Floors 2-4, Building E1, Zhixing Huayuan, No. 1, Yihua Road, Wujiang District, Shaoguan City	0751-8606922
162	Shaoguan Furong New District Sub-branch, Bank of Dongguan Co., Ltd.	Swimming Pool, Commercial Building 1, Country Garden Taiyangcheng Huadi, No. 8, Danxia Middle Avenue, Wujiang District, Shaoguan City	0751-8606030
163	Zhongshan Branch, Bank of Dongguan Co., Ltd.	Stores 105-107, Floors 20-21, Building 1, Xinghuiwan, No. 4, Zhongshan Second Road, Shiqi District, Zhongshan City	0760-86996228

Note: Address of the Hong Kong representative office of Bank of Dongguan Co., Ltd.: Suite 3419, Jardine House, 1 Connaught Place, Central, Hong Kong. Tel: 852-27779151.



# Significant Matters

## I. PROFIT APPROPRIATION OF ORDINARY SHARES

### (I) Formulation, implementation or adjustment of profit appropriation policies for ordinary shareholders during the reporting period

Pursuant to the Company Law and the Bank's Articles of Association and relevant regulations, the profit appropriation plan was formulated by the Board of Directors and reviewed and approved by the general meeting. The Board of Directors formulates the profit distribution plan, which must be approved by more than two-thirds of the Bank's directors; the profit distribution plan must be approved by more than half of the voting rights held by shareholders (including shareholder proxies) attending the meeting. After the general meeting of the Bank decides on the profit appropriation plan, the Board of Directors of the Bank shall complete the distribution of dividends (or shares) within 2 months after the annual general meeting is held.

Profit appropriation of the Bank distributes dividends by cash or shares; however, the shares held by the Bank are excluded from profit appropriation. The priority of net profit after tax of the Bank is: making up deficits in previous years, statutory surplus reserve, discretion surplus reserve, general reserve and payments for dividends to shareholders.

### (II) Profit appropriation plans of the Bank in the past 3 years (including the reporting period)

1. 2020 Annual profit distribution plan. On 2 March 2021, the Bank held the 19th Meeting of the 7th Board of Directors. The meeting reviewed and approved the "2020 Annual Profit Distribution Plan of Bank of Dongguan Co., Ltd." and agreed on: appropriating statutory surplus reserve of RMB288 million at 10% of net profit; appropriating general risk reserve of RMB500 million; distributing cash dividends to all shareholders of the Bank on the basis of RMB2.5 (before tax) for every 10 shares, totaling RMB545,000,000.00.

2. 2019 Annual profit distribution plan. On 3 March and 26 March 2020, the Bank held the 11th Meeting of the 7th Board of Directors and its 2019 Annual General Meeting. The meetings reviewed and approved the "2019 Annual Profit Distribution Plan of Bank of Dongguan Co., Ltd." and agreed on: appropriating statutory surplus reserve of RMB282 million at 10% of net profit; appropriating general risk reserve of RMB130 million; distributing cash dividends to all shareholders of the Bank on the basis of RMB2.5 (before tax) for every 10 shares, totaling RMB545,000,000.00.

3. 2018 Annual profit distribution plan. On 21 February and 13 March 2019, the Bank held the 4th Meeting of the 7th Board of Directors and its 2018 Annual General Meeting. The meetings reviewed and approved the "2018 Annual Profit Distribution Plan of Bank of Dongguan Co., Ltd." and agreed on: appropriating statutory surplus reserve of RMB245 million at 10% of net profit; appropriating general risk reserve of RMB130 million; distributing cash dividends to all shareholders of the Bank on the basis of RMB2.5 (before tax) for every 10 shares, totaling RMB545,000,000.00.

### (III) Cash dividend for ordinary shares of the Company in the past 3 years (including the reporting period)

Year	Dividend per share (RMB)	Total shares (100 million shares)	Total cash dividend (RMB100 million)	Net profit attributable to the Company's ordinary shareholders in the annual consolidated dividend statement (RMB100 million)	Percentage of net profit attributable to the Company's ordinary shareholders in the consolidated statement (%)
2020	0.25	21.8	5.45	28.76	18.95
2019	0.25	21.8	5.45	28.26	19.28
2018	0.25	21.8	5.45	24.57	22.18

## II. FULFILLMENT OF COMMITMENTS

The Bank had no commitments during the reporting period.

## III. OCCUPATION OF LISTED COMPANY'S NON-OPERATING FUNDS BY CONTROLLING SHAREHOLDERS AND THEIR RELATED PARTIES

During the reporting period, the Bank had no occupation of listed company's non-operating funds by controlling shareholders and their related parties.

#### IV. AUDIT OPINIONS ISSUED BY THE ACCOUNTING FIRM

The 2020 Annual Financial Report has been audited by KPMG Huazhen LLP and a standard and unqualified audit report had been issued.

#### V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHODS COMPARED TO PREVIOUS YEAR'S FINANCIAL REPORT

For details about changes in accounting policies and accounting estimates, please refer to "Notes to Financial Statements 4. Changes in Major Accounting Policies" in "Financial Reports".

#### VI. EXPLANATION OF THE SITUATION WHERE THE CORRECTION OF SIGNIFICANT ACCOUNTING ERRORS REQUIRES RETROSPECTIVE RESTATEMENT DURING THE REPORTING PERIOD

During the reporting period, the Bank did not correct major accounting errors, thus there was no need to restate retrospectively.

#### VII. EXPLANATION ON CHANGES IN THE SCOPE OF CONSOLIDATED STATEMENTS COMPARED WITH FINANCIAL REPORTS OF PREVIOUS YEAR

In September 2020, the Bank contributed RMB18 million to purchase 18 million shares of Zongyang Taiye Village Bank Co., Ltd. through equity transfer. The Bank's shareholding ratio increased from 40.00% to 85.00%, and the Bank has formed the actual control over Zongyang Taiye Village Bank Co., Ltd., so it was included in the scope of the consolidated financial statements. In December 2020, Zongyang Taiye Village Bank Co., Ltd. made a targeted capital increase. The Bank contributed RMB59 million, and totally held its 93 million shares after the capital increase, with the final shareholding ratio of 84.55%.

#### VIII. APPOINTMENT AND DISMISSAL OF CERTIFIED PUBLIC ACCOUNTANT

##### (I) Appointment and dismissal of certified public accountant

Certified public accountant engaged	KPMG Huazhen LLP
Consecutive years of providing audit service by certified public accountant	4 years
Signing Certified Public Accountants	Huang Aizhou, Li Jiali

##### (II) Appointment and dismissal of certified public accountant for internal control

According to the 2019 Annual General Meeting, the Bank appointed KPMG Huazhen LLP on audit of the 2020 annual financial statements prepared in accordance with China Accounting Standards and issued an audit report.

#### IX. MATTERS IN CONNECTION WITH BANKRUPTCY OR REORGANIZATION

During the reporting period, there was no matter in connection with bankruptcy or reorganization.

#### X. SIGNIFICANT LITIGATION AND ARBITRATION

During the reporting period, the Bank had new matters relating to litigations and arbitration, mainly concerning the loans. Principals of newly added significant bad loan litigations (the principal amount involved in a single litigation case is over RMB10 million) amounted to RMB588,696,900.

#### XI. PUNISHMENT IMPOSED ON THE BANK AND ITS DIRECTORS AND OFFICERS BY RELATED REGULATORY AND JUDICIAL BODIES

During the reporting period, there was no punishment imposed on the Bank's directors and officers by related regulatory and judicial bodies. The Bank and its branches received a total of 3 penalties from the regulatory authorities, involving a total amount of RMB640,000. The Bank has completed corresponding rectifications in accordance with regulatory requirements and improved the corresponding risk management system. The relevant penalties do not have a substantial impact on the Bank's continuing operations.

#### XII. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS

During the reporting period, the Bank did not have any failure to fulfill the court's effective judgment, or the large amount of debt due and unpaid.

#### XIII. IMPLEMENTATION OF EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLANS AND OTHER EMPLOYEE INCENTIVE PLANS

During the reporting period, there was no equity incentive scheme, employee stock ownership plans and other employee incentive plans in place.

## XIV. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Bank strictly adhered to the Administrative Measures for Related Transactions of Commercial Banks with Insiders and Shareholders, the Administrative Measures for Related Transactions of Bank of Dongguan Co., Ltd., and the Implementation Rules for the Management of Related Transactions of Bank of Dongguan Co., Ltd. and the related requirements issued by the Banking and Insurance Regulatory Commission. Transactions with related parties were generated by normal business activities. The transaction conditions and interest rates adhered to the relevant regulations of the regulatory authorities and the Bank and were determined in accordance with the principles of marketisation, which were objective, fair, and reasonable. There was no damage to the interest of the Bank and non-related parties. During the reporting period, the proportion of credit balances of the Bank's single related party, related party group and all related parties are in compliance with regulatory requirements.

Transactions with related parties in 2020 were as follows:

On 22 April 2020, credit line of RMB590 million was issued to the Bank's related party Dongguan Minying Real Estate Development Co., Ltd., which took up 1.67% of net capital at the first quarter of 2020 of the Bank. It was considered a significant related-party transaction.

On 22 September 2020, credit line of RMB450 million was issued to the Bank's related party Dongguan Securities Co., Ltd., which took up 1.20% of net capital at the end of second quarter of 2020 of the Bank. It was considered a significant related-party transaction.

On 17 November, 2020, credit line of RMB786 million was issued to the Bank's related party Dongguan Humen Fumin Financing Guarantee Co., Ltd., which took up 2.07% of net capital at the end of third quarter of 2020 of the Bank. It was considered a significant related-party transaction.

## XV. MAJOR CONTRACTS AND THEIR PERFORMANCES

### (I) Significant custody, contracts and leases

During the reporting period, the Bank had no significant custody, contract, lease transactions or other major contract matters.

### (II) Significant guarantees

During the reporting period, apart from financial guarantee businesses as approved by PBOC and CBIRC, the Bank did not have any significant guarantees that need to be disclosed.

### (III) Entrusted cash asset management

#### 1. Entrusted wealth management

During the reporting period, the Bank did not issue entrusted wealth management beyond its normal business scope.

#### 2. Entrusted loan

During the reporting period, the Bank did not issue entrusted loans beyond its normal business scope.

### (IV) Other significant contracts

During the reporting period, there were no other significant contracts.

## XVI. SOCIAL RESPONSIBILITIES

### (I) Fulfillment of social responsibilities

Adhering to the philosophy of "giving back to the society", the Bank proactively fulfilled its social responsibilities by closely combining its business behavior with social responsibilities. **Firstly**, the Bank held fast to the national strategy and clung to the source of finance, deeply cultivated the real economy and provided active support in local development and development in areas related to people's livelihood, hoping for continuously creating economic value for the country, shareholders, employees, customers and the public with high-quality and specialized management. **Secondly**, the Bank were actively involved in all kinds of public welfare activities, including poverty reduction and elimination, education and medical assistance, popularization of financial knowledge, protection of consumer rights and community care, and actively assumed its relevant responsibilities in the field of public welfare, so as to build social harmony and promote social development. **Thirdly**, the Bank actively supported the national industrial policy and environmental protection policy, practiced green finance, made constant efforts in green credit, and supported the development of green and environmental protection industries and the social sustainability.

For details, please refer to the 2020 Social Responsibility Report of the Bank of Dongguan on the official website of the Bank.

## (II) Targeted poverty alleviation

### 1. Planning of targeted poverty alleviation

The Bank takes targeted poverty alleviation and fixed-point poverty alleviation as an important political task and has set up an inter-departmental poverty alleviation leading group under the leadership of the Party Committee, with the Secretary of the Party Committee and the Chairman of the Board of Directors as the focal point. The Bank has resolutely implemented the decisions and arrangements of the CPC Central Committee and the State Council on poverty alleviation. Closer to the poverty alleviation standard of “two assurances and three guarantees”, the Bank has continuously optimised the working mechanism for poverty alleviation, focused on the difficulties in poverty alleviation, made increasing efforts to assistance, and steadily carried out targeted poverty alleviation and fixed-point poverty alleviation, so as to ensure the success of targeted poverty alleviation.

### 2. Summary of annual targeted poverty alleviation

The Bank specially set up a poverty alleviation leading group composed of senior management, with Chairman Lu Guofeng as the group leader, Chairman of the Board of Supervisors Ye Haopeng and Vice President Zhang Tao as the deputy group leaders. Moreover, the Bank also set up a poverty alleviation office exclusive for targeted poverty alleviation. The leading group held regular poverty alleviation work meetings and fixed-point poverty alleviation featured meeting, aiming to timely deepen the precision assistance based on the latest policies and the status of poverty alleviation.

During the reporting period, the Bank maintained its support efforts to the designated villages – Caojiadong Village and Huangluo Village of Liangjiang Town, Lechang, Shaoguan. After the end of the last round of poverty alleviation, the Bank responded to the call of the Party and the government by dispatching two poverty alleviation cadres to serve as the first secretary and poverty alleviation group leader of Caojiadong Village and Huangluo Village, respectively. During the reporting period, a total of RMB3.51 million of assistance funds were used, including RMB2.01 million invested by the Bank and RMB1.5 million of financial funds and other guidance funds. A total of 35 poverty alleviation projects were implemented. Chairman Lu Guofeng, President Cheng Jinsong and Vice President Zhang Tao led teams to conduct site investigation and guidance on the poverty alleviation of the two villages. During the reporting period, 108 poverty-stricken households and 316 people in poverty in the two villages reached the poverty alleviation standard set by the province.

In addition, the Bank actively responded to the call of departments at all levels by taking an active part in various anti-poverty projects. Among them, the Bank invested RMB500,000 to assist in the construction of new-era service stations in Longtou County, Zhenxiong City, Yunnan Province, donated RMB1 million on the Guangdong Poverty Alleviation Day and Dongguan Charity Day, and invested RMB2.98 million in poverty alleviation through consumption.

During the reporting period, the targeted poverty alleviation of the Bank is summarised as follows:

Indicators	Amount of support and project implementation
I. Overview of targeted poverty alleviation	
Fund	RMB2.01 million in total invested for Caojiadong Village and Huangluo Village, Liangjiang Town, Lechang of Shaoguan City
Poverty population who received assistance	316 persons
II. Breakdown of investment	
Various Infrastructures construction	16 sites
Visiting impoverished households	108 households
III. Other situation	
Financial support to the construction of New Times Service Station, Longtou County, Zhenxiong City, Yunnan Province	RMB0.5 million
Poverty Alleviation in Guangdong Province and fundraising for public welfare on Guangdong Poverty Alleviation Day	RMB1.0 million
Poverty alleviation by means of consumption	RMB2.98 million

### 3. Follow-up plan for targeted poverty alleviation

In 2021, the Bank will complete the summary and follow-up work of the previous phase of poverty alleviation by focusing on the new aid-to-the-poor policies and supporting tasks. On the basis of consolidating the achievements made in previous years, the Bank will place emphasis on the unstable households that have been lifted out of poverty, so that they will have a steady income while getting rid of poverty. In the meantime, the Bank will strengthen the achievements of poverty alleviation by centering on the basic public service level of the poor villages and the people who have overcome poverty, so as to effectively link up with the rural revitalization in the next phase.

## **XVII. PROTECTION OF CONSUMERS' RIGHTS AND INTERESTS**

The Bank attaches great importance to the protection of consumers' rights and interests by incorporating the protection of financial consumers' rights and interests into corporate governance, corporate culture construction and business development strategies. In 2020, starting from the long-term and fundamental interests of financial consumers, the Bank made constant efforts to promote the further development of consumer protection by establishing the information disclosure system for protecting consumers' rights and interests, refining the review and evaluation system for consumer protection, improving the customer complaint management system, establishing and improving the financial marketing and publicity management system and the assessment and evaluation method of consumer protection.

The Bank unblocked the channels for customer complaints, implemented the multi-faceted resolution mechanism for complaints and disputes, strengthened the traceability, rectification and responsibility investigation of complaints, so as to comprehensively improve the management level of customer complaints and properly handle customer requests. In 2020, the Bank received a total of 426 customer complaints, mainly related to loans, bank cards, payment and settlement business, which were mainly distributed in Dongguan area and were basically dealt with in a timely and proper manner. No major complaint risk event occurred during the year.

The Bank continuously deepened the publicity and education of financial knowledge to consumers, and actively innovated the forms and increased the breadth and depth of publicity and education, so as to earnestly fulfill the social responsibilities of publicity and education for the protection of financial consumers' rights and interests. With regard to centralised publicity, the Bank actively cooperated with the regulatory authorities to launch centralised publicity activities including "15 March Consumer Rights Day", "Popularize Financial Knowledge to Help the Public Protect the Savings" and "Financial Joint Publicity and Education Month" to improve the financial literacy of consumers; In terms of daily publicity, based on the special period of COVID-19 epidemic, the Bank put a lot of weight on using publicity methods of online media to actively develop online publicity and education materials on consumer protection, including the series of micro classes, and conducted the publicity in consumer protection and expanded the effectiveness of publicity by making full use of WeChat official account, official website, short message and Dongguan Sunshine Network Media. In addition, based on the principal role of business outlets, the Bank also took multiple measures to carry out the "four entries" activities of financial knowledge, in a bid to improve consumers' financial literacy and risk prevention awareness, and to continuously deepen the publicity and education for consumers.

# Changes in Shares and Shareholders

## I. SHARES

The total amount of the Bank's shares was 2.18 billion shares and there was no change in the amount of total shares during the reporting period.

## II. SHAREHOLDERS

### (I) Amount of shareholders and shareholding

Item	31 December 2020		31 December 2019	
	Number (shares)	Shareholding ratio (%)	Number (shares)	Shareholding ratio (%)
State-owned	787,558,700	36.13	787,558,700	36.13
Social legal person owned	851,666,649	39.06	851,666,649	39.06
Natural person owned	540,774,651	24.81	540,774,651	24.81
Total shares	2,180,000,000	100.00	2,180,000,000	100.00

Note: State shares and state-owned legal person shares are collectively referred to as state-owned shares.

As at the end of the reporting period, the total number of shareholders of the Bank was 5,183 including 81 institutional shareholders and 5,102 natural person shareholders. Altogether 5,046 shareholders hold 2,173,292,815 shares, who personally or entrust others to go through the stock custody procedures. There were no third parties raising questions against the shares it holds. There were 131 natural person shareholders and 6 institutional shareholders that did not personally or entrust others to go through the custody procedures, the shares of whom accounted for 0.31% of the Bank's total shares, which will have no adverse impact to the Bank's ownership structure stability.

### (II) Controlling shareholders and actual controllers of the Company

The Company doesn't have controlling shareholders or actual controllers.

### (III) Shareholding of the Bank's top ten shareholders

No.	Name of shareholder	Number (shares)	Shareholding ratio (%)	Whether there is a mortgage (pledge) or freezing situation
1	Finance Bureau of Dongguan City	484,396,000	22.22	No
2	Dongguan Dazhong Industrial Co., Ltd.	108,564,000	4.98	No
3	Humen Town Investment Service Centre of Dongguan	108,128,000	4.96	No
4	Dongguan Hongzhong Investment Co., Ltd.	104,848,708	4.81	No
5	Dongguan Power Grid Development Company	77,732,254	3.57	No
6	Zhaoye Trading Co., Ltd. of Dongguan	76,422,386	3.51	No
7	Dongguan Financial Holdings Group Co., Ltd.	62,623,266	2.87	No
8	Lung Chuen International Hotel of Dongguan	61,800,284	2.83	No
9	Zhongpeng Trading Co., Ltd. of Dongguan	57,535,726	2.64	No
10	Dongguan Ligao Trading Co., Ltd.	56,833,334	2.61	No

During the reporting period, there was no change in the shareholding of the Bank's top ten shareholders.

#### (IV) Shareholders holding 5% or more of the Bank's equity

The only shareholder directly holding 5% or above of the Bank's equity is the Finance Bureau of Dongguan City, which is a government agency. It is the largest shareholder of the Company, holding 22.22% of total shares of the Company.

Dongguan Financial Holdings Group Co., Ltd. and three companies controlled by it hold a total of 10.95% shares of the Company. The details are as follows:

Name of shareholder	Number (shares)	Shareholding (%)
Dongguan Financial Holdings Group Co., Ltd.	62,623,266	2.87
Zhaoye Trading Co., Ltd. of Dongguan	76,422,386	3.51
Zhongpeng Trading Co., Ltd. of Dongguan	57,535,726	2.64
Yinda Trading Co., Ltd. of Dongguan	42,230,796	1.94
Total	238,812,174	10.95

Guanyi Investment Co., Ltd. of Dongguan holds 100.00% of the shares of Zhaoye Trading Co., Ltd. of Dongguan, Zhongpeng Trading Co., Ltd. of Dongguan and Yinda Trading Co., Ltd. of Dongguan. Dongguan Financial Holdings Group Co., Ltd. holds 100.00% of the shares of Guanyi Investment Co., Ltd. of Dongguan. The State-owned Assets Supervision and Administration Commission of Dongguan Municipal Government holds 100.00% of the shares of Dongguan Financial Holdings Group Co., Ltd. Therefore, the actual controller of Dongguan Financial Holdings Group Co., Ltd., Zhaoye Trading Co., Ltd. of Dongguan, Zhongpeng Trading Co., Ltd. of Dongguan, Yinda Trading Co., Ltd. of Dongguan is the State-owned Assets Supervision and Administration Commission of Dongguan Municipal Government.

# Directors, Supervisors, Senior Management and Employees

## I. BASIC INFORMATION OF MEMBERS OF THE BOARD OF DIRECTORS

No.	Name	Gender	Date of birth	Work entity	Position at the bank	Position at the work entity	Number of shares
1	Lu Guofeng	Male	1969.09	Bank of Dongguan	Secretary of the Party Committee and Chairman	Secretary of the Party Committee and Chairman	450,000 shares
2	Cheng Jinsong	Male	1968.05	Bank of Dongguan	Deputy Secretary of the Party Committee, Vice Chairman and President of the Bank	Deputy Secretary of the Party Committee, Vice Chairman and President of the Bank	None
3	Zhang Tao	Male	1962.09	Bank of Dongguan	Member of the Party Committee, Executive Director, Vice President of the Bank and Chairman of the Federation of Trade Unions	Member of the Party Committee, Executive Director, Vice President of the Bank and Chairman of the Federation of Trade Unions	430,000 shares
4	Zhang Mengjun	Male	1965.11	Bank of Dongguan	Member of the Party Committee, Executive Director and Vice President of the Bank	Member of the Party Committee, Executive Director and Vice President of the Bank	430,000 shares
5	Yin Kefei	Male	1974.07	Dongguan Financial Holdings Group Co., Ltd.	Non-Executive Director	Deputy Secretary of the Party Committee, General Manager	None
6	Wang Wencheng	Male	1964.07	Dongguan Dazhong Industrial Co., Ltd.	Non-Executive Director	Non-Executive Director, Manager	None
7	Chen Chaohui	Male	1969.10	Guangdong Humen Fumin Group	Non-Executive Director	Chairman of the Board of Supervisors	None
8	Liu Mingchao	Male	1980.10	Dongguan Power Grid Company of Guangdong Jurunda Group Co., Ltd.	Non-Executive Director	General manager	None
9	Zhang Foen	Male	1963.07	Dongguan Lung Chuen International Hotel,	Non-Executive Director	Chairman of Board of Directors	None
10	Lu Yuyan	Female	1977.01	Dongguan Financial Holdings Group Co., Ltd.	Non-Executive Director	General Manager of Accounting Department	None
11	Sun Hui	Female	1961.11	Guangzhou Shengshi Huixi Investment Management Co., Ltd.	Independent director	Executive Director and General Manager	None
12	Wang Yanming	Male	1957.06	Lingnan College of Sun Yat-sen University	Independent director	Professor, Doctoral Supervisor	None
13	Hua Xiuping	Female	1978.08	Nottingham University Business School (China)	Independent director	Professor, Doctoral Supervisor	None
14	Qian Wei	Male	1963.09	Shanghai Fudan Science and Technology Park Venture Capital Co., Ltd.	Independent director	Director and General Manager	None
15	Chen Tao	Male	1978.06	Guangdong Pan-China Certified Public Accountant	Independent director	Department Manager	None

Note: On 14 January 2021, Mr. Yin Kefei resigned as a director of the Bank due to work reasons.

## II. BASIC INFORMATION OF MEMBERS OF THE BOARD OF SUPERVISORS

No.	Name	Gender	Date of Birth	Work entity	Position at the Bank	Position at the work entity	Number of shares
1	Ye Haopeng	Male	1962.07	Bank of Dongguan	Deputy Secretary of Party Committee, Leader of the Discipline Inspection and Supervision Team of the Municipal Commission for Discipline Inspection, Chairman of the Board of Supervisors of the Bank (Chairman of the Board of Supervisors)	Deputy Secretary of Party Committee, Leader of the Discipline Inspection and Supervision Team of the Municipal Commission for Discipline Inspection, Chairman of the Board of Supervisors of the Bank (Chairman of the Board of Supervisors)	None
2	Liang Yaoguang	Male	1959.08	None	Supervisor of Shareholders	None	None
3	Wang Ganchao	Male	1988.10	Dongguan Ligao Trading Co., Ltd.	Supervisor of Shareholders	Executive Director, General Manager	None
4	Xiao Jianming	Male	1969.09	Credit Management Department of Dongguan Bank Head Office	Employee Supervisor, General manager	Employee Supervisor, General manager	448,313 shares
5	Wei Xiangping	Female	1973.08	Human Resources Department, Trade Union Office of Dongguan Bank Head Office	Head of the Party Committee Organization Department of the Bank, Employee Supervisor, General Manager	Head of the Party Committee Organization Department of the Bank, Employee Supervisor, General Manager	None
6	Xie Haocheng	Male	1971.01	Dongguan Tiancheng Accounting Firm, Dongguan Tiancheng Tax Agent Office	External Supervisor	Partner, Deputy Chief Accountant, Deputy Chief Tax Accountant	None
7	Yao Xiaocong	Male	1953.12	None	External Supervisor	None	None
8	Chen Ying	Female	1980.08	Zhongzhixin (Guangdong) Engineering Consulting Co., Ltd., Dongguan Branch of Zhongzhixin (Guangdong) Engineering Consulting Co., Ltd., Guangdong Zhongzhixin Certified Public Accountants Firm (Special General Partnership), Dongguan Branch of Guangdong Zhongzhixin Certified Public Accountants Firm (Special General Partnership)	External Supervisor	Deputy General Manager, Person in Charge, Partner, Branch Director	None



### III. BASIC INFORMATION OF SENIOR MANAGEMENT

No.	Name	Gender	Date of Birth	Years of Experience (Financial)	Position	Number of shares
1	Cheng Jinsong	Male	1968.05	28	Deputy Secretary of the Party Committee, Vice Chairman and President of the Bank	None
2	Zhang Tao	Male	1962.09	41	Member of the Party Committee, Executive Director, Vice President of the Bank and Chairman of the Federation of Trade Unions	430,000 shares
3	Zhang Mengjun	Male	1965.11	31	Member of the Party Committee, Executive Director, and Vice President of the Bank	430,000 shares
4	Xie Yongwei	Male	1972.09	21	Member of the Party Committee and Vice President of the Bank	303,065 shares
5	Li Qicong	Male	1972.09	26	Member of the Party Committee, the secretary of the Board of Directors	-
6	Zhong Zhandong	Male	1971.03	27	Chief Information Officer	-
7	Sun Weiling	Female	1972.01	24	Chief Accountant and Vice Chairman of the Federation of Trade Unions	112,609 shares
8	Ma Yaping	Female	1967.10	31	Risk Director	-

### IV. MAIN WORKING EXPERIENCE OF DIRECTORS, SUPERVISORS, SENIOR OFFICERS AND OTHER MANAGEMENT PERSONNEL IN DEPARTMENTS WHICH HAVE A SIGNIFICANT IMPACT ON RISK

#### (I) Directors

**Lu Guofeng, Secretary of Party Committee and Chairman of the Board of Directors**, male, born in September 1969, has a master degree. He is an Intermediate Economist. He once served as a Member of the Party Commission and the Vice President of China Construction Bank Dongguan branch and the Deputy Secretary of the Party Committee and President of the Bank. Now he serves as the Secretary of Party Committee and Chairman of the Board of Directors of the Bank.

**Cheng Jinsong, Deputy Secretary of the Party Committee, Vice Chairman and President of the Bank**, male, born in May 1968, has a master degree. He is a Senior Economist. He once served as the Secretary of the Party Commission and the President of China Construction Bank Shaoguan Branch. Now he serves as the Deputy Secretary of the Party Commission, the Vice Chairman and the President of the Bank.

**Zhang Tao, Member of the Party Committee, Executive Director, Vice President of the Bank, Chairman of the Federation of Trade Unions, and Secretary of Institutional Party Committee**, male, born in September 1962, has a bachelor academic qualification and a master degree. He is a Senior Political Engineer and Intermediate Economist. He once served as the Chief Staff Member of the Planning Department of Dongguan Branch of the People's Bank of China, the Temporary Deputy General Manager of the City Credit Cooperative Centre of Dongguan City, the Vice Director of the Organizing Office of the Bank, the Secretary of the Discipline Inspection Commission and Chairman of the Trade Union of the Bank. Now he serves as the Member of the Party Commission, Executive Director, Vice President, Chairman of the Federation of Trade Unions and Secretary of Institutional Party Committee of the Bank.

**Zhang Mengjun, Member of the Party Committee, Executive Director and Vice President of the Bank**, male, born in November 1965, has a bachelor academic qualification and a master degree. He is an Intermediate Economist and Political Engineer. He once served as the Deputy Manager of the City Credit Corporation Centre of Dongguan City, the President of Central District Sub-Branch of the Bank, the assistant to the President of the Bank and the President of Dongguan Branch of the Bank. Now he serves as the Member of the Party Commission, Executive Director and Vice President of the Bank.

**Yin Kefei, Non-Executive Director**, male, born in July 1974, has a master degree. He is a National Certified Safety Engineer and Chemical Engineer. He worked for the Shenzhen Gas Group Co., Ltd. Pipeline Gas Branch, the Pipeline Gas Customer Service Branch, Ganzhou Shen Ran Natural Gas Co., Ltd.; he once served as the Party Member and Deputy Director of SASAC of Dongguan, during which he also held the position of the Vice Chairman of Dongguan Water Investment Co., Ltd.; he once served as the Vice Secretary General of Dongguan Municipal Government, the Party Secretary and Director of the Beijing Liaison Office of the Municipal Government during which he also held the position of the Chairman of Board of Supervisors of Dongguan Biotech Industry Development Co., Ltd. As of the end of the reporting period, he served as the Deputy Secretary of the Party Committee and the General Manager of the Dongguan Financial Holdings Group Co., Ltd.

**Wang Wencheng, Non-Executive Director**, male, born in July 1964, has a high school diploma. He has been the Executive Director and Manager of Dongguan Dazhong Industrial Co., Ltd. since 1995.

**Chen Chaohui, Non-Executive Director**, male, born in October 1969, has a college degree. He once served as an accountant of the Dongguan Humen Industrial and Trading Corporation, the Manager of the Finance Department of Dongguan Zhujiang Corporation Group, the Audit Manager of the Financial Audit Department of the Dongguan Humen Assets Management Co., Ltd. and the Manager of the Finance and Statistics Department of Guangdong Humen Fumin Group Co., Ltd. Now he serves as the Chairman of the Board of Supervisors of the Guangdong Humen Fumin Group Co., Ltd.

**Liu Mingchao, Non-Executive Director**, male, born in October 1980, has a bachelor academic qualification and a master degree. He once served as the Director and Deputy General Manager of the General Department of the Headquarter of the Dongguan Power Industrial Corporation, the Deputy General Manager and General Manager of Dongguan Electric Power Development Co., Ltd., and the General Manager of Dongguan Branch of Guangdong Electric Power Industry Development Corporation. Now he serves as the General Manager of Dongguan Guandian Branch of Guangdong Jurunda Group Co., Ltd.

**Zhang Foen, Non-Executive Director**, male, born in July 1953, has a high school diploma. He started his work in July 1970 and currently is the Executive Director and Manager of the Dongguan Lung Chuen International Hotel and Dongguan Lung Chuen Industrial Co., Ltd.

**Lu Yuyan, Non-Executive Director**, female, born in January 1977, has a bachelor degree. She is an Intermediate Accountant. She worked for Dongguan Branch of the China Construction Bank. Now she serves as the General Manager of Accounting Department of Dongguan Financial Holdings Group Co., Ltd.

**Sun Hui, Independent Director**, female, born in November 1961, has a master degree and the qualification of general accountant and tax accountant. She worked for the Personnel Office of the Shanghai Justice Bureau, Shanghai Huaxia Law Office, No. 1 Washington Group, and the Saide Global Pacific. Now she serves as the Executive Director and General Manager of the Guangzhou Shengshi Huixi Investment Management Co., Ltd.

**Wang Yanming, Independent Director**, male, born in June 1957, has a doctor degree. He is a professor and doctoral supervisor. He once served as the teacher of Bailuzhou Middle School in Ji'an city of the Jiangxi Province, the teacher of the Department of Mathematics of Guangxi University, the post-doctoral researcher and lecturer of the Peking University, the associate professor of the Sun Yat-sen University. Now he serves as the professor and doctoral supervisor of the Lingnan College of the Sun Yat-sen University.

**Hua Xiuping, Independent director**, female, born in August 1978, has a doctor degree. She is a professor and doctoral supervisor. She once served as the Assistant Professor and Doctoral Supervisor of Finance of Nottingham University Business School (China). Now she serves as the Professor and Doctoral Supervisor of Finance of Ningbo Nottingham University Business School (China), the Independent Director of Shenzhen Topband Co., Ltd. and the Independent Director of Ningbo Fubang Jingye Group Co., Ltd.

**Qian Wei, Independent Director**, male, born in September 1963, has a master degree. He worked for Shenyang Branch of the Bank of China, Bank of China Shenyang Trust Consulting Company, Shenyang Tiexi District Sub-Branch of Bank of China, China Orient Trust and Consulting Company, Investment Management Department of Bank of China, BOC International Holdings Limited and BOC International (China) Co., Ltd. Now he serves as the Chairman of the Lvsilu Equity Investment Management Limited, the director and General Manager of Shanghai Fudan Science and Technology Park Venture Capital Co., Ltd. and the Independent Director of COFCO Capital Holdings Co., Ltd.

**Chen Tao, Independent Director**, male, born in June 1978, has a college degree. He is a Certified Public Accountant, Intermediate Accountant and Asset Appraiser. He worked for China Kanglianda Industrial Group. Now he serves as a Department Manager of the Pan-China Certified Public Accountants.

## (II) Supervisors

**Ye Haopeng, Deputy Secretary of Party Commission, Leader of the Discipline Inspection and Supervision Team of the Municipal Commission for Discipline Inspection, and Chairman of the Board of Supervisors**, male, born in July 1962, has a bachelor degree. He once served as the Deputy Director and Director of Dongguan Branch Office of Bank of China, the Deputy Director of Dongguan Local Financial Asset Management Office, the Deputy Director and Director of Dongguan Financial Service Office and the Director of the Finance Bureau of the Dongguan Municipal People's Government, the Secretary of the Disciplinary Committee of the Bank, and Chairman of the Federation of Trade Unions. Now he serves as the Deputy Secretary of Party Commission and the Leader of the Discipline Inspection and Supervision Team of the Municipal Commission for Discipline Inspection, and the Chairman of the Board of Supervisors

**Liang Yaoguang, Supervisor of Shareholder**, male, born in August 1959, has a high school diploma (college degree certificate). He began to work in October 1975 and once served as an accountant and the Vice President of the Dongguan Shilong Town Plastic Factory and the General Manager of the Dongguan Shilong Xihu Power Plant and the General Manager of Dongguan Shilong Town Industrial Corporation.

**Wang Ganchao, Supervisor of Shareholders**, male, born in October 1988, has a high school diploma. He began to work in 2008, and now serves as the Executive Director and General Manager of Dongguan Ligao Trading Co., Ltd.

**Xiao Jianming, Supervisor of Employees**, male, born in September 1969, has a doctor degree. He began to work in July 1994. He was a member of the Party Committee of the Hunan Provincial Space Administration Bureau, a member of the Comprehensive Office of the National Security Bureau of Changsha City, a lecturer of the Law Department of Hunan College of Finance and Economics, the head of the credit department and assistant manager of the Bank, and the Deputy general manager of risk management department, deputy general manager and general manager of the compliance department (to preside over the overall work), deputy head of the preparatory group of Zhuhai branch, and branch president. He now serves as the general manager and Supervisor of Employees of the credit management department of the head office of the Bank.

**Wei Xiangping, Supervisor of Employees**, female, born in August 1973, has a bachelor degree. She is now an intermediate economist. She began to work in July 1997, and served as the deputy manager, manager, assistant to the general manager, deputy general manager (responsible for overall), general manager, deputy director of the office of Capital Department of the Guangdong Branch of the Guangdong Development Bank, general manager of human resources department of the Dongguan Branch of the Guangdong Development Bank, the head of the party committee organization department of the branch, the branch disciplinary inspection committee member, the deputy general manager and deputy general manager (in charge of overall work) of the human resources department of the head office of the Bank, and the deputy general manager of the labor union office (in charge of overall work) (concurrently). She is currently the general manager of the Human Resources Department and the Trade Union Office of the head office of the Bank, the head of the Organization Department of the Party Committee, and a Supervisor of Employees.

**Xie Haocheng, External Supervisor**, male, born in January 1971, has a bachelor degree. He is a Chinese Certified Public Accountant and Intermediate Accountant. He began to work in July 1995, and worked for the Xiangya School of Medicine, Hunan Tiandiren Law Firm and Dongguan Dongda Accounting Firm. Now he serves as the Partner and Deputy Chief Accountant of Dongguan Tiancheng Accounting Firm and the Partner and deputy chief tax accountant of the Dongguan Tiancheng Certified Tax Agent.

**Yao Xiacong, External Supervisor**, male, born in December 1953, has a bachelor degree. He is an accountant. He began to work in January 1970, and once served as the accountant of Pingshi Section of Guangzhou Railway Branch, the accountant and finance director of Shaoguan Section, the General Accountant, Director of the Finance Department and Director of Finance Office of Guangzhou Railway Branch of the Yangcheng Railway Company, the Director of the Finance Office of the China Railway Guangzhou Group Co., Ltd, the Chief Accountant, Secretary of the Board of Directors and the Investigator of the Guangshen Railway Company Limited, and the Independent Director of Shenzhen MTC Co., Ltd.

**Chen Ying, External Supervisor**, female, born in August 1980, has a bachelor's degree. She is a certified public accountant in China. He started to work in July 2001 and once served as the audit assistant and project manager of Henan Huabixin Jingwei Certified Public Accountants Co., Ltd., the project manager of Dongguan Guanglian Certified Public Accountants Firm, and the director of Dongguan Jucheng Certified Public Accountants. She is the current deputy general manager of Zhongzhixin (Guangdong) Engineering Consulting Co., Ltd., the head of the Dongguan branch of Zhongzhixin (Guangdong) Engineering Consulting Co., Ltd., the partner of Guangdong Zhongzhixin Accounting Firm (Special General Partnership), and the director of the Dongguan branch of Guangdong Zhongzhixin Accounting Firm (Special General Partnership).

### (III) Senior management

**Cheng Jinsong, Deputy Secretary of the Party Committee, Vice Chairman and President of the Bank** (see "Directors" for details).

**Zhang Tao, Member of the Party Committee, Executive Director, Vice President of the Bank, and Chairman of the Federation of Trade Unions** (See "Directors" for details).

**Zhang Mengjun, Member of the Party Committee, Executive Director and Vice President of the Bank** (see "Directors" for details).

**Xie Yongwei, Member of the Party Committee, Vice President of the Bank**, male, born in September 1972, has a bachelor academic qualification and a master degree. He is a Senior Certified Financial Planners, Intermediate Economist and Assistant Accountant. He once served as the Deputy Department Manager of the Shenzhen Peng Cheng Accounting Firm, and various positions at the Bank including Director of and General Manager Assistant of the Auditing Department, Deputy Director, Deputy General Manager and General Manager of the Office of the Board of Supervisors, General Manager of the Trade Union Office, General Manager of the President's Office, Director of the Party Committee Office, General Manager of Office of the Board of Directors and the Secretary of the Board of Directors and General Manager of Operation Department. Now he serves as the Member of the Party Committee and Vice President of the Bank.

**Li Qicong, Member of the Party Committee, Secretary of the Board of Directors**, male, born in September 1972, has a master degree. He is a Certified Public Accountant and Intermediate Account. He once served as the Deputy Manager and Manager of the Accounting Department, Manager of Customer Department and the Assisting-roles-of-sections level account manager in the Corporate Business Department under the Dongguan Branch International Business Department of China Construction Bank, the Manager of the Marketing Development Department of the Hantang Securities Dongguan Sales Office, Deputy Manager and Manager of the Corporate Department of Dongguan Branch of the Bank of Communications, and various positions at the Bank including Deputy General Manager of the International Business Department, Secretary of the Party branch and President of Songshan Lake Keji Sub-Branch, Secretary of the Party branch, President and General Manager of Corporate Business Department of Foshan Branch. Now he serves as the Member of the Party Committee and Secretary of the Board of Directors of the Bank.

**Zhong Zhandong, Chief Information Officer**, male, born in March 1971, has a bachelor degree. He is a Senior Electronic Technical Engineer. He once served as the Deputy Manager and Manager of the Technology Department, Manager and Deputy General Manager of the Information Technology Department and General Manager of the Data Centre of the Guangdong Development Bank. Now he serves as the Chief Information Officer of the Bank.

**Sun Weiling, Chief Accountant, Vice Chairman of the Federation of Trade Unions**, female, born in January 1972, has a bachelor degree. She is a Senior Accountant and International Certified Public Accountant (ICPA). She once served as the Accounting Director of New City Center Development Department of the Dongguan Fucheng District Real Estate Development Company, and various positions at the Bank including Deputy General Manager and General Manager of the Accounting Department, General Manager of the Human Resources Department and General Manager of the Trade Union Office. Now she serves as the Chief Accountant and Vice Chairman of the Federation of Trade Unions of the Bank.

**Ma Yaping, Risk Director**, female, born in October 1967, has a bachelor degree. She is an Intermediate Accountant, Intermediate Economist and Registered Asset Appraiser. She once served as Deputy Manager of the Business Department and Manager of Risk Management Department and the Manager of the Corporate Business Department of the China Construction Bank Dongguan Branch, Level Four Approver of Credit Examination of the China Construction Bank Guangdong Branch, the Risk Director of Guangzhou Tianhe Sub-branch, the Deputy Manager of Corporate Business Department, Deputy General Manager of SME Business Department (in charge of overall work) of the Guangdong Branch. Now she serves as the Risk Director of the Bank.

### (IV) Management personnel in departments which has a significant impact on risk

**Sun Weiling, Chief Accountant (Chief Financial Director), Chairman of the Federation of Trade Unions** (see "Senior Management" for details).

**Ma Yaping, Chief Risk Director (Chief Risk Officer)** (see "Senior Management" for details).

**Wei Sanfang, General Manager of the Accounting Department**, female, born in August 1973, has a master degree. She is a Certified Public Accountant and Intermediate Accountant. She held different positions in China Construction Bank Dongguan Branch, including the Deputy General Manager and General Manager of the Credit Card and the Deputy General Manager of the Planning Finance Department, Deputy General Manager of Credit Card and E-banking Department (in charge of the overall work), the Deputy General Manager and General Manager of the Planning Finance Department (in charge of the overall work), General Manager of the Investment Banking Department (Financial Marketing Department), and once served as the Deputy General Manager of the Accounting Department of the Bank. Now she serves as the General Manager of the Accounting Department of the Bank.

**Yao Xia, General Manager of the Auditing Department**, female, born in February 1970, has a bachelor degree and she is a Certified Public Accountant, Intermediate Accountant and Certified Financial Planner. She once served as the Deputy Manager of the City Credit Corporation Centre of Dongguan City, Head of the Operation Department of the Dongguan Sub-Branch of CITIC Industrial Bank, Certified Public Accountant of the Zhonglian Accounting Firm of Dongguan City, Financial Director, Head of Comprehensive Planning Group, Deputy General Manager of the Bank's Accounting Department (temporary post), the Vice President and General Manager of the Finance Department of the Guangzhou Branch of the Bank. Now she serves as the General Manager of the Auditing Department of the Bank.

**Hu Ni, General Manager of Risk Management Department**, female, born in September 1983, has a master degree. She is an Intermediate Economist. She held various positions at the Bank including the Director and Deputy General Manager of the Risk Management Department, the Deputy General Manager of the Corporate Business Department, the Vice President of the Songshan Lake Keji Sub-Branch, Deputy General Manager of the Office of Board of Directors and Deputy General Manager of Risk Management Department (In charge of overall work). Now she serves as the General Manager of Risk Management Department of the Bank.

## V. CHANGES IN IMPORTANT PERSONNEL

### (I) Directors

In 2020, there was no change in the directors of the Bank.

### (II) Supervisors

On 26 March 2020, Chen Ying was elected as the external supervisor of the 7th Board of Supervisors in the Bank's 2019 Annual General Meeting of Shareholders; and the former external supervisor Chao Zhixiong formally resigned.

On 29 September 2020, Tong Ying applied to resign as a shareholder supervisor of the Bank due to work reasons.

### (III) Senior management

In 2020, there was no change in the senior management of the Bank.

## VI. AMOUNT OF REMUNERATION RECEIVED BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In 2020, the total amount of remuneration received by the directors, supervisors and senior management of the Bank was RMB23,117,200. (The data is based on the actual cost of the labour cost which includes the salaries, subsidies, deferred payment of bonus, social insurance, housing fund, corporate pension and personal income tax withheld or remitted by individuals and the social insurance, housing fund and annuity withheld or remitted by the Bank).

## VII. EMPLOYEES

As of the end of the reporting period, the Bank had 5,015 employees. Among them, 401 employees possess master degrees or above, 3,790 possess bachelor degrees, 563 possess college degrees, and 261 possess technical secondary education or below background.

## VIII. REMUNERATION ASSESSMENT, INCENTIVE AND RESTRAINT SYSTEM

The Bank has established a remuneration management framework based on the need of management decision-making. The highest decision-making body is the General Meeting of Shareholders of the Bank, which is in charge of the remuneration management of the directors and supervisors. The Board of Directors and its subordinated Nomination & Remuneration Committee are in charge of the remuneration and assessment of the senior management. In 2020, the Nomination & Remuneration Committee held three meetings in total. The senior management is responsible for the development of remuneration management and assessment system for the employee below the senior management levels. The Human Resources Department is responsible for the implementation of the remuneration management and assessment system and Accounting Department is responsible for works concerning performance appraisal.

The Bank has established a remuneration system based on position value, individual qualifications, performance contribution and job responsibilities. The remuneration structure consists of position salary, performance-based bonus, additional salary, benefits and special rewards (contingent), among which performance-based bonus is a variable incentive offered when the Bank achieves business performance. This bonus mainly reflects the Bank personnel's performance and the contribution to the Bank and is based on the performance assessment for a specific assessment period. In order to enhance the risk management awareness of senior management and the personnel whose positions have significant risk impact, the Bank adopts a deferred payment system for the performance-based bonus.

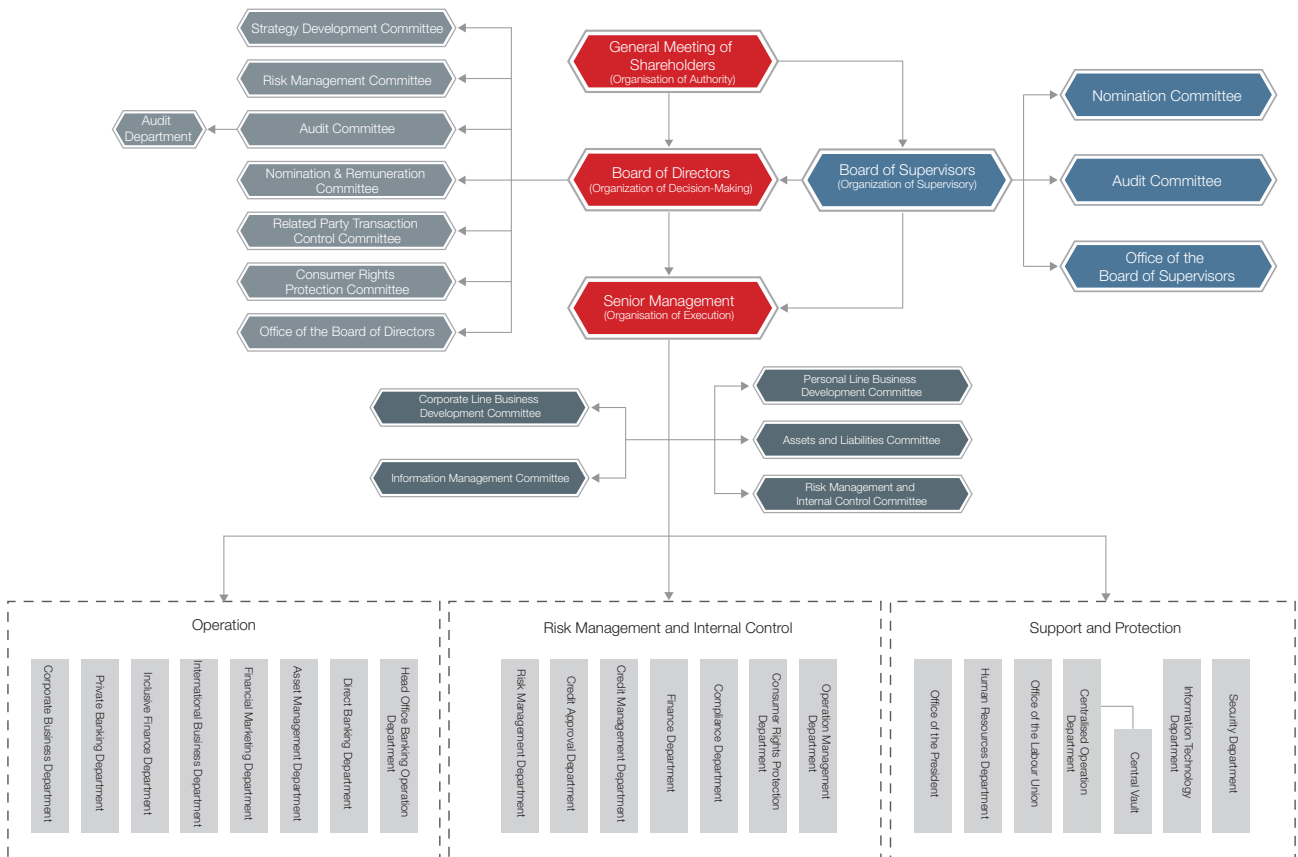
The remuneration level of the Bank is mainly determined based on the profits and operating income of the Bank. The remuneration level of employees is linked to the completion of key performance indicators of the unit and the position. In order to increase the restraint of compensation mechanism, the completion of risk cost control indicators will affect the adjustment of performance compensation across the Bank.

The Bank has established policies over remuneration allocation and assessment for all levels of employees and enforced the policies after management approval. The assessment of employees taking the risk and compliance management positions will mainly focus on internal management and internal indicators. The senior management achieved its assessment indicators in respect of operations, risk management and social responsibility in 2020.

# Corporate Governance

## I. BASIC SITUATION OF CORPORATE GOVERNANCE

The Bank strictly complies with the *Company Law*, the *Commercial Bank Law*, the *Guidelines on Corporate Governance of Commercial Banks*, the *Interim Administrative Measures of Equity of Commercial Banks* and other laws, regulations, regulatory requirements, and the requirements of the Bank's Articles of Association, so as to continuously improve the level of corporate governance. The Bank actively promotes the organic integration of party leadership and corporate governance, and strictly implements the requirements of various initiatives including integrating Party-building into the Articles of Association, Two-way Entry, Cross Appointment and Front Check of Party Committee. The Bank has established an organizational structure for modern corporate governance including the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, and senior management. It has also formulated the rules of procedures at all levels, clarified the powers and responsibilities of the three boards and one management, and promoted the formation of an operating mechanism of corporate governance featuring independent operation, effective checks and balances, mutual cooperation, and coordinated operation.



During the reporting period, the Bank continued to follow up the implementation of various regulatory requirements, and constantly improved the system documents of corporate governance, mainly formulated the *Detailed Rules for the Implementation of the "Three Important and One Large" Decision-Making System of the Bank of Dongguan*, and revised the authorization plan of the shareholders' meeting for the Board of Directors and the Board's authorization letter to the senior management, so as to further standardize and consolidate the foundation of the corporate governance system.

During the reporting period, the Bank strengthened active capital management, carried out capital replenishment projects in an orderly manner, organized shareholders' meetings, and the meetings of the Board of Directors to review proposals on issuance of capital bond and various capital planning implementation reports. It has actively promoted the listing application work, and actively communicated with the government, regulatory agencies, and intermediary agencies. The Bank has made full use of innovative capital tools, and successfully issued RMB2.2 billion of undated capital bonds on 20 May 2020. At the same time, it actively deployed the declaration of Tier 2 capital bonds to further enhance its capital strength.

During the reporting period, the Bank attached great importance to information disclosure, and disclosed the annual reports and quarterly reports, the use of funds raised from green financial bonds in 2020, and other important matters in a timely, complete, accurate and true manner in strict accordance with the requirements of the regulatory authorities, the Articles of Association and the *Administrative Measures for Information Disclosure of Bank of Dongguan Co., Ltd.* The Bank mainly uses the following channels to disclose information in its annual report: 1. The summary of the 2019 annual report was disclosed in the Financial Times; 2. The 2019 annual report was disclosed on the Bank's website (disclosure URL: www.dongguanbank.cn); 3. The 2019 annual report was disclosed on Chinabond.com and Chinamoney.com (disclosure URL: www.chinabond.com.cn/www.chinamoney.com.cn); 4. The printed annual reports were distributed to shareholders at the annual general meeting; 5. The printed annual reports were available for inquiries in the office of the Board of Directors of the Bank and all branches. In addition, in November 2020, the Bank organized the information disclosure specialists and business backbone staff to carry out specialized training on information disclosure and focused on establishing a management mechanism for information disclosure and improving the work processes.

During the reporting period, the Bank focused on communication with investors and continuously improved the communication mechanism with investors. Two-way communications with investors were strengthened through letters, telephone calls, dedicated e-mail addresses and the Bank's website. At the same time, the disclosure of the Bank's business management dynamics and important information were enhanced, so that investors can understand the Bank's business management in a timely manner, enhancing investors' understanding, recognition, and support of the Bank.

## II. WORK OF THE GENERAL MEETING OF SHAREHOLDERS

### (I) Responsibilities of the General Meeting of Shareholders

The General Meeting of Shareholders is the highest authority body of the Bank. The General Meeting of Shareholders exercised its duties and authorities, including amending the Articles of Association of the Bank, reviewing and approving the Bank's profit distribution plan, electing and replacing directors and supervisors, and deciding on the Bank's business policies and investment plans, reviewing and approving the reports of the Board of Directors and the Board of Supervisors, etc. in accordance with the Articles of Association and the *Rules of Procedures for the General Meeting of Shareholders of Bank of Dongguan Co., Ltd.*

### (II) General Meetings of Shareholders

The Bank convenes annual or extraordinary general meetings in accordance with the Articles of Association and the *Rules of Procedures for the General Meeting of Shareholders of Bank of Dongguan Co., Ltd.* In 2020, the General Meeting of Shareholders of the Bank held 1 annual meeting and 2 extraordinary meetings. The notification, summoning and convening of the General Meetings of Shareholders, voting procedures and resolutions are carried out in compliance with the regulations, ensuring that all shareholders fully and equally enjoy the right to know and participate.

On 26 March 2020, the Bank held the 2019 Annual General Meeting of Shareholders. The meeting was held at the head office of the Bank. The notice of the meeting was published on the *Dongguan Daily* and the Bank's official website on 4 March 2020. The ratio of participation of investors was 68.86%. The meeting deliberated and adopted 21 proposals (reports):

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Proposal on the <i>2019 Annual Report of Bank of Dongguan Co., Ltd.</i>
2	Proposal on the <i>2019 Annual Audit Report of Bank of Dongguan Co., Ltd.</i>
3	Proposal on the <i>2019 Annual Report of the Financial Statements of Bank of Dongguan Co., Ltd.</i>
4	Proposal on the <i>2019 Annual Profit Distribution Plan of Bank of Dongguan Co., Ltd.</i>
5	Proposal on the <i>2020 Financial Budget Plan of Bank of Dongguan Co., Ltd.</i>
6	Proposal on the <i>2019 Annual Report of Corporate Social Responsibility of Bank of Dongguan Co., Ltd.</i>
7	Proposal on the Confirmation of the Initial Public Offering of RMB Ordinary Shares (A shares) and Relevant Financial Information and Approval of its Publicity in the Reporting Years (2017, 2018 and 2019)
8	Proposal on the Analysis of Diluting the Immediate Returns of the Initial public Offering of Shares and the Remedial Measures
9	Proposal on Hiring an Accounting Firm to Audit the 2020 Operating Results of Bank of Dongguan Co., Ltd.

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
10	Proposal on Confirming the Related Party Transactions of Bank of Dongguan Co., Ltd. for 2017-2019
11	Proposal on the <i>Report of the Bank of Dongguan on Related Party Transactions in 2019</i>
12	Proposal on the Expected Transaction Quota for Some Related Parties of Bank of Dongguan Co., Ltd. in 2020
13	Proposal on <i>Amending the Plan of the Authorization of Shareholders' Meeting to the Board of Directors of Bank of Dongguan Co., Ltd.</i>
14	Proposal on the <i>2019 Annual Work Report of the Board of Directors of Bank of Dongguan Co., Ltd.</i>
15	Proposal on the <i>2019 Annual Work Report of the Board of Supervisors of Bank of Dongguan Co., Ltd.</i>
16	Proposal on the <i>2019 Annual Report on Duty Performance Evaluation of the Directors of Bank of Dongguan Co., Ltd.</i>
17	Proposal on the <i>2019 Annual Report on Debriefing and Mutual Evaluation of Independent Directors of Bank of Dongguan Co., Ltd.</i>
18	Proposal on the <i>2019 Annual Report on Duty Performance Evaluation of the Supervisors of Bank of Dongguan Co., Ltd.</i>
19	Proposal on the <i>2019 Annual Report on Debriefing and Mutual Evaluation of External Supervisors of Bank of Dongguan Co., Ltd.</i>
20	Proposal on the <i>2019 Annual Report on Performance Evaluation of the Board of Supervisors on Directors and Senior Management of Bank of Dongguan Co., Ltd.</i>
21	Proposal on Election of Supervisors of Bank of Dongguan Co., Ltd.

The lawyer issued a legal opinion on the summoning and convening procedures of the meetings, the qualifications of attendees and conveners, and the voting procedures and voting results.

On 15 May 2020, the Bank held the first extraordinary General Meeting of Shareholders in 2020. The meeting was held at the head office of the Bank. The notice of the meeting was published on 29 April 2020 on Dongguan Daily and the Bank's official website. The participation ratio of investors was 67.6%. 2 proposals were deliberated and adopted at the meeting:

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Proposal on the Issuance of Tier 2 Capital Bonds by Bank of Dongguan Co., Ltd.
2	Proposal on the Issuance of Financial Bonds by Bank of Dongguan Co., Ltd.

The lawyer issued a legal opinion on the summoning and convening procedures of the meetings, the qualifications of attendees and conveners, and the voting procedures and voting results.

On 16 September 2020, the Bank held the second extraordinary General Meeting of Shareholders in 2020. The meeting place was at the head office of the Bank. The notice of the meeting was published on 27 August 2020 on Dongguan Daily and the Bank's official website. The participation ratio of investors was 63.24%. 5 proposals were deliberated and adopted at the meeting:

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Proposal on Applying for Changes to the Relevant Content of the <i>Proposal on Application for Initial Public Offering and Listing of RMB Common Stocks (A Shares)</i>
2	Proposal on the Extension of the Authorization Period in the <i>Proposal on the Bank's Application for the Public Issuance of A Shares and the Authorization in the Process of Listing</i>
3	Proposal on the Confirmation of the Initial Public Offering of RMB Common Stocks (A shares) and Relevant Financial Information and Approval of Its Publicity in the Reporting Years (2017, 2018, 2019 and the First Half of 2020)
4	Proposal on Confirming Related Party Transactions of Bank of Dongguan Co., Ltd. for 2017 – the First Half of 2020
5	Proposal on Adjusting the 2020 Annual Budget Plan of Bank of Dongguan Co., Ltd.

The lawyer issued a legal opinion on the summoning and convening procedures of the meetings, the qualifications of attendees and conveners, and the voting procedures and voting results.

### III. WORK OF THE BOARD OF DIRECTORS

#### (I) Responsibilities of the Board of Directors

The Board of Directors is the Bank's decision-making body and is responsible for the General Meeting of Shareholders. The Board of Directors exercises the duties and authorities of reporting to the General Meeting of Shareholders, implementing the resolutions of the General Meeting of Shareholders, deciding on the business plan and investment plan of the Bank, and inspecting and supervising the work of the senior management in accordance with the provisions of the Articles of Association and the *Rules of Procedure for the Board of Directors of Bank of Dongguan Co., Ltd.* The Board of Directors consists of a strategic development committee, a risk management committee, an audit committee, a nomination and remuneration committee, a related party transaction control committee, and a consumer rights protection committee.

#### (II) Meetings of the Board of Directors

In 2020, the Board of Directors convened 7 meetings and deliberated and adopted 109 proposals and reports, covering major issues such as the Company's business objectives, profit distribution, connected transactions, and risk management. The Board of Directors of the Bank strictly complied with laws and regulations, the Bank's Articles of Association and the *Rules of Procedures of the Board of Directors* in strict compliance with the procedures for holding and voting at the meeting. All directors actively and diligently performed their duties, attended meetings as required, carefully reviewed major issues of the Bank, and actively expressed professional opinions, playing an active role in improving the level of corporate governance and promoting sound operations.

On 3 March 2020, the Bank held the 11th Meeting of the 7th Board of Directors. Out of 15 Directors supposed to attend, 15 participated in the meeting with 15 votes. 18 proposals (reports) were deliberated and adopted at the meeting.

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Proposal on the <i>2019 Annual Report of Bank of Dongguan Co., Ltd.</i>
2	Proposal on the <i>2019 Annual Audit Report of Bank of Dongguan Co., Ltd.</i>
3	Proposal on the <i>2019 Annual Report on Financial Statements of Bank of Dongguan Co., Ltd.</i>
4	Proposal on the <i>2019 Annual Profit Distribution Plan of Bank of Dongguan Co., Ltd.</i>
5	Proposal on the <i>2020 Financial Budget Plan of Bank of Dongguan Co., Ltd.</i>
6	Proposal on the <i>2019 Annual Work Report of the Board of Directors of Bank of Dongguan Co., Ltd.</i>
7	Proposal on <i>2019 Annual Report on Duty Performance Evaluation of Directors of Bank of Dongguan Co., Ltd.</i>
8	Proposal on the <i>2019 Annual Report on Debriefing and Mutual Evaluation of Independent Directors of Bank of Dongguan Co., Ltd.</i>
9	Proposal on the <i>2019 Annual Report on Duty Performance Evaluation of Senior Management of Bank of Dongguan Co., Ltd.</i>
10	Proposal on the Confirmation of the Initial Public Offering of RMB Common Stocks (A shares) and Relevant Financial Information and Approval of its Publicity in the Reporting Years (2017, 2018 and 2019)
11	Proposal on the Analysis of Diluting the Immediate Return of the Initial Public Offering of Shares and the Remedial Measures
12	Proposal on the <i>2019 Annual Report on Internal Control Evaluation of Bank of Dongguan Co., Ltd.</i>
13	Proposal on Confirming Related-party Transactions of Bank of Dongguan Co., Ltd. for 2017-2019
14	Proposal on the <i>2019 Report on the Status of Related Party Transactions of Bank of Dongguan Co., Ltd.</i>
15	Proposal on Adjusting the Estimated Transaction Quota of Some Related Parties of Bank of Dongguan Co., Ltd. in 2020
16	Proposal on the <i>2019 Annual Report on Corporate Social Responsibility of Bank of Dongguan Co., Ltd.</i>
17	Proposal on Hiring an Accounting Firm to Audit the 2020 Operating Results of Bank of Dongguan Co., Ltd.
18	Proposal on Convening the 2019 Annual General Meeting of Shareholders of Bank of Dongguan Co., Ltd.



On 26 March 2020, the Bank held the 12th Meeting of the 7th Board of Directors (extraordinary meeting). Out of 15 Directors supposed to attend, 15 participated in the meeting with 15 votes. 36 proposals (reports) were deliberated and adopted at the meeting.

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Proposal on the <i>2019 Annual Suggestions on Audit Management of Bank of Dongguan Co., Ltd.</i>
2	Proposal on the Formulation of the <i>2020 Capital Adequacy Ratio Plan for Bank of Dongguan Co., Ltd.</i>
3	Proposal on the Acquisition of Part of the Shares of Zongyang Taiye Village Bank and Addition of its Share Capital by the Bank of Dongguan
4	Proposal on the Issuance of Tier 2 Capital Bonds by Bank of Dongguan Co., Ltd.
5	Proposal on the Issuance of Financial Bonds by Bank of Dongguan Co., Ltd.
6	Proposal for the Board of Directors to Authorize Senior Management to Start Financing Management Qualification Business
7	Proposal on the Purchase of Properties of the Business Premises for Bank of Dongguan Guangzhou Branch
8	Proposal on the Purchase of Properties of the Business Premises for Bank of Dongguan Huizhou Branch
9	Proposal on the Formulation of the <i>2020 Work Plan for Internal Audit of Bank of Dongguan Co., Ltd.</i>
10	Proposal on Adjusting the Estimated Transaction Quota Limits of Some Related Parties of Bank of Dongguan Co., Ltd. in 2020
11	Report on the Implementation of the <i>Administrative Measures on the Capital Commercial Bank (for Trial Implementation)</i> by the Bank of Dongguan in 2019
12	Report on the Implementation of the <i>Capital Management Plan of Bank of Dongguan Co., Ltd. (2019-2021)</i> in 2019
13	Report on the Implementation of the Resolutions of the General Meeting of Shareholders and Board of Directors of the Bank of Dongguan in 2019
14	Report on the Implementation of the <i>Information Reporting System for Senior Management of Bank of Dongguan Co., Ltd.</i> in 2019
15	Report on the Implementation of 2019 Strategic Planning of the Bank of Dongguan
16	Report on Operations of the Bank of Dongguan in 2019
17	Report on the 2019 Consolidated Management and Operation and Management of Subsidiary Organizations
18	Report on the Investment Analysis of Bank of Xingtai and Rural Banks in 2019
19	Report on the Implementation of the Capital Adequacy Ratio Plan of the Bank of Dongguan in 2019
20	Report on Internal Audit Work of the Bank of Dongguan in 2019
21	Report of the Bank of Dongguan on the Problems Found in the Supervisory Inspection and Internal Audit in 2019 and the Implementation of Rectification
22	Report on the External Specialized Audit of the Data Center of Bank of Dongguan Co., Ltd.
23	Report on the Specialized Audit of Liquidity Risk Management of the Bank of Dongguan
24	Report on the Specialized Audit of Market Risk Management of the Bank of Dongguan
25	Report on the Specialized Audit of Related Party Transactions of the Bank of Dongguan
26	Report on Overall Analysis of Comprehensive Risk Management of the Bank of Dongguan in 2019
27	Report on the Management of Large Risk Exposures of the Bank of Dongguan in 2019
28	Report on the Quality Management of Statistical Data of the Bank of Dongguan in 2019
29	Report on the Management of Compliance Risk of the Bank of Dongguan in 2019

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
30	Report on Case Prevention of the Bank of Dongguan in 2019
31	Report on the Risk Management of Money Laundering and Terrorist Financing of the Bank of Dongguan in 2019
32	Report on the Authorized Management and Implementation of Senior Management of the Bank of Dongguan in 2019
33	Report on the <i>2019 Annual Report on Information Security Work of the Bank of Dongguan</i>
34	Report on Data Governance of the Bank of Dongguan in 2019
35	Report on the Protection of Financial Consumers' Rights and Interests of the Bank of Dongguan in 2019
36	Report of the Bank of Dongguan on Employee Behavior Assessment in 2019

On 28 April 2020, the Bank held the 13th Meeting of the 7th Board of Directors. Out of 15 Directors supposed to attend, 15 participated in the meeting with 15 votes. 9 proposals (reports) were deliberated and adopted at the meeting.

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Proposal on Amending the <i>Administrative Measures for External Audit of Bank of Dongguan Co., Ltd.</i>
2	Proposal on the <i>Development Strategy and Operation Strategy of the Bank of Dongguan for Village and Township Branches in 2020</i>
3	Report on the Operations of the Bank of Dongguan for the First Quarter of 2020
4	Report of the Bank of Dongguan on the Analysis of Comprehensive Risk Management for the First Quarter of 2020
5	Report on Self-evaluation of Green Finance of the Bank of Dongguan (2019)
6	Report on Internal Audit of the Bank of Dongguan for the First Quarter of 2020
7	Specialized Audit Report of the Bank of Dongguan on Response to Emergencies of the Significant Information System
8	Report of the Bank of Dongguan on the Implementation of the Resolutions of the Board of Directors in 2020 (as of the First Quarter of 2020)
9	Proposal on Convening the First Extraordinary General Meeting of Shareholders of Bank of Dongguan Co., Ltd. in 2020

On 12 August 2020, the Bank held the 14th Meeting of the 7th Board of Directors. Out of 15 Directors supposed to attend, 15 participated in the meeting with 15 votes. (1 member voted through a proxy). 5 proposals (reports) were deliberated and adopted at the meeting.

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Proposal on Adjusting the <i>Plan of the Bank of Dongguan for Branch Development (2020-2022)</i>
2	Proposal on the Establishment of a Subsidiary Bank in Hong Kong by Bank of Dongguan Co., Ltd.
3	Proposal on Upgrading the Hong Kong Representative Office of Bank of Dongguan Co., Ltd. to a Branch
4	Proposal on the <i>Report on the Implementation of the Capital Adequacy Ratio Plan of Bank of Dongguan Co., Ltd. for the First Half of 2020</i>
5	Proposal on the <i>Report on the Issuance of Non-Fixed Capital Bonds by Bank of Dongguan Co., Ltd. in 2020</i>

On 26 August 2020, the Bank held the 15th Meeting of the 7th Board of Directors. Out of 15 Directors supposed to attend, 15 participated in the meeting with 15 votes. 20 proposals (reports) were deliberated and adopted at the meeting.

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Proposal on Applying for Changes to the relevant content of the <i>Proposal on Application for Initial Public Offering and Listing of RMB Common Stocks (A Shares)</i>
2	Proposal on the extension of the authorization period in the <i>Proposal on the Bank's Application for the Public Issuance of A Shares and the Authorization in the Process of Listing</i>
3	Proposal on the Confirmation of the Initial public Offering of RMB Common Stocks (A shares) and Relevant Financial Information and Approval of its Publicity in the Reporting Years(2017, 2018 and 2019 and the first half of 2020)
4	Proposal on Confirming Related Party Transactions of Bank of Dongguan Co., Ltd. for the first half of 2017-2020
5	Proposal on Adjusting the 2020 Annual Budget Plan of Bank of Dongguan Co., Ltd.
6	Proposal on the Internal Control Evaluation Report of Bank of Dongguan Co., Ltd. for the First Half of 2020
7	Proposal on Revocation of the Supervision Department of the Headquarter of Bank of Dongguan Co., Ltd.
8	Proposal on Formulating Performance Evaluation Indicators for Senior Managers of Bank of Dongguan Co., Ltd.
9	Proposal on Formulating the Assessment Plan for the Person in Charge of Internal Audit of Bank of Dongguan Co., Ltd.
10	Proposal on the renewal of the Agreement between Bank of Dongguan and Dongguan Middle School on the Establishment of the Bank of Dongguan Scholarship and Teaching Fund
11	Proposal on the <i>Report on the operations of Bank of Dongguan Co., Ltd. for the First Half of 2020</i>
12	Proposal on the <i>Report on Analysis of Comprehensive Risk Management of Bank of Dongguan Co., Ltd. for the First Half of 2020</i>
13	Proposal on the <i>Report on the Internal Audit of Bank of Dongguan Co., Ltd. for the First Half of 2020</i>
14	Proposal on the <i>Report on the Protection of Financial Consumer Rights and Interests of Bank of Dongguan Co., Ltd. for the First Half of 2020</i>
15	Proposal on the <i>Report on the Risk Management of Money Laundering and Terrorist Financing of Bank of Dongguan Co., Ltd. for the First Half of 2020</i>
16	Proposal on the <i>Report on the Specialized Audit on Salary Management of Bank of Dongguan Co., Ltd.</i>
17	Proposal on the <i>Report of Bank on the Specialized Audit on Anti-money Laundering and Anti-terrorist Financing of Bank of Dongguan Co., Ltd.</i>
18	Proposal on the <i>Report on Specialized Audit on Risk Classification of Credit Asset of Bank of Dongguan Co., Ltd.</i>
19	Report on the Implementation of the Resolutions of the General Meeting of Shareholders and Board of Directors of Bank of Dongguan Co., Ltd. in the First Half of 2020
20	Proposal on Convening the Second Extraordinary General Meeting of Shareholders of Bank of Dongguan Co., Ltd. in 2020

On 21 September 2020, the Bank held the 16th Meeting of the 7th Board of Directors (Extraordinary Meeting). The meeting was held and voted in the form of telecommunication. Out of 15 Directors supposed to attend, 15 participated in the meeting with 15 votes. 1 proposal (report) was deliberated and adopted at the meeting.

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Proposal on the <i>Report on the Rectification Plan on the Stock Wealth Management Business of the Bank of Dongguan</i>

On 23 December 2020, the Bank held the 17th Meeting of the 7th Board of Directors. Out of 15 Directors supposed to attend, 15 participated in the meeting with 15 votes. 20 proposals (reports) were deliberated and adopted at the meeting.

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Proposal on the Authorization to Senior Management by the Board of Directors of Bank of Dongguan Co., Ltd.
2	Proposal on the <i>Branch Development Plan of the Bank of Dongguan Co., Ltd. in 2021</i>
3	Proposal on the Expected Transaction Quota of Some Related Parties of Bank of Dongguan Co., Ltd. in 2021
4	Proposal on the Formulation of the <i>Statement on Comprehensive Risk Appetite of Bank of Dongguan Co., Ltd. for 2021</i>
5	Proposal on the Formulation of the <i>Plan of Overall Risk Limit of Markets for Bank of Dongguan Co., Ltd. for 2021</i>
6	Proposal on the Formulation of the <i>Plan of Overall Risk Limit of Countries for Bank of Dongguan Co., Ltd. for 2021</i>
7	Proposal on the formulation of the <i>Plan of Overall Risk Limit of Liquidity for Bank of Dongguan Co., Ltd. for 2021</i>
8	Proposal on the <i>2019 Performance and Annual Salary Settlement Results and 2020 Performance and Annual Salary Pre-liquidation Plan for the Senior Management of Bank of Dongguan Co., Ltd.</i>
9	Proposal on the <i>Report on the Performance of Duties and Contracts by the Major Shareholders of Bank of Dongguan Co., Ltd. in 2020</i>
10	Proposal on Amending the <i>Administrative Measures for Stress Testing of the Bank of Dongguan</i>
11	Proposal on Amending the <i>Administrative Measures of Money Laundering and Terrorist Financing Risk of the Bank of Dongguan</i>
12	Proposal on the <i>Operation Report of Bank of Dongguan Co., Ltd. for the Third Quarter of 2020</i>
13	Internal Audit Report of Bank of Dongguan Co., Ltd. for the Third Quarter of 2020
14	Proposal on the <i>Report of Bank of Dongguan Co., Ltd. on the Analysis of Comprehensive Risk Management for the Third Quarter of 2020</i>
15	Proposal on the <i>Report on Special Stress Test of Market Risk of Bank of Dongguan Co., Ltd. for the Third Quarter of 2020</i>
16	Specialized Audit Report on Wealth Management Business of Bank of Dongguan Co., Ltd.
17	Specialized Audit Report on Business Continuity of Bank of Dongguan Co., Ltd.
18	Specialized Audit Report on Capital Management of Bank of Dongguan Co., Ltd.
19	Report of Bank of Dongguan Co., Ltd. on the Progress of the Proposed Establishment of a Hong Kong Branch and the Preparation of a Subsidiary Bank
20	Report on the Implementation of the Resolutions of the General Meeting of Shareholders and Board of Directors of the Bank of Dongguan for the Third Quarter of 2020

### (III) Meetings of Special Committees of the Board of Directors

The structure and composition of the special committees of the Board of Directors of the Bank comply with the relevant regulations of the supervisory authority and the Articles of Association, and the special committees actively carry out their work within the scope of their duties. In 2020, the special committees under the Board of Directors convened 31 meetings, among which, the Strategic Development Committee convened 7 meetings; the Risk Management Committee convened 4 meetings; the Audit Committee convened 6 meetings; the Nomination and Remuneration Committee convened 3 meetings; the Related Party Transaction Control Committee held 8 meetings; the Consumer Rights Protection Committee held 3 meetings.

#### 1. Strategic Development Committee

During the reporting period, the Strategic Development Committee under the Board of Directors of the Bank convened 7 meetings:

On 3 March 2020, the first meeting of the Strategic Development Committee in 2020 was held, and the Proposal on the *2019 Annual Report of Bank of Dongguan Co., Ltd.*, the Proposal on the *2019 Annual Report on Financial Statements of Bank of Dongguan Co., Ltd.* and other issues were deliberated and adopted.

On 25 March 2020, the second meeting of the Strategic Development Committee in 2020 was held. At the meeting, the Proposal on Formulation of the *2020 Capital Adequacy Ratio Plan of Bank of Dongguan Co., Ltd.*, the Proposal on the Acquisition of Some of the Shares of Zongyang Taiye Village and Township Bank by the Bank of Dongguan and Addition of its Share Capital and other issues were deliberated and adopted.

On 27 April 2020, the third meeting of the Strategy Development Committee in 2020 was held. At the meeting, the Proposal on the Development Strategy and Business Strategy for Village and Township Banks of the Bank of Dongguan in 2020, the Report on the Operations of the Bank of Dongguan in the First Quarter of 2020 and other issues were deliberated and adopted.

On 12 August 2020, the fourth meeting of the Strategic Development Committee in 2020 was held. At the meeting, the Proposal on *Adjusting the Development Plan of Branches of the Bank of Dongguan (2020-2022)*, the Proposal on the Establishment of a Subsidiary Bank of Bank of Dongguan Co., Ltd. in Hong Kong and other issues were deliberated and adopted.

On 26 August 2020, the fifth meeting of the Strategic Development Committee in 2020 was held. At the meeting, the Proposal on Application for Changes to the *Proposal on the Application for the Initial Public Offering of RMB Ordinary Shares (A Shares) and Listing*, the Proposal on the Application for Extension of the *Proposal on the Authorization Period in the Process of the Bank's Application for the Public Issuance and Listing of A Shares* and other issues were deliberated and adopted.

On 21 September 2020, the sixth meeting of the Strategic Development Committee in 2020 was held. At the meeting, the Proposal on the *Report on the Rectification Plan of Stock Wealth Management Business of the Bank of Dongguan* was deliberated and adopted.

On 22 December 2020, the seventh meeting of the Strategic Development Committee in 2020 was held. At the meeting, the Proposal on the Authorization of the Board of Directors of Bank of Dongguan Co., Ltd. to Senior Management, the Proposal on the *Report on Duty Performance and Contract Performance of Major Shareholders of Bank of Dongguan Co., Ltd. according to the Law in 2020*, and other issues were deliberated and adopted.

## 2. Risk Management Committee

During the reporting period, the Risk Management Committee of the Board of Directors of the Bank convened 4 meetings:

On 25 March 2020, the first meeting of the Risk Management Committee in 2020 was held. At the meeting, the Report on the Implementation of the Decisions of the Risk Management Committee of the Board of Directors of Bank of Dongguan Co., Ltd. in 2019, the Report on the Internal Audit Work of the Bank of Dongguan in 2019 and other issues were deliberated and adopted.

On 27 April 2020, the second meeting of the Risk Management Committee in 2020 was held. At the meeting, the Report on Analysis of the Comprehensive Risk Management of the Bank of Dongguan for the First Quarter of 2020, the Report on Self-assessment of Green Finance of the Bank of Dongguan (2019) and other issues were deliberated and adopted.

On 25 August 2020, the third meeting of the Risk Management Committee in 2020 was held. At the meeting, the Report on the Implementation of the Resolutions of the Risk Management Committee of the Board of Directors of Bank of Dongguan Co., Ltd. in the first half of 2020, the Proposal on the *Report of Analysis on the Comprehensive Risk Management of Bank of Dongguan Co., Ltd. in the First Half of 2020* and other issues were deliberated and adopted.

On 22 December 2020, the fourth meeting of the Risk Management Committee in 2020 was held. At the meeting, the Proposal on Amending the Administrative Measures of Money Laundering and Terrorist Financing Risks of the Bank of Dongguan, the Report on Special Stress Test of Market Risks of Bank of Dongguan Co., Ltd. in the Third Quarter of 2020 and other topics were deliberated and adopted.

## 3. Nomination and Remuneration Committee

During the reporting period, the Nomination and Remuneration Committee of the Board of Directors of the Bank convened 3 meetings:

On 2 March 2020, the first meeting of the Nomination and Remuneration Committee in 2020 was held. At the meeting, the Proposal on the *2019 Annual Report on Duty Performance Evaluation of Shareholders of Bank of Dongguan Co., Ltd.*, the Proposal on the *2019 Annual Report on Duty Performance Evaluation of Independent Shareholders of Bank of Dongguan Co., Ltd.*, and other issues were deliberated and adopted.

On 26 August 2020, the second meeting of the Nomination and Remuneration Committee in 2020 was held. At the meeting, the Proposal on the Establishment of Performance Appraisal Indicators for Senior Managers of Bank of Dongguan Co., Ltd., the Proposal on Formulating the Assessment Plan for the Internal Audit Leader of Bank of Dongguan Co., Ltd. and other issues were deliberated and adopted.

On 23 December 2020, the third meeting of the Nomination and Remuneration Committee in 2020 was held. At the meeting, the Proposal on the 2019 Settlement Results of Annual Performance Salary of the Senior Management of the Bank of Dongguan and the 2020 Pre-liquidation Plan of Annual Performance Salary was deliberated and adopted.

#### 4. Audit Committee

During the reporting period, the Audit Committee of the Board of Directors of the Bank convened 6 meetings:

On 2 March 2020, the first meeting of the Audit Committee in 2020 was held. At the meeting, the Proposal on the 2019 Annual Audit Report of Bank of Dongguan Co., Ltd., the Proposal on the Appointment of an Accounting Firm to Audit the 2020 Business Results of Bank of Dongguan Co., Ltd. and other issues were deliberated and adopted.

On 25 March 2020, the second meeting of the Audit Committee in 2020 was held. At the meeting, the Report on the Internal Audit Work of the Bank of Dongguan in 2019, the Proposal on the Formulation of the *Internal Audit Work Plan of Bank of Dongguan Co., Ltd. in 2020* and other issues were deliberated and adopted.

On 27 April 2020, the third meeting of the Audit Committee in 2020 was held. At the meeting, the Internal Audit Report of the Bank of Dongguan for the First Quarter of 2020, the Specialized Audit Report on Emergency Response to Emergencies in Important Information Systems of the Bank of Dongguan and other issues were deliberated and adopted.

On 16 June 2020, the fourth meeting of the Audit Committee in 2020 was held. At the meeting, the Proposal on Conducting an External Audit of the Core System Project Teams was deliberated and adopted.

On 26 August 2020, the fifth meeting of the Audit Committee in 2020 was held. At the meeting, the Proposal on the Confirmation of the Initial Public Offering of RMB Common Stocks (A shares) and Relevant Financial Information and Approval of its Publicity in the reporting years (2017, 2018, 2019 and the first half of 2020), the Proposal on the *Report on Internal Control Evaluation of Bank of Dongguan Co., Ltd. for the First Half of 2020* and other issues were deliberated and adopted.

On 23 December 2020, the sixth meeting of the Audit Committee in 2020 was held. At the meeting, the Report on the Internal Audit Work of Bank of Dongguan Co., Ltd. for the Third Quarter of 2020, the Proposal on Amending the *Administrative Measures for Senior Managers to Resign from the Auditing Work of Bank of Dongguan*, and other issues were deliberated and adopted.

#### 5. Related Party Transaction Control Committee

During the reporting period, the Related Party Transaction Control Committee of the Board of Directors of the Bank convened 8 meetings:

On 22 January 2020, the first meeting of the Related Party Transaction Control Committee in 2020 was held. At the meeting, the Report of Bank of Dongguan Co., Ltd. on the Status of Related Party Transactions in 2019 was deliberated and adopted.

On 2 March 2020, the second meeting of the Related Party Transaction Control Committee in 2020 was held. At the meeting, the Summary Report on the Management of Related Party Transactions of Bank of Dongguan Co., Ltd. in 2019 and the 2020 Work Plan, the Proposal on the Confirmation of Related Party Transactions of Bank of Dongguan Co., Ltd. for 2017-2019 and other issues were deliberated and adopted.

On 20 March 2020, the third meeting of the Related Party Transaction Control Committee in 2020 was held. At the meeting, the Proposal on Adjusting the Estimated Transaction Limits of Certain Related Parties of Bank of Dongguan Co., Ltd. in 2020, the Report of the Bank of Dongguan on Confirming the List of Related Parties and other issues were deliberated and adopted.

On 17 April 2020, the fourth meeting of the Related Party Transaction Control Committee in 2020 was held. At the meeting, the Report on Related Party Transactions by Bank of Dongguan Co., Ltd. in the First Quarter of 2020 was deliberated and adopted.

On 17 July 2020, the fifth meeting of the Related Party Transaction Control Committee in 2020 was held. At the meeting, the Report on Related Party Transactions of Bank of Dongguan Co., Ltd. in the First Half of 2020, Proposal of the Bank of Dongguan on Confirming the List of Related Parties, and other issues were deliberated and adopted.

On 25 August 2020, the sixth meeting of the Related Party Transaction Control Committee in 2020 was held. At the meeting, the Report of Bank of Dongguan Co., Ltd. on Related Party Transactions for the First Half of 2017-2020, Proposal on Confirming the List of Related Parties of the Bank of Dongguan and other issues were deliberated and adopted.

On 23 October 2020, the seventh meeting of the Related Party Transaction Control Committee in 2020 was held. At the meeting, the Report on Related Party Transactions of Bank of Dongguan Co., Ltd. in the Third Quarter of 2020, Proposal on Confirming the List of Related Parties of the Bank of Dongguan and other issues were deliberated and adopted.

On 21 December 2020, the eighth meeting of the Related Party Transaction Control Committee in 2020 was held. At the meeting, the Proposal on the Estimated Transaction Quota for Certain Related Parties of the Bank of Dongguan in 2021 and Proposal on Confirming the List of Related Parties of the Bank of Dongguan other issues were deliberated and adopted.

#### 6. Consumer Rights Protection Committee

During the reporting period, the Consumer Protection Committee of the Board of Directors of the Bank convened 3 meetings:

On 28 February 2020, the first meeting of the Consumer Rights Protection Committee of the Board of Directors in 2020 was held. At the meeting, the Report of the Bank of Dongguan on the 2019 Financial Consumer Rights Protection Work, the 2020 Consumer Rights Protection Work Plan of the Bank of Dongguan and other issues were deliberated and adopted.

On 26 August 2020, the second meeting of the Consumer Rights Protection Committee of the Board of Directors in 2020 was held. At the meeting, the Report on the Protection of Financial Consumer Rights and Interests of Bank of Dongguan Co., Ltd. in the First Half of 2020 was deliberated and adopted.

On 23 December 2020, the third meeting of the Consumer Rights Protection Committee of the Board of Directors in 2020 was held. At the meeting, the Report on the Implementation by the Bank of Dongguan of *the Measures of Implementing the Protection of Financial Consumer Rights Stipulated by the People's Bank of China* was deliberated and adopted.

#### (IV) Attendance of Independent Directors to Board Meetings

Name	Independent director?	Supposed attendance during the reporting period	Attendance in person	Entrusted attendance	Absence	Lack of attendance in person for twice consecutively without entrusted attendance
Wang Yanming	Yes	7	7	0	0	No
Sun Hui	Yes	7	7	0	0	No
Hua Xiuping	Yes	7	7	0	0	No
Qian Wei	Yes	7	7	0	0	No
Chen Tao	Yes	7	7	0	0	No

#### (V) Independent Directors' Objections to the Company's Related Matters

During the reporting period, the independent directors of the Bank raised no objections.

#### (VI) Establishment and Improvement of the Relevant Work Rule for Independent Directors, the Main Content and the Performance of Independent Directors

The Board of Directors currently has 5 independent directors. Independent directors have strong professional capabilities, covering economics, accounting, finance, and laws. Independent directors serve as the chairman of the Board of Directors' Risk Management Committee, Nomination and Remuneration Committee, Audit Committee, and Related Party Transaction Control Committee. During the reporting period, independent directors were able to earnestly participate in meetings of the Board of Directors and its special committees, express opinions independently, and diligently perform their duties in accordance with relevant laws and regulations, the Articles of Association, the *Independent Director System of Bank of Dongguan Co., Ltd.*, and the working rules of the special committees, safeguard the overall interests of the Bank and the legitimate rights and interests of small and medium shareholders, and play a positive role in objective and scientific decision-making of the Board of Directors.

### IV. WORK OF THE BOARD OF SUPERVISORS

#### (I) Duties of the Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank and is responsible to the General Meeting of Shareholders. The Board of Supervisors exercises the functions and powers of inspecting and supervising the financial activities of the Bank, supervising the performance of duties by directors and senior management in accordance with the Articles of Association and the *Rules of Procedures for the Board of Supervisors of Bank of Dongguan Co., Ltd.* The Nomination Committee and Audit Committee are set up under the Board of Supervisors. In 2020, the Board of Supervisors focused on the core work of the Bank, highlighted the major business decision-making and its implementation process, and mainly carried out supervision work on performance of duties, financial activities, risk management and internal control, effectively safeguarding the legitimate rights and interests of the Bank, all stakeholders and the related parties, providing a strong guarantee for the sustained and steady development of the Bank.

## (II) Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors held 5 meetings and deliberated and adopted 27 proposals. In addition, in accordance with the Articles of Association and the work responsibilities of the Board of Supervisors, the Company's supervisors monitor the Bank's operating conditions, financial activities, and internal control, risk management and the legality and compliance of directors and senior managers in performing their duties by attending shareholders' meetings, attending meetings of the Board of Directors and senior management, on-site investigations, audits, and reviewing reports.

On 3 March 2020, the Bank held the 12th meeting of the 7th Board of Supervisors. Out of 9 Supervisors supposed to attend, 9 participated in the meeting with 9 votes. 11 proposals were deliberated and adopted at the meeting.

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Proposal on the Election of Members of the Audit Committee under the Board of Supervisors
2	Report on the 2019 Annual Work of the Board of Supervisors of Bank of Dongguan Co., Ltd.
3	Annual Report on Duty Performance Evaluation of the Supervisors of Bank of Dongguan Co., Ltd. in 2019
4	Annual Report on the Reporting and Mutual Evaluation of External Supervisors of Bank of Dongguan Co., Ltd. in 2019
5	Annual Report on Performance Evaluation of Directors and Senior Management in 2019
6	Proposal on the <i>2019 Annual Audit Report of Bank of Dongguan Co., Ltd.</i>
7	Proposal on the <i>2019 Annual Financial Statements Report of Bank of Dongguan Co., Ltd.</i>
8	Proposal on the <i>2019 Annual Profit Distribution Plan of Bank of Dongguan Co., Ltd.</i>
9	Proposal on the <i>2020 Financial Budget Plan of Bank of Dongguan Co., Ltd.</i>
10	Proposal on the <i>2019 Internal Control Evaluation Report of Bank of Dongguan Co., Ltd.</i>
11	Proposal on the <i>2020 Work Plan of the Board of Supervisors of Bank of Dongguan Co., Ltd.</i>

On 26 March 2020, the Bank held the 13th meeting of the 7th Board of Supervisors. Out of 9 Supervisors supposed to attend, 9 participated in the meeting with 9 votes. 4 proposals were deliberated and adopted at the meeting.

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Report on the Operations of the Bank of Dongguan in 2019
2	Report on Analysis of the Comprehensive Risk Management of the Bank of Dongguan in 2019
3	Report on the Internal Audit Work of the Bank of Dongguan in 2019
4	Evaluation Report on the Implementation of the Strategic Plan of the Bank of Dongguan in 2019

On 28 April 2020, the Bank held the 14th meeting of the 7th Board of Supervisors. Out of 9 Supervisors supposed to attend, 9 participated in the meeting with 9 votes. 5 proposals were deliberated and adopted at the meeting.

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Report on the Operations of the Bank of Dongguan in the First Quarter of 2020
2	Report on Analysis of the Comprehensive Risk Management of the Bank of Dongguan for the First Quarter of 2020
3	Report on the Internal Audit Work of the Bank of Dongguan for the First Quarter of 2020
4	Proposal on the Election of Members of the Nomination Committee under the Board of Supervisors
5	Proposal on the election of the chairman of the Nomination Committee under the Board of Supervisors



On 26 August 2020, the Bank held the 15th meeting of the 7th Board of Supervisors. Out of 9 Supervisors supposed to attend, 9 participated in the meeting with 9 votes. 3 proposals were deliberated and adopted at the meeting.

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Proposal on the <i>Report on the Operations of Bank of Dongguan Co., Ltd. for the First Half of 2020</i>
2	Proposal on the <i>Report on Analysis of the Comprehensive Risk Management of Bank of Dongguan Co., Ltd. for the First Half of 2020</i>
3	Proposal on the <i>Report on the Internal Audit Work of Bank of Dongguan Co., Ltd. for the First Half of 2020</i>

On 23 December 2020, the Bank held the 16th meeting of the 7th Board of Supervisors. Out of 9 Supervisors supposed to attend, 6 participated in the meeting with 8 votes (2 members vote through a proxy). 4 proposals were deliberated and adopted at the meeting.

Proposal No.	Matters/Contents Deliberated (Heard) at the Meeting
1	Proposal on the <i>Report on the Operations of Bank of Dongguan Co., Ltd. for the Third Quarter of 2020</i>
2	Proposal on the <i>Report on the Analysis of Comprehensive Risk Management of Bank of Dongguan Co., Ltd. for the Third Quarter of 2020</i>
3	Proposal on the <i>Report on the Internal Audit Work of Bank of Dongguan Co., Ltd. for the Third Quarter of 2020</i>
4	Proposal on the <i>Report on the Investigation of Branches by the Board of Supervisors of the Bank of Dongguan</i>

### (III) Meetings of the Special Committees of the Board of Supervisors

The structure and composition of the special committees of the Board of Supervisors of the Bank comply with the relevant regulations of the regulatory agency and the Articles of Association of the Bank. The special committees conscientiously carried out their work within the scope of their duties and held 7 meetings throughout the year. Among them, the Nomination Committee held 2 meetings. The Audit Committee convened 5 meetings.

#### 1. Nomination Committee

During the reporting period, the Nomination Committee of the Board of Supervisors convened 2 meetings:

On 3 March 2020, the first meeting of 2020 was held. At the meeting, the *2019 Annual Report on Performance Evaluation of the Supervisors of Bank of Dongguan Co., Ltd.*, the *2019 Annual Report on Debriefing and Mutual Evaluation of External Supervisors of Bank of Dongguan Co., Ltd.*, the *2019 Annual Report on the Performance Evaluation of Directors and Senior Management* were deliberated and adopted.

On 28 April 2020, the second meeting of 2020 was held, and the chairman of the Nomination Committee of the 7th Board of Supervisors was elected.

#### 2. Audit Committee

During the reporting period, the Audit Committee of the Board of Supervisors held 5 meetings:

On 3 March 2020, the first meeting of 2020 was held. At the meeting, the Proposal on the 2019 Annual Audit Report of Bank of Dongguan Co., Ltd., the Proposal on the *2019 Annual Report on Financial Statements of Bank of Dongguan Co., Ltd.*, the Proposal on the *2019 Annual Profit Distribution Plan of Bank of Dongguan Co., Ltd.* Proposal on the *2020 Financial Budget Plan of Bank of Dongguan Co., Ltd.*, and the Proposal on the *2019 Report on Internal Control Evaluation of Bank of Dongguan Co., Ltd.* were deliberated and adopted.

On 26 March 2020, the second meeting of 2020 was held. At the meeting, the *2019 Report on Operations of the Bank of Dongguan*, the *2019 Report on the Analysis of Comprehensive Risk Management of the Bank of Dongguan*, and the *2019 Report on the Internal Audit Work of the Bank of Dongguan* were deliberated and adopted.

On 28 April 2020, the third meeting of 2020 was held. At the meeting, the *Report on Operations of the Bank of Dongguan for the First Quarter of 2020*, the *Report on the Analysis of Comprehensive Risk Management of the Bank of Dongguan for the First Quarter of 2020*, and the *Report on the Internal Audit Work of the Bank of Dongguan for the First Quarter of 2020* were deliberated and adopted.

On 26 August 2020, the fourth meeting of 2020 was held. At the meeting, *the Report on Operations of the Bank of Dongguan for the First Half of 2020*, *the Report on the Analysis of Comprehensive Risk Management of the Bank of Dongguan for the First Half of 2020*, and *the Report on the Internal Audit Work of the Bank of Dongguan for the First Half of 2020* were deliberated and adopted.

On 23 December 2020, the fifth meeting of 2020 was held. At the meeting, the Report on Operations of the Bank of Dongguan for the Third Quarter of 2020, the Report on the Analysis of Comprehensive Risk Management of the Bank of Dongguan for the Third Quarter of 2020, and the Report on the Internal Audit Work of the Bank of Dongguan for the Third Quarter of 2020 were deliberated and adopted.

#### **(IV) Work of external supervisors**

The three external supervisors fulfilled their duties of loyalty and diligence in accordance with laws, regulations, and the Bank's Articles of Association, attended meetings of the Board of Supervisors and special committees, carefully reviewed various proposals, and independently and objectively expressed professional opinions; and the supervisors' working hours for the Bank complied with relevant regulations. They diligently and independently performed supervisory duties, which played an active role in promoting the improvement of the Bank's corporate governance and the improvement of its management level.

#### **(V) Opinions of the Board of Supervisors on Relevant Matters**

##### **1. The Bank's operation and management according to law**

During the reporting period, the Bank's business activities complied with laws, regulations, and the Bank's Articles of Association; directors and senior management staff were diligent and proactive, and no directors and senior management personnel were found to have violated laws, regulations or harmed the interests of the Bank and its shareholders when performing their duties.

##### **2. Audit report**

KPMG Huazhen Certified Public Accountants (special general partnership) issued a standard unqualified audit report on the financial status and operating results of the Bank in 2020. The Board of Supervisors has no objection to the report and believes that the contents of the report are the true, accurate and complete reflection of the status and operating results of the Bank.

##### **3. Related party transactions**

During the reporting period, the Bank's related-party transaction decision-making procedures complied with laws, regulations, and the Bank's Articles of Association, and followed the principles of openness, fairness and impartiality. No related-party transactions were found to harm the interests of the Company and shareholders.

##### **4. Information disclosure**

During the reporting period, the Bank actively accepted social supervision and found no false records, misleading statements, or major omissions in information disclosure.

##### **5. Implementation of resolutions of the General Meeting of Shareholders**

The Board of Supervisors had no objection to the reports and proposals submitted by the Board of Directors to the General Meeting of Shareholders for deliberation during the reporting period. It has supervised the implementation of the resolutions of the General Meeting of Shareholders and believed that the Board of Directors had seriously implemented the relevant resolutions of the General Meeting of Shareholders.

##### **6. Internal control**

The Bank continued to strengthen and improve internal control, and the Board of Supervisors had no objection to the 2020 Report on Internal Control Evaluation of Bank of Dongguan Co., Ltd. During the reporting period, no major defects were found in the integrity, rationality and effectiveness of the Bank's internal control mechanisms and systems.

#### **V. EVALUATION AND MOTIVATION OF SENIOR MANAGEMENT**

The Nomination and Remuneration Committee of the Board of Directors is responsible for the evaluation and motivation of senior executives. According to the *Evaluation Measures of the Performance of Directors and Senior Executives by the Board of Directors of Bank of Dongguan Co., Ltd.*, the Committee evaluates the performance of senior managers during their term of office and reports the evaluation results to the Board of Directors and the General Meeting of Shareholders for deliberation. The Board of Supervisors conducts overall evaluation of the performance of senior management for the year and forms the final evaluation result. The evaluation results serve as an effective basis for the Board of Directors to conduct job appointments and salary verification for senior executives.

The remuneration of senior executives is determined and issued in accordance with the relevant regulations of the Bank's administrative measures for remuneration of senior executives, and the remuneration has been publicly disclosed in accordance with relevant regulations. During the reporting period, the Bank evaluated the annual performance of senior management in accordance with the performance evaluation measures for senior management and the requirements of relevant regulatory authorities.

## VI. THE COMPANY'S INDEPENDENT OPERATION

The Bank has no controlling shareholders and actual controllers. In accordance with the Company Law and Commercial Bank Law, the Bank has always maintained complete independence in five aspects, namely business, personnel, assets, organization, and finance, from shareholders holding 5% or more of the shares. As an independent legal person operating independently and responsible for its own profits and losses, the Bank has independent and complete business and independent operating capabilities. The Board of Directors, Board of Supervisors, senior management, and internal institutions can operate independently.

## VII. HORIZONTAL COMPETITION

The Bank has no controlling shareholders, and there is no horizontal competition with controlling shareholders, actual controllers and other enterprises under its control.

## VIII. CONSTRUCTION OF INTERNAL CONTROL

### (I) Major deficiencies in internal control

During the reporting period, no major deficiencies in the internal control of the Bank were found.

### (II) Internal control work

During the reporting period, the Bank continued to improve the internal control system in accordance with the basic principles for internal control construction of full coverage, checks and balances, prudence and matching: **First**, it continued to optimize the operation mechanism featuring three boards and one management, clarified the power and responsibility of the Governance bodies of the three boards and one management, strengthened equity management, and further improved the corporate governance mechanism. **Second**, it upheld the management philosophy of system and internal control first, continued to pursue the establishment, reform, and abolition of rules and regulations, and strengthened the standardisation, scientificness and effectiveness of the system. **Third**, it vigorously implemented comprehensive risk management, promoted the reform of the risk control system, strengthened risk-driven business development, enhanced risk-oriented monitoring and inspection, emphasized risk prevention and resolution, strengthened asset quality management, and improved the effectiveness of risk management. **Fourth**, it improved the case prevention and compliance risk management mechanism, improved the case prevention grid structure, formed a three-dimensional case prevention supervision system, implemented case risk investigation, strengthened management of employee behavior, and effectively prevent case risks. **Fifth**, it strengthened the supervision, inspection and management of internal audit, implemented audit projects, focused on key areas and weaknesses in internal control management, conducted in-depth special audit investigations, revealed potential risks and internal control deficiencies in a timely manner, and moved forward the risk barrier. The Bank has established and improved a long-term mechanism for rectification and reform, consolidated rectification responsibilities, promoted systematic rectification of problems, and effectively improved the internal control level of the whole bank.

### (III) Internal control audit report or assurance report

The KPMG Huazhen Certified Public Accountants (special general partnership) engaged by the Bank has performed the verification work on the internal control related to the financial reports of the Bank, and issued the *Internal Control Assurance Report for Bank of Dongguan Co., Ltd.* (KPMG Huazhen Zhuangzi No. 2100050). The report believes that as of 31 December 2020, the Bank maintained effective internal control related to financial statements established in accordance with the standards of the *Guidelines for Internal Control of Commercial Banks* promulgated by the former China Banking Regulatory Commission in all major aspects.

# Financial Report

1. Auditor's report (Attached below)
2. Financial statements (Attached below)
3. Notes to financial statements (Attached below)

## List of Reference Documents

1. Financial statements affixed with seal of the legal representative, president, chief accountant, and head of accounting department of the Bank.
2. Original audit report affixed with seal of the accounting firm as well as seal and signatures of certified public accountants.
3. Original annual report deliberated and approved by the Board of Directors of the Company.
4. Articles of Association of the Bank of Dongguan Co., Ltd.

## Comments on the 2020 Annual Report by the Directors and Senior Executives of Bank of Dongguan Co., Ltd.

In accordance with relevant regulations and requirement noted in the Administrative Measures on Information Disclosure of Commercial Banks, as directors and senior executives of Bank of Dongguan Co., Ltd., we offer the following opinions upon a thorough understanding and examination of the 2020 Annual Report and its abstracts:

1. The Company was operated in strict compliance with Accounting Standards for Business Enterprises and relevant regulations, and 2020 Annual Report and its abstracts fairly reflected the financial position and operation results of the Company this year.
2. The 2020 Annual Financial Report had been audited by KPMG Huazhen LLP and a standard and unqualified audit report had been issued.
3. We held the view that the 2020 Annual Report and its abstracts contained no false record, misleading statement or material omission, and assumed individual and joint responsibility to the authenticity, accuracy and completeness of the information in this report.

### SIGNATURES OF DIRECTORS AND SENIOR OFFICERS

Name	Position	Signature	Name	Position	Signature
Lu Guofeng	Chairman of Board of Directors		Wang Yanming	Independent Director	
Cheng Jinsong	Deputy Chairman of Board of Directors and President		Hua Xiuping	Independent Director	
Zhang Tao	Executive Director and Vice President		Qian Wei	Independent Director	
Zhang Mengjun	Executive Director and Vice President		Chen Tao	Independent Director	
Wang Wencheng	Non-Executive Director		Xie Yongwei	Vice President	
Chen Chaohui	Non-Executive Director		Li Qiqong	Secretary of the Board of Directors	
Liu Mingchao	Non-Executive Director		Zhong Zhandong	Chief Information Officer	
Zhang Foen	Non-Executive Director		Sun Weiling	Chief Accountant	
Lu Yuyan	Non-Executive Director		Ma Yaping	Risk Director	
Sun Hui	Independent Director				

# Auditor's Report and Financial Statements

Bank of Dongguan Co., Ltd

Auditors' report and financial statements for the year from 1 January 2020 to 31 December 2020

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# Auditor's Report

KPMG Huazhen Shen Zi No. 2100764

To the Board of Directors of Bank of Dongguan Co., Ltd.:

## I. OPINION

We have audited the accompanying financial statements of Bank of Dongguan Co., Ltd., ("Bank of Dongguan") on pages 72 to 178, which comprise the consolidated balance sheet and the parent company's balance sheet as at 31 December 2020, the consolidated income statement and the parent company's income statement, the consolidated cash flow statement and the parent company's cash flow statement, the consolidated statement of changes in shareholders' equity and the parent company's statement of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position and the parent company's financial position of Bank of Dongguan as at 31 December 2020, as well as the consolidated financial performance and cash flows and the parent company's financial performance and cash flows of Bank of Dongguan for the year then ended in accordance with Accounting Standards for Business Enterprises ("Accounting Standards for Business Enterprises") issued by the Ministry of Finance of the People's Republic of China.

## II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Bank of Dongguan in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), 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.

## III. OTHER INFORMATION

The management of Bank of Dongguan is responsible for the other information. The other information comprises the information included in Bank of Dongguan's 2020 Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we conclude that there is a material misstatement of such other information based on the work we have performed, we are required to report that fact. We have nothing to report in this regard.

## IV. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Bank of Dongguan'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 management either intends to liquidate Bank of Dongguan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Bank of Dongguan's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. At the same time, we perform the following work:



- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- (2) 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 Bank of Dongguan's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's 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 Bank of Dongguan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw the readers' attention in our auditor's report to the related disclosures in the financial statements; and if such disclosures are inadequate, we are required to express a non-unqualified 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 Bank of Dongguan to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Bank of Dongguan to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

KPMG Huazhen LLP

Beijing, China



Chinese Certified Public Accountants

Huang Aizhou



Li Jiali



2 March 2021

# Consolidated Balance Sheet

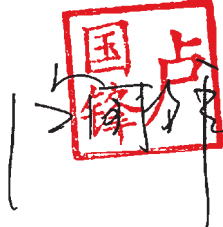
31 December 2020  
(Expressed in Renminbi Yuan unless otherwise indicated)

	Note	2020	2019
<b>Assets</b>			
Cash and deposits in the central bank	7	34,092,525,456.53	34,333,577,019.71
Deposits with banks and other financial institutions	8	1,393,620,903.47	1,876,163,918.93
Loans to banks and other financial institutions	9	718,543,631.95	1,734,533,666.16
Derivative financial assets	10	353,664,858.22	28,344,819.97
Financial assets purchased under resale agreements	11	6,124,067,622.06	6,962,619,132.39
Loans and advances to customers	12	223,735,473,339.39	185,709,647,386.82
Financial investment			
Financial assets held for trading	13	34,041,579,698.33	34,584,724,517.65
Debt investments	14	90,791,318,347.80	75,971,239,632.02
Other debt investments	15	18,820,079,940.43	26,570,787,754.77
Investments in other equity instruments	16	17,630,546.29	18,914,386.99
Long-term equity investments	17	882,393,628.39	874,201,805.12
Fixed assets	18	852,494,329.06	569,522,722.66
Construction-in-progress	19	811,729,390.10	591,374,713.55
Intangible assets	20	422,339,869.79	319,281,613.93
Deferred tax assets	21	2,020,932,619.86	1,503,299,026.11
Other assets	22	1,247,712,877.74	359,641,590.59
<b>Total assets</b>		<b>416,326,107,059.41</b>	<b>372,007,873,707.37</b>
<b>Liabilities and owners' equity</b>			
<b>Liabilities</b>			
Borrowings from central bank	23	27,598,977,607.90	3,364,544,598.25
Deposits from banks and other financial institutions	24	4,156,208,145.57	7,078,262,723.51
Derivative financial liabilities	10	284,199,665.03	19,216,351.24
Loans from banks and other financial institutions	25	3,720,865,696.15	4,404,360,604.36
Financial assets sold under repurchase agreements	26	9,825,540,205.44	9,521,419,690.09
Accepted deposits	27	295,939,082,153.30	267,641,637,803.55
Employee benefits payable	28	1,062,638,604.29	900,031,566.02
Taxes and surcharges payable	5(3)	164,549,159.46	566,341,148.87

	Note	2020	2019
Provisions	29	212,670,215.80	187,451,161.94
Bonds payable	30	44,889,143,553.23	54,635,718,329.38
Other liabilities	31	1,391,256,925.99	880,823,594.75
<b>Total liabilities</b>		<b>389,245,131,932.16</b>	<b>349,199,807,571.96</b>
<b>shareholders' equity</b>			
Share capital	32	2,180,000,000.00	2,180,000,000.00
Capital reserve	33	2,089,535,131.41	2,089,535,131.41
Other equity instruments	34	2,197,358,490.57	-
Other comprehensive income	35	93,241,155.75	302,457,170.97
Surplus reserve	36	2,569,315,378.08	2,281,061,549.45
General risk reserve	37	4,675,715,190.43	4,533,268,266.88
Retained earnings	38	13,175,515,147.27	11,331,208,628.82
Total equity attributable to shareholders of the parent company		26,980,680,493.51	22,717,530,747.53
Non-controlling interests		100,294,633.74	90,535,387.88
<b>Total shareholders' equity</b>		<b>27,080,975,127.25</b>	<b>22,808,066,135.41</b>
<b>Total liabilities and shareholders' equity</b>		<b>416,326,107,059.41</b>	<b>372,007,873,707.37</b>

The financial statements have been approved by the Board of Directors of the Bank on 2 March 2021.


Lu Guofeng  
Legal  
Representative:



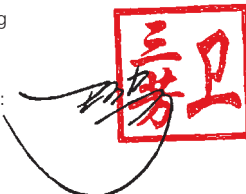
Cheng Jinsong  
President



Sun Weiling  
Accounting Principal:



Wei Sanfang  
Head of the  
Finance  
Department:




The notes on pages 88 to 178 form part of these financial statements.

# Parent Company's Balance Sheet

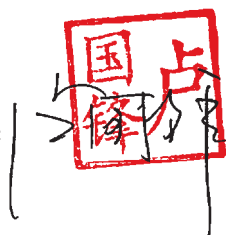
31 December 2020  
(Expressed in Renminbi Yuan unless otherwise indicated)

	Note	2020	2019
<b>Assets</b>			
Cash and deposits in the central bank	7	33,931,659,960.37	34,195,699,054.13
Deposits with banks and other financial institutions	8	1,201,850,313.40	1,562,815,586.94
Loans to banks and other financial institutions	9	718,543,631.95	1,734,533,666.16
Derivative financial assets	10	353,664,858.22	28,344,819.97
Financial assets purchased under resale agreements	11	6,124,067,622.06	6,962,619,132.39
Loans and advances to customers	12	222,821,599,383.05	185,082,313,572.16
Financial investment			
Financial assets held for trading	13	34,041,579,698.33	34,584,724,517.65
Debt investments	14	90,791,318,347.80	75,971,239,632.02
Other debt investments	15	18,820,079,940.43	26,570,787,754.77
Investments in other equity instruments	16	17,630,546.29	18,914,386.99
Long-term equity investments	17	1,045,963,810.64	956,751,805.12
Fixed assets			
Construction-in-progress	19	806,649,397.45	582,579,302.28
Intangible assets	20	422,339,869.79	319,281,613.93
Deferred tax assets	21	2,003,782,830.72	1,496,025,811.51
Other assets	22	1,236,903,416.04	357,568,604.35
<b>Total assets</b>		<b>415,176,348,898.88</b>	<b>370,983,517,425.16</b>
<b>Liabilities and owners' equity</b>			
<b>Liabilities</b>			
Borrowings from central bank	23	27,561,860,475.64	3,336,125,119.08
Deposits from banks and other financial institutions	24	4,430,368,703.23	7,215,711,898.02
Derivative financial liabilities	10	284,199,665.03	19,216,351.24
Loans from banks and other financial institutions	25	3,720,865,696.15	4,404,360,604.36
Financial assets sold under repurchase agreements	26	9,825,540,205.44	9,521,419,690.09
Accepted deposits	27	294,663,455,759.50	266,645,122,018.54
Employee benefits payable	28	1,053,415,255.63	893,958,216.53

	Note	2020	2019
Taxes and surcharges payable	5(3)	162,838,707.49	565,686,365.61
Provisions	29	212,670,215.80	187,451,161.94
Bonds payable	30	44,889,143,553.23	54,635,718,329.38
Other liabilities	31	1,389,227,758.96	871,553,509.51
<b>Total liabilities</b>		<b>388,193,585,996.10</b>	<b>348,296,323,264.30</b>
<b>Shareholders' equity</b>			
Share capital	32	2,180,000,000.00	2,180,000,000.00
Capital reserve	33	2,088,785,229.52	2,088,785,229.52
Other equity instruments	34	2,197,358,490.57	N/A
Other comprehensive income	35	93,241,155.75	302,457,170.97
Surplus reserve	36	2,569,315,378.08	2,281,061,549.45
General risk reserve	37	4,663,268,266.88	4,533,268,266.88
Retained earnings	38	13,190,794,381.98	11,301,621,944.04
<b>Total shareholders' equity</b>		<b>26,982,762,902.78</b>	<b>22,687,194,160.86</b>
<b>Total liabilities and shareholders' equity</b>		<b>415,176,348,898.88</b>	<b>370,983,517,425.16</b>

The financial statements have been approved by the Board of Directors of the Bank on 2 March 2021.


Lu Guofeng  
Legal  
Representative:



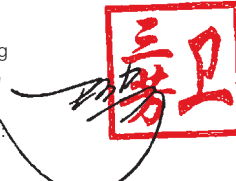
Cheng Jinsong  
President:



Sun Weiling  
Accounting Principal:



Wei Sanfang  
Head of the  
Finance  
Department:




The notes on pages 88 to 178 form part of these financial statements.

# Consolidated Income Statement

Year 2020

(Expressed in Renminbi Yuan unless otherwise indicated)

	Note	2020	2019
<b>Operating income</b>			
Interest income		15,817,365,565.99	14,860,883,643.22
Interest expense		(8,260,701,550.73)	(7,730,075,694.09)
Net interest income	39	7,556,664,015.26	7,130,807,949.13
Fee and commission income		869,296,340.30	731,253,825.69
Fee and commission expenses		(82,777,172.61)	(65,481,745.35)
Net fee and commission income	40	786,519,167.69	665,772,080.34
Investment income	41	740,764,052.74	1,437,598,881.74
(Including: Income from investment in associates		26,407,041.58	38,433,476.14
Income arising from derecognition of financial assets measured at amortised cost)		12,390,458.72	12,896,585.63
Net gains/(losses) from changes in fair value	42	86,756,893.19	(195,148,184.61)
Foreign exchange gains and losses		(28,836,295.41)	41,037,338.06
Income from other business		1,661,343.94	2,772,035.70
Net gain/(losses) from disposal of assets	43	3,035,553.33	(3,526,303.43)
Other income	44	11,001,782.87	3,359,437.47
<b>Operating income</b>		<b>9,157,566,513.61</b>	<b>9,082,673,234.40</b>
<b>Operating expenses</b>			
Taxes and surcharges	45	(98,362,125.28)	(88,292,815.78)
Operating and administrative expenses	46	(2,808,884,920.71)	(2,631,639,499.32)
Credit losses	47	(3,682,183,069.85)	(3,409,324,882.60)
Total operating expenses		(6,589,430,115.84)	(6,129,257,197.70)
Operating profit		2,568,136,397.77	2,953,416,036.70
Non-operating income	48	3,849,409.81	8,535,370.64
Non-operating expenses	48	(17,002,144.56)	(14,695,651.76)
Total profit		2,554,983,663.02	2,947,255,755.58
Income tax expenses	49	321,047,089.11	(114,792,019.19)
Net profit		2,876,030,752.13	2,832,463,736.39
(1) Net profit classified by continuity of operations:			
1. Net profit from continuing operations		2,876,030,752.13	2,832,463,736.39
2. Net profit from discontinued operations		-	-

	Note	2020	2019
(2) Net profit classified by ownership			
1. Net profit attributable to shareholders of the parent company		2,875,583,926.46	2,826,133,792.60
2. Minority interest income		446,825.67	6,329,943.79
<b>Net profit</b>		<b>2,876,030,752.13</b>	<b>2,832,463,736.39</b>
Other comprehensive income, net of tax	50		
(1) Other comprehensive income, net of tax, to shareholders of the parent company			
1. Items that will not be reclassified to profit or loss			
a. Changes in fair value of investments in other equity instruments		(1,283,840.69)	(125,212.64)
2. Items that may be reclassified to profit or loss			
a. Changes in fair value of debt investments measured at FVOCI		(279,279,760.33)	(18,274,175.32)
b. Losses of debt investments measured at at FVOCI		71,153,527.46	29,701,865.01
c. Other comprehensive income that can be reclassified into profit or loss under equity method		194,058.34	(11,218,683.95)
(2) Other comprehensive income, net of tax, to non-controlling interests		-	-
<b>Total comprehensive income</b>		<b>2,666,814,736.91</b>	<b>2,832,547,529.49</b>
<b>Total comprehensive income attributable to shareholders of the parent company</b>		<b>2,666,367,911.24</b>	<b>2,826,217,585.70</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>446,825.67</b>	<b>6,329,943.79</b>
<b>Basic and diluted earnings per share (RMB)</b>		<b>1.32</b>	<b>1.30</b>

The notes on pages 88 to 178 form part of these financial statements.

# Parent Company's Income Statement

Year 2020

(Expressed in Renminbi Yuan unless otherwise indicated)

	Note	2020	2019
<b>Operating income</b>			
Interest income		15,755,371,194.01	14,799,819,489.80
Interest expense		(8,245,313,246.97)	(7,717,379,585.76)
Net interest income	39	7,510,057,947.04	7,082,439,904.04
Fee and commission income		869,272,319.60	731,268,868.36
Fee and commission expenses		(82,602,018.14)	(65,307,463.34)
Net fee and commission income	40	786,670,301.46	665,961,405.02
Investment income	41	731,981,562.72	1,440,403,881.74
(Including: Income from investment in associates		26,407,041.58	38,433,476.14
Income arising from derecognition of financial assets measured at amortised cost)		12,390,458.72	12,896,585.63
Net gains/(losses) from changes in fair value	42	86,756,893.19	(195,148,184.61)
Foreign exchange gains and losses		(28,836,295.41)	41,037,338.06
Income from other business		1,621,343.94	2,772,035.70
Net losses from disposal of assets	43	(1,256,634.00)	(3,526,303.43)
Other income	44	10,722,259.87	3,359,437.47
<b>Operating income</b>		<b>9,097,717,378.81</b>	<b>9,037,299,513.99</b>
<b>Operating expenses</b>			
Taxes and surcharges	45	(98,026,751.54)	(88,031,606.44)
Operating and administrative expenses	46	(2,776,691,971.21)	(2,603,957,103.68)
Credit losses	47	(3,653,417,564.86)	(3,406,800,337.83)
Total Operating expenses		(6,528,136,287.61)	(6,098,789,047.95)
<b>Operating profit</b>		<b>2,569,581,091.20</b>	<b>2,938,510,466.04</b>
Non-operating income	48	3,716,158.58	8,340,628.22
Non-operating expenses	48	(16,913,893.35)	(14,658,506.86)
Total profit		2,556,383,356.43	2,932,192,587.40



	Note	2020	2019
Income tax expenses	49	326,154,929.88	(110,284,323.59)
<b>Net profit</b>		2,882,538,286.31	2,821,908,263.81
<b>Net profit</b>		2,882,538,286.31	2,821,908,263.81
Net profit from continuing operations		2,882,538,286.31	2,821,908,263.81
Net profit from discontinued operations		-	-
Other comprehensive income, net of tax	50		
(1) Items that will not be reclassified to profit or loss			
1. Changes in fair value of investments in other equity instruments		(1,283,840.69)	(125,212.64)
(2) Items that may be reclassified to profit or loss			
1. Changes in fair value of debt investments measured at FVOCI		(279,279,760.33)	(18,274,175.32)
2. Losses of debt investments measured at FVOCI		71,153,527.46	29,701,865.01
3. Other comprehensive income that can be reclassified into profit or loss under equity method		194,058.34	(11,218,683.95)
<b>Total comprehensive income</b>		2,673,322,271.09	2,821,992,056.91

The notes on pages 88 to 178 form part of these financial statements.

# Consolidated Cash Flow Statement

Year 2020

(Expressed in Renminbi Yuan unless otherwise indicated)

	Note	2020	2019
<b>Cash flows from operating activities</b>			
Net increase in accepted deposits and placement from banks and other financial institutions		24,514,689,965.40	32,286,120,483.65
Net increase in borrowings from central bank		24,158,291,042.17	2,262,577,535.74
Net increase in loans from banks and other financial institutions and financial assets sold under repurchase agreements		–	11,925,481,602.40
Net decrease in loans to banks and other financial institutions and financial assets purchased under resale agreements		104,954,153.96	2,511,977,369.21
Proceeds from interests, fee and commission income		13,447,959,338.22	11,944,521,652.05
Proceeds from other operating activities		19,519,036.19	33,212,142.92
Sub-total of cash inflows of operating activities		62,245,413,535.94	60,963,890,785.97
Net increase in loans and advances to customers		(39,932,977,698.84)	(45,160,712,264.56)
Net increase in deposits with central bank and with banks and other financial institutions		(1,995,918,265.20)	(268,945,682.51)
Net decrease in loans from banks and other financial institutions and financial assets sold under repurchase agreements		(418,384,908.15)	–
Payment for interests, fee and commissions		(6,275,932,330.42)	(5,178,884,006.79)
Payments to and for employees		(1,621,932,137.36)	(1,613,916,858.82)
Payment of various taxes		(1,410,171,873.67)	(1,312,426,292.63)
Payment for other operating activities		(909,707,923.38)	(927,141,143.69)
Sub-total of cash outflows of operating activities		(52,565,025,137.02)	(54,462,026,249.00)
<b>Net cash flows generated from operating activities</b>	51(1)	9,680,388,398.92	6,501,864,536.97
<b>Cash flows from investing activities</b>			
Proceeds from disposal of investments		1,149,714,114,202.41	1,212,024,944,296.28
Investment returns received		4,312,620,537.87	4,009,670,740.61
Net proceeds from disposal of fixed assets, intangible assets and other assets		5,627,676.39	2,694,579.47
Other proceeds related to investing activities		141,076,377.86	–
Sub-total of cash inflows of investing activities		1,154,173,438,794.53	1,216,037,309,616.36
Payment for investments		(1,157,656,093,575.47)	(1,226,329,347,570.03)
Cash paid for the acquisition of the subsidiaries	51(3)	(18,000,000.00)	–
Payment for acquisition of fixed assets, intangible assets and other assets		(855,238,514.08)	(450,826,292.96)
Subtotal of cash outflows of investing activities		(1,158,529,332,089.55)	(1,226,780,173,862.99)
<b>Net cash flows used in investing activities</b>		(4,355,893,295.02)	(10,742,864,246.63)

	Note	2020	2019
<b>Cash flows from financing activities</b>			
Proceeds from issuance of bonds		91,171,100,300.00	84,871,736,160.00
Proceeds from issuance of other equity instruments		2,197,358,490.57	–
Cash received from capital contributions		11,000,000.00	–
Sub-total of cash inflows of financing activities		93,379,458,790.57	84,871,736,160.00
Payment for distribution of dividends and profits		(546,077,574.13)	(545,432,477.26)
Including: profits paid to non-controlling interests of subsidiaries		(3,136,000.00)	(3,045,000.00)
Payment for redeeming bonds payable		(100,869,473,200.00)	(77,115,044,483.78)
Payment for debt interest repayments		(1,849,081,516.98)	(1,992,755,516.22)
Sub-total of cash outflows of financing activities		(103,264,632,291.11)	(79,653,232,477.26)
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(9,885,173,500.54)</b>	<b>5,218,503,682.74</b>
<b>Effect of changes in foreign exchange rate on cash and cash equivalents</b>		<b>(51,474,140.76)</b>	<b>23,766,854.67</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	51(2)	<b>(4,612,152,537.40)</b>	<b>1,001,270,827.75</b>
<b>Add: Cash and cash equivalents at the beginning of the year</b>		<b>20,603,468,331.60</b>	<b>19,602,197,503.85</b>
<b>Cash and cash equivalents at the end of the year</b>	51(4)	<b>15,991,315,794.20</b>	<b>20,603,468,331.60</b>

The notes on pages 88 to 178 form part of these financial statements.

# Parent Company's Cash Flow Statement

Year 2020

(Expressed in Renminbi Yuan unless otherwise indicated)

	Note	2020	2019
<b>Cash flows from operating activities</b>			
Net increase in accepted deposits and placement from banks and other financial institutions		24,979,752,256.21	32,162,692,039.50
Net increase in borrowings from central bank		24,149,596,042.17	2,258,357,535.74
Net increase in loans from banks and other financial institutions and financial assets sold under repurchase agreements		–	11,925,481,602.40
Net decrease in loans to banks and other financial institutions and financial assets purchased under resale agreements		104,954,153.96	2,511,977,369.21
Proceeds from interests, fee and commission income		13,385,357,125.77	11,883,159,928.63
Proceeds from other operating activities		19,237,507.10	33,212,142.92
Sub-total of cash inflows of operating activities		62,638,897,085.21	60,774,880,618.40
Net increase in loans and advances to customers		(39,911,620,064.91)	(45,167,546,656.82)
Net increase in deposits with central bank and with banks and other financial institutions		(2,097,674,975.90)	(205,202,580.32)
Net decrease in loans from banks and other financial institutions and financial assets sold under repurchase agreements		(418,384,908.15)	–
Payment for interests, fee and commissions		(6,265,223,534.54)	(5,168,694,731.17)
Payments to and for employees		(1,606,032,023.88)	(1,597,844,391.06)
Payment of various taxes		(1,406,282,095.48)	(1,304,575,814.33)
Payment for other operating activities		(894,659,431.14)	(918,036,011.09)
Sub-total of cash outflows of operating activities		(52,599,877,034.00)	(54,361,900,184.79)
<b>Net cash flows generated from operating activities</b>	51(1)	10,039,020,051.21	6,412,980,433.61
<b>Cash flows from investing activities</b>			
Proceeds from disposal of investments		1,149,714,114,202.41	1,212,024,944,296.28
Investment returns received		4,312,620,537.87	4,009,670,740.61
Dividend from subsidiaries		3,264,000.00	2,805,000.00
Net proceeds from disposal of fixed assets, intangible assets and other assets		1,294,853.40	2,694,579.47
Sub-total of cash inflows of investing activities		1,154,031,293,593.68	1,216,040,114,616.36
Payment for investments		(1,157,656,093,575.47)	(1,226,329,347,570.03)
Cash paid for the acquisition of the subsidiaries		(77,000,000.00)	–
Payment for acquisition of fixed assets, intangible assets and other assets		(854,757,717.01)	(449,735,324.63)
Subtotal of cash outflows of investing activities		(1,158,587,851,292.48)	(1,226,779,082,894.66)
<b>Net cash flows used in investing activities</b>		(4,556,557,698.80)	(10,738,968,278.30)

	Note	2020	2019
<b>Cash flows from financing activities</b>			
Proceeds from issuance of bonds		91,171,100,300.00	84,871,736,160.00
Proceeds from issuance of other equity instruments		2,197,358,490.57	–
Sub-total of cash inflows of financing activities		93,368,458,790.57	84,871,736,160.00
Payment for distribution of dividends and profits		(542,941,574.13)	(542,387,477.26)
Payment for redeeming bonds payable		(100,869,473,200.00)	(77,115,044,483.78)
Payment for debt interest repayments		(1,849,081,516.98)	(1,992,755,516.22)
Sub-total of cash outflows of financing activities		(103,261,496,291.11)	(79,650,187,477.26)
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(9,893,037,500.54)</b>	<b>5,221,548,682.74</b>
<b>Effect of changes in foreign exchange rate on cash and cash equivalents</b>		<b>(51,474,140.76)</b>	<b>23,766,854.67</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	51(2)	<b>(4,462,049,288.89)</b>	<b>919,327,692.72</b>
<b>Add: Cash and cash equivalents at the beginning of the year</b>		<b>20,255,313,905.65</b>	<b>19,335,986,212.93</b>
<b>Cash and cash equivalents at the end of the year</b>	51(4)	<b>15,793,264,616.76</b>	<b>20,255,313,905.65</b>

The notes on pages 88 to 178 form part of these financial statements.

# Consolidated Statement of Changes in Shareholders' Equity

Year 2020  
(Expressed in Renminbi Yuan unless otherwise indicated)

	Note	Equity attributable to shareholders of the Bank							Non-controlling interests	Total shareholders' equity	
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings			Subtotal
<b>Balance as at 31 December 2019:</b>		2,180,000,000.00	-	2,089,535,131.41	302,457,170.97	2,281,061,549.45	4,533,268,266.88	11,331,208,628.82	22,717,530,747.53	90,535,387.88	22,808,066,135.41
Adjusted Balance as at 1 January 2020		2,180,000,000.00	-	2,089,535,131.41	302,457,170.97	2,281,061,549.45	4,533,268,266.88	11,331,208,628.82	22,717,530,747.53	90,535,387.88	22,808,066,135.41
<b>Changes in equity during the year:</b>											
1. Total comprehensive income for the year		-	-	-	(209,216,015.22)	-	-	2,875,583,926.46	2,666,367,911.24	446,825.67	2,666,814,736.91
2. Capital contributed by shareholders											
- Ordinary shares invested by shareholders		-	-	-	-	-	-	-	-	16,854,672.72	16,854,672.72
- Capital contributed by the holders of other equity instruments		-	2,197,358,490.57	-	-	-	-	-	2,197,358,490.57	-	2,197,358,490.57
3. Appropriation of profits	38										
- Appropriation of surplus reserves		-	-	-	-	288,253,828.63	-	(288,253,828.63)	-	-	-
- Appropriation of general risk reserve		-	-	-	-	142,446,923.55	-	(142,446,923.55)	-	-	-
- Dividend distribution		-	-	-	-	-	-	(545,000,000.00)	(545,000,000.00)	(3,136,000.00)	(548,136,000.00)
4. Transfer from disposal of other equity instruments		-	-	-	-	-	-	(30,112,019.73)	(30,112,019.73)	-	(30,112,019.73)
5. Other		-	-	-	-	-	-	(25,464,636.10)	(25,464,636.10)	(4,406,252.53)	(29,870,888.63)
Sub-total of 1 to 5		-	2,197,358,490.57	-	(209,216,015.22)	288,253,828.63	142,446,923.55	1,844,306,518.45	4,263,149,745.98	9,759,245.86	4,272,908,991.84
<b>Balance as at 31 December 2020</b>		2,180,000,000.00	2,197,358,490.57	2,089,535,131.41	93,241,155.75	2,569,315,378.08	4,675,715,190.43	13,175,515,147.27	26,980,680,493.51	100,294,633.74	27,080,975,127.25

# Consolidated Statement of Changes in shareholders' Equity

Year 2019  
(Expressed in Renminbi Yuan unless otherwise indicated)

	Note	Equity attributable to shareholders of the Bank							Non-controlling interests	Total shareholders' equity
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Subtotal		
<b>Balance as at 31 December 2018:</b>		2,180,000,000.00	2,089,535,131.41	497,427,476.52	1,998,870,723.07	4,403,268,266.88	9,469,483,452.06	20,638,585,049.94	86,875,590.02	20,725,460,639.96
Changes in accounting policy		-	-	(195,054,098.65)	-	-	(7,217,789.46)	(202,271,888.11)	24,854.07	(202,247,034.04)
Adjusted Balance as at 1 January 2019		2,180,000,000.00	2,089,535,131.41	302,373,377.87	1,998,870,723.07	4,403,268,266.88	9,462,265,662.60	20,436,313,161.83	86,900,444.09	20,523,213,605.92
<b>Changes in equity during the year:</b>										
1. Total comprehensive income for the year		-	-	83,793.10	-	-	2,826,133,792.60	2,826,217,585.70	6,329,943.79	2,832,547,529.49
2. Appropriation of profits	38	-	-	-	282,190,826.38	-	(282,190,826.38)	-	-	-
- Appropriation of surplus reserves		-	-	-	-	-	(130,000,000.00)	-	-	-
- Appropriation of general risk reserve		-	-	-	-	130,000,000.00	(130,000,000.00)	(545,000,000.00)	(2,695,000.00)	(547,695,000.00)
- Dividend distribution		-	-	-	-	-	(545,000,000.00)	(545,000,000.00)	3,634,943.79	2,284,852,529.49
Sub-total of 1 to 2		-	-	83,793.10	282,190,826.38	130,000,000.00	1,868,942,966.22	2,281,217,585.70	3,634,943.79	2,284,852,529.49
<b>Balance as at 31 December 2019</b>		2,180,000,000.00	2,089,535,131.41	302,457,170.97	2,281,061,549.45	4,533,268,266.88	11,331,208,628.82	22,717,530,747.53	90,535,387.88	22,808,066,135.41

The notes on pages 88 to 178 form part of these financial statements.

# Parent Company's Statement of Changes in Shareholders' Equity

Year 2020  
(Expressed in Renminbi Yuan unless otherwise indicated)

	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total
<b>Balance as at 31 December 2019</b>		2,180,000,000.00	-	2,088,785,229.52	302,457,170.97	2,281,061,549.45	4,533,268,266.88	11,301,621,944.04	22,687,194,160.86
Adjusted balance as at 1 January 2020		2,180,000,000.00	-	2,088,785,229.52	302,457,170.97	2,281,061,549.45	4,533,268,266.88	11,301,621,944.04	22,687,194,160.86
<b>Changes in equity during the year:</b>									
1. Total comprehensive income for the year		-	-	-	(209,216,015.22)	-	-	2,882,538,286.31	2,673,322,271.09
2. Capital contributed by shareholders									
- Capital contributed by the holders of other equity instruments		-	2,197,358,490.57	-	-	-	-	-	2,197,358,490.57
3. Appropriation of profits	38								
- Appropriation of surplus reserves		-	-	-	-	288,253,828.63	-	(288,253,828.63)	-
- Appropriation of general risk reserve		-	-	-	-	-	130,000,000.00	(130,000,000.00)	-
- Dividend distribution		-	-	-	-	-	-	(545,000,000.00)	(545,000,000.00)
4. Transfer from disposal of other equity instruments		-	-	-	-	-	-	(30,112,019.74)	(30,112,019.74)
Sub-total of 1 to 4		-	2,197,358,490.57	-	(209,216,015.22)	288,253,828.63	130,000,000.00	1,889,172,437.94	4,295,568,741.92
<b>Balance as at 31 December 2020</b>		2,180,000,000.00	2,197,358,490.57	2,088,785,229.52	93,241,155.75	2,569,315,378.08	4,663,268,266.88	13,190,794,381.98	26,982,762,902.78



# Parent Company's Statement of Changes in Shareholders' Equity

Year 2019  
(Expressed in Renminbi Yuan unless otherwise indicated)

	Note	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total
<b>Balance as at 31 December 2018</b>		2,180,000,000.00	2,088,785,229.52	497,427,476.52	1,998,870,723.07	4,403,288,266.88	9,444,164,797.19	20,612,516,493.18
Changes in accounting policy		-	-	(195,054,098.65)	-	-	(7,260,290.58)	(202,314,389.23)
Adjusted Balance as at 1 January 2019		2,180,000,000.00	2,088,785,229.52	302,373,377.87	1,998,870,723.07	4,403,288,266.88	9,436,904,506.61	20,410,202,103.95
<b>Changes in equity during the year:</b>								
1. Total comprehensive income for the year		-	-	83,793.10	-	-	2,821,908,263.81	2,821,992,056.91
2. Appropriation of profits	38							
- Appropriation of surplus reserves		-	-	-	282,190,826.38	-	(282,190,826.38)	-
- Appropriation of general risk reserve		-	-	-	-	130,000,000.00	(130,000,000.00)	-
- Dividend distribution		-	-	-	-	-	(545,000,000.00)	(545,000,000.00)
Sub-total of 1 to 2		-	-	83,793.10	282,190,826.38	130,000,000.00	1,864,717,437.43	2,276,992,056.91
<b>Balance as at 31 December 2019</b>		2,180,000,000.00	2,088,785,229.52	302,457,170.97	2,281,061,549.45	4,533,288,266.88	11,301,621,944.04	22,687,194,160.86

The notes on pages 88 to 178 form part of these financial statements.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 1 BASIC INFORMATION

The Bank of Dongguan Co., Ltd. (hereinafter referred to as "the Bank"), formerly known as Dongguan Commercial Bank Co., Ltd., is a joint-stock commercial bank incorporated and established on 8 September 1999 in accordance with the Notice on Incorporation of Urban Cooperative Bank (GF [1995] No. 25), Reply on Preparation of Commercial Banks in Dongguan (GZYF (1999) No. 156) issued by Guangzhou Branch of the People's Bank of China, and the Reply on Opening of Dongguan Commercial Bank Co., Ltd. (GZYF (1999) No. 383) issued by Guangzhou Branch of the People's Bank of China based on assets and capital verification as well as restructuring of 14 former urban credit cooperatives and 19 independent accounting business departments. On 14 February 2008, upon approval under Reply of the China Banking Regulatory Commission on Rename of Dongguan Commercial Bank (YJF (2008) No. 74) issued by the former China Banking Regulatory Commission (hereinafter referred to as the "former CBRC"), the Bank is renamed as the Bank of Dongguan Co., Ltd. As at 31 December 2020, the Bank's registered capital is RMB2,180,000,000.00.

As at 31 December 2020, the unified social credit code/registration number of the Bank is 914419007076883717, and the number of the Financial Institution Permit is B0201H244190001. The Legal Representative is Lu Guofeng, and the registered address is at No. 21, Tiyu Road, Guancheng District, Dongguan City.

As at 31 December 2020, the Bank had 1 head office and 12 branches (Dongguan Branch, Guangzhou Branch, Shenzhen Branch, Huizhou Branch, Changsha Branch, Foshan Branch, Hefei Branch, Qingyuan Branch, Zhuhai Branch, Shaoguan Branch, Zhongshan Branch and Nansha Branch of Guangdong Pilot Free Trade Zone).

The scope of business of the Bank and its subsidiaries ("the Group") includes: attracting deposits from enterprises and individuals; lending loans; payment and settlement; treasury business and other commercial bank business approved by the former CBRC.

## 2 BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis.

The Group has adopted the revised "Accounting Standard for Business Enterprises No. 22-Financial Instruments: Recognition and Measurement" and related new financial instrument standards, issued by the Ministry of Finance of the People's Republic of China in 2017, since 1 January 2019 (see Note 3 (10)).

The Group has implemented the "Accounting Standards for Business Enterprises No. 14 – Revenue" revised in 2017 by the Ministry of Finance since 1 January 2020.

The Group has not yet implemented the "Accounting Standards for Business Enterprises No. 21 – Leases" revised by the Ministry of Finance in 2018.

### (1) Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance ("MOF"). These financial statements present truly and completely the consolidated financial position and financial position of the Bank as at 31 December 2020, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Bank for the year then ended.

### (2) Accounting year

The accounting year is from 1 January to 31 December.

### (3) Functional currency and presentation currency

The functional currencies of the Bank and its subsidiaries are Renminbi (RMB) and these financial statements are presented in Renminbi. The functional currency is determined by the Bank and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled.

## 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### (1) Business combinations and consolidated financial statements

#### (a) Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the equity interest previously held by the Group (acquirer) in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. Other acquisition-related costs are expensed when incurred. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss are transferred to investment income at the date of acquisition; Any previously-held equity interest that is designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods is transferred to retained earnings and surplus reserve at the date of acquisition.

#### **(b) Consolidated financial statements**

The scope of consolidated financial statements is based on control and the consolidated financial statements cover the Bank and its subsidiaries. Control exists when the investor has all of following: power over the investee; variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests of the subsidiary are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders of the subsidiary is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders of the subsidiary is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination not involving entities under common control, the identifiable assets and liabilities of the acquired subsidiary are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Where the Bank acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period.

## **(2) Transaction and Translation of foreign currencies**

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates. Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the spot exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of equity investments at fair value through other comprehensive income, which are recognised in other comprehensive income.

## **(3) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdraw on demand, short-term deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

#### (4) Long-term equity investments

##### (a) Investments in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 3(1)(b).

In the Bank's separate financial statements, costs of long-term equity investments in subsidiaries are initially measured as follows:

- The initial cost of a long-term equity investment acquired through a business combination not involving entities under common control comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Bank, in exchange for control of the acquirees.
- A long-term equity investment in a subsidiary acquired other than through a business combination is initially recognised in accordance with the principles described in Note 3(4)(b).

In the Bank's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method unless the investment is classified as held for sale. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Bank recognises its share of the cash dividends or profit distributions declared by the subsidiary as investment income in the current period. The investments in subsidiaries are stated in the balance sheet at cost less allowance for impairment losses (see Note 3(12)(b)).

##### (b) Investment in associates

An associate is an entity over which the Group has significant influence.

A long-term equity investment in an associate is initially recognised at the amount of cash paid if the Group acquires the investment by cash.

A long-term equity investment in an associate is accounted for using the equity method, unless the investment is classified as held for sale.

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.
- After the acquisition of the investment in associates, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the long-term equity investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the long-term equity investment is reduced by the amount attributable to the Bank. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution ("other changes in owners' equity"), are recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.
- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated upon accounting under the equity method to the extent of the Group's interest in the associates. Unrealised losses resulting from transactions between the Group and its associates are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.
- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the associate achieves net profit thereafter, the Group resumes recognizing the revenue share after using its revenue share to make up the share of the unrecognised loss.

The Bank makes impairment allowance of long-term equity investments in associates in accordance with the principles described in Note 3(12) (b).

#### (5) Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Group for administrative purposes with useful lives over one accounting year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and allowance for impairment losses (see Note 3(12)(b)). Construction in progress is stated in the balance sheet at cost less allowance for impairment losses (see Note 3(12)(b)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

The carrying amount of a fixed asset is derecognised:

- when the fixed asset is holding for disposal;
- when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale. The useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Category of assets	Useful life	Residual value rate	Annual depreciation rate
Buildings and constructions	20 years	4%	4.80%
Machinery equipment	5 years	4%	19.20%
Electronic equipment	5 years	4%	19.20%
Decoration of fixed assets	5 years	0%	20.00%
Motor vehicles and others	5 years	4%	19.20%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

## (6) Leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease. All the leases of the Group are operating leases.

### (a) Operating lease charges

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term. Variable lease payments are recognised as income as they are earned.

### (b) Assets leased out under operating leases

The fixed assets leased out by operating leases are depreciated according to the depreciation policy described in Note 3(5), and depreciation provisions are made according to the accounting policy described in Note 3(12)(b). Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Variable lease payments are recognised as income as they are earned.

## (7) Debt-expiated assets

Debt-expiated assets refer to the physical assets or property rights of the debtor, guarantor or third party that are compensated by the Bank for exercising creditor's rights or security interests. The carrying amount of the debt-expiated asset is the lower of the carrying amount of the relevant loans and advances on the acquisition date and the net amount of the asset's fair value less disposal costs. Debt-expiated assets are not depreciated or amortised. Impairment losses on initial recognition and subsequent reassessment are recognised in profit or loss.

For the impairment test and provision for impairment allowance of the investment properties of the Group, please refer to Note 3(12)(b).

## (8) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the useful life is finite) and impairment allowance (see Note 3(12)(b)). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale. The respective amortisation periods for such intangible assets are as follows:

	Amortisation period
Software	5 years
Land use right	20 – 50 years

The Group reviews the useful life and amortization method of intangible assets with limited useful lives at least at the end of each year.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group does not have any intangible assets with indefinite useful lives.

## (9) Long-term deferred expenses

Long-term deferred expense refers to all expenses which have been paid with a benefit period of over 1 year (excluding one year), such as expenditures of improvement of fixed assets rented through operating lease. Expenditures of improvement of fixed assets rented through operating lease shall be evenly amortised over the remaining lease period or the useful years of rented assets, whichever is the shorter. And other long-term deferred expenses are equally amortised over the benefit period.

Long-term deferred expenses are equally amortised over the benefit period. The respective amortisation periods for long-term deferred expenses are as follows:

Item	Amortisation period
Expenditures of improvement of fixed assets rented through operating lease	3-5 years
Others	3-5 years

## (10) Financial instruments

Financial instruments of the Group include monetary funds, investments in bonds and equity securities other than those classified as long-term equity investments (see Note 3 (4)), receivables, payables, borrowings, bonds payable and share capital.

### (a) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset (unless it is a trade receivable without a significant financing component) and financial liability is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable without a significant financing component or that does not consider the financing component in a contract not exceed one year is initially measured at the transaction price according to Note 3(18).

### (b) Classification and subsequent measurement of financial assets

#### (1) 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. On initial recognition, financial assets are classified into different categories:

- Financial assets measured at amortised cost, including loans and advances to customers measured at amortised cost and debt investments;
- Financial assets measured at fair value through other comprehensive income (“FVOCI”), including loans and advances to customers measured at fair value through other comprehensive income, other debt investments and Investments in other equity instruments; and
- Financial assets measured at fair value through profit or loss (“FVTPL”), including financial assets held for trading.

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 FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- 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 financial asset is measured at FVOCI in the Group if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- 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. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. 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 FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 of time 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.

#### (2) Subsequent measurement of financial assets

- Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be included in the current profits and losses when the financial asset is derecognised, reclassified, amortized in accordance with the effective interest method or recognised as impairment.

- Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

#### (c) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as financial liabilities measured at FVTPL or financial liabilities measured at amortised cost.

- Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities at amortised cost

These financial liabilities are subsequently measured at amortised cost using the effective interest method.

#### **(d) Offsetting**

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The 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.

#### **(e) 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;
- 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 and 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.

#### **(f) Financial assets purchased under resale agreements and financial assets sold under repurchase agreements**

Financial assets purchased under resale agreements represents the funds raised by the Group according to the resale agreement to buy and then resell financial assets at a fixed price. Financial assets sold under repurchase agreements represent the funds raised by the Group according to the repurchase agreement to sell and then repurchase financial assets at a fixed price.

The cash advanced or received is recognised as amounts purchased under resale or sold under repurchase agreements in the balance sheet. Underlying assets purchased under resale agreements are reported not as purchase of the assets but recorded as off-balance sheet. Underlying assets sold under repurchase agreement are retained in the balance sheet.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised as interest income and interest expenses respectively, over the life of each agreement using the effective interest method.

#### **(g) Equity instrument**

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

The Group has no other equity instruments issued except the paid-in capital stock invested by shareholders.

#### **(h) Derivative instruments**

Derivative financial instruments are initially recognised at the fair value of the day when the derivative transaction contract is signed, and subsequent measurement is performed at their fair value. Derivative financial instruments with a positive fair value are recognised as an asset, and those with a negative fair value are recognised as a liability.

An embedded derivative and the host contract together form the hybrid contract. The host contract, which is inside the financial assets and is included in the hybrid contract, the Group will apply relevant provisions of the financial asset classification to the hybrid contract as a whole.

Profits and losses derived from changes in the fair value of derivative financial instruments should be directly included in the profit or loss if they do not meet the requirements of hedge accounting.

Derivative financial instruments mainly calculate fair value based on valuation models commonly used in the market. The data of the valuation model uses observable market information as much as possible, including the forward foreign exchange exchange rate and market yield curve.



**(i) Asset-backed securitisation**

During asset-backed securitisation, credit assets are sold to special purpose entities which then issue asset-backed securities to investors. Interests in securitised financial assets are presented in the form of interests in prime asset-backed securities or subprime asset-backed securities or in other residual interests ("retained interests"). Retained interests are recognised at fair value in the Group's balance sheet. Gain or loss from securitisation depends on the carrying amount of the financial asset transferred, and is allocated at fair value at the date of transfer between the derecognised financial asset and retained interests.

When applying asset-based securitisation policies, the Group considers the risk and reward transfer degree of the asset transferred to another entity, as well as the extent to which the Group exercises control over the entity.

**(11) Perpetual bonds**

Based on the contractual terms of perpetual bonds and the economic substance they reflect, the Group combines the definitions of financial assets, financial liabilities and equity instruments, and classifies these financial instruments or their components as financial assets, financial liabilities or equity tools at the time of initial recognition.

The perpetual bonds issued by the Group that should be classified as equity instruments are included in equity based on the amount actually received. If dividends or interest are distributed during the existence period, it shall be treated as a profit distribution. When the Group redeems perpetual bonds, the equity is written off at the redemption price.

**(12) Impairment of assets**

Except for impairment of assets set out in Notes 3(17), impairment of assets is accounted for using the following principles:

**(a) Impairment of financial assets**

The Group performs impairment accounting treatment and recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI;
- financial guarantee contracts issued, which are not measured at FVTPL.

Financial assets measured at fair value, including debt investments or equity securities at FVPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

**Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

The Group measures loss allowance at an amount equal to 12-month ECL for the following financial instruments, and at an amount equal to lifetime ECL for all other financial instruments.

- If the financial instrument is determined to have low credit risk at the balance sheet date; or
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

**Financial instruments that have low credit risk**

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

**Significant increases in credit risk**

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor;
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

#### Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost, loans and advances to customers and debt investments at FVOCI are 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 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 would not otherwise 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.

#### Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. For financial investments that are measured at amortized cost, the loss allowance is used to offset the book value of the financial assets listed in the balance sheet; for debt investments that are measured at FVOCI, the Group recognises its loss allowance in other comprehensive income and does not offset the book value of the financial asset.

#### 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.

#### (b) Impairment of other assets

The following non-financial assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress

- intangible assets
- long-term equity investments
- long-term deferred expenses
- debt-expiated assets

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least at each year-end, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset (or asset group or set of asset groups) is the higher of its fair value (see Note 3(13)) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period, unless it is recognised for a debt-expiated asset.

### **(13) Fair value measurement**

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

### **(14) 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 shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money shall be taken into account as a whole in reaching the best estimate. Where there is a continuous range of the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate shall be the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate shall be the most likely outcome.
- Where the contingency involves a large population of items, the best estimate shall be determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

In respect of potential obligations arising from past transactions or events, its existence must be verified through the occurrence or non-occurrence of uncertain future events; in respect of present obligations arising from past transactions or events, the performance of such obligations is not likely to cause economic benefits to flow out of the Group or the amount of the obligation cannot be reliably measured, then the potential obligations or present obligations will be disclosed as a contingent liabilities.

### **(15) Fiduciary activities**

The Group acts as manager, trustee or agent of the client in the course of fiduciary activities. The Group's balance sheet does not include the assets held by the Group for fiduciary business and the commitment to return these assets to customers, as the risks and profits of such assets are borne by the customers.

The entrusted loans services refer to the service that the Group signs entrusted loans agreements with clients, and the clients provide fund ("entrusted loans fund") to the Group, and the Group issues loans ("entrusted loans") to the third parties according to the instructions of clients. As the Group does not undertake the risks and rewards of entrusted loans and related entrusted funds, the Group's entrusted loans and funds are recognised as off-balance sheet items based on their principal, and no provision for impairment is made for these entrusted loans.

## **(16) Employee benefits**

### **(a) Short-term employee benefits**

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

### **(b) Post-employment benefits – defined contribution plans**

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participates in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

In addition, on the basis of participating in the social basic endowment insurance, the Group's employees participate in the annuity plan established by the Group in accordance with the relevant policies of the national enterprise annuity system. The Group makes contributions to the annuity plan in a certain proportion of the total salary of the employees, and the corresponding expenditures are included in the current profits and losses.

### **(c) Termination benefits**

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### **(d) Other long-term employee benefits**

Deferred benefits payable to senior management and employees in positions critical to risks are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

## **(17) Income tax**

Current income tax and deferred income tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in shareholders' equity (including other comprehensive income).

Current income tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible tax losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and assets;
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **(18) Revenue recognition**

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when those inflows result in increases in shareholders' equity, other than increases relating to contributions from shareholders.

The specific accounting policies related to the main activities in which the Group obtains revenue are described as follows:

#### **(a) Interest income**

Interest income is recognised when its amount and related costs can be reliably measured, the relevant economic benefits are likely to flow into the Group, and other recognition conditions for the following different types of income are met at the same time.

The interest income of financial instruments is calculated according to the effective interest rate method and included in the profit and loss. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest method.

The effective interest rate method refers to the method of calculating the amortised cost, interest income or interest expense according to the actual interest rate of financial assets or financial liabilities. 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 instruments. In calculating the effective interest rate, the future cash flows will be estimated based on all contractual terms of financial instruments (such as prepayment rights, similar options, etc., but excluding 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 financial 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 following accounting policies related to the recognition of fees and commission income are applicable to Year 2019

Fees and commission income is recognised in profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as revenue on expiry.

- The following accounting policies related to the confirmation of fees and commission income are applicable to Year 2020

The Group collects handling fees and commissions by providing various services to customers. The handling fees and commissions recognised by the Group reflect the amount of consideration that it is expected to receive for providing services to customers, and the revenue is recognised when the performance obligations in the contract are fulfilled.

When one of the following conditions is met, the Group recognises revenue according to the performance progress within the period:

- The customers obtains and consumes the economic benefits brought by the Group's performance of the contract during the performance period;
- The customers are able to control the services performed by the Group during the performance of the contract;
- The services provided by the Group during the performance of the contract have irreplaceable purposes, and the Group has the right to collect payment for the cumulative performance part that has been completed so far during the entire contract period.

In other cases, the revenue is recognised by the Group when the customer obtains control of relevant service

### **(19) Government grants**

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are the grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income or offset against related expenses in the periods in which the expenses or losses are recognised; or included in other income or non-operating income or offset against related expenses directly.

## **(20) Profit distributions**

Distributions of profit proposed in the profit appropriation plan to be approved after the balance sheet date are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

## **(21) Related parties**

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Bank is under common control only from the State and that have no other related party relationships are not regarded as related parties.

## **(22) Segment reporting**

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and are same or similar in respect of the nature of products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

## **(23) Significant accounting estimates and judgments**

The preparation of financial statements requires the management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Except for accounting estimates relating to depreciation and amortisation of assets such as fixed assets and intangible assets (see Notes 18 and 20) and provision for impairment of various types of assets (see Notes 8, 9, 11, 12, 14, 15 and 22). Other significant accounting estimates are as follows:

- (i) Note 21 – Recognition of deferred tax assets; and
- (ii) Note 54 – Fair value measurements of financial instruments.

The group made the following important judgments in the application of accounting policies:

- (i) Note 63 – Disclosure of material judgments and assumptions that exercise control over other subjects and have a common control or significant impact.

## **4 CHANGES IN ACCOUNTING POLICIES**

In 2020, the Group has adopted the following revised accounting standards issued by the MOF recently:

- Accounting Standards for Business Enterprises No. 14-Revenue (No. 22 [2017] of the Ministry of Finance)
- Interpretation of Accounting Standards for Business Enterprises No. 13 (No. 21 [2019] of the Ministry of Finance) (“Interpretation No.13”)
- Accounting Treatment of the COVID-19 Pandemic-related Rental Concessions (No. 10 [2020] of the Ministry of Finance)

### **(1) New revenue standards**

The new revenue standard includes a single model that is applicable to revenue recognition derived from customer contracts and two revenue recognition methods: revenue recognition at a certain point in time or revenue recognition over a period of time. The characteristic of this model is based on the contract, through a five-step analysis to determine whether a transaction can recognise revenue, how much revenue to recognise, and how to recognise revenue.

Accounting Standards for Business Enterprises No. 14 – Revenue (No. 22 [2017] of the Ministry of Finance) introduces extensive qualitative and quantitative disclosure requirements to enable users of financial statements to understand the nature and amount of revenues from customer contracts and cash flows, time and uncertainty. The entity can adopt the standard completely retrospectively, or it can adopt the standard from the date of first application and adjust the opening balance on that day. The disclosure during the transition period varies according to the method adopted by the entity.

The adoption of the new revenue standard does not have a significant impact on the Group's accounting policies for revenue recognition.

## (2) Interpretation No. 13

Interpretation No. 13 revised the three elements of business composition and refined the judgment conditions for business. For purchasers of business combinations not under the same control, it is introduced the choice of “concentration test” to determine whether the acquired business activities or combination of assets constitute a business.

In addition, Interpretation No. 13 further clarifies that the related parties of an enterprise also include joint ventures or associates of other member units of the group to which the enterprise belongs (including parent companies and subsidiaries), and other joint ventures of investors who exercise joint control over the enterprise or associates, etc.

Interpretation No. 13 came into effect on 1 January 2020. The Group adopts the future application method to account for the above-mentioned changes in accounting policies. Companies need to disclose the impact of changes in accounting policies. The adoption of this interpretation did not have a significant impact on the Group's financial status, operating results and related party disclosures.

## (3) No. 10 [2020] of the Ministry of Finance

No. 10 [2020] of the Ministry of Finance provides a simplified method for rent reduction directly triggered by the COVID-19 epidemic that meets certain conditions. If the company chooses to adopt the simplified method, it does not need to assess whether there is a lease change, nor does it need to re-evaluate the lease classification.

No. 10 [2020] of the Ministry of Finance came into effect on 24 June 2020. The relevant rent concessions that occur between 1 January 2020 and the effective date of this regulation can be adjusted in accordance with this regulation. The adoption of the above regulation does have a significant impact on the Group's financial status and operating results.

## 5 TAXATION

### (1) The types of taxes applicable to the Group's rendering of services include value added tax (VAT), surcharges, etc

Tax Name	Tax basis and applicable rate
VAT	Output VAT for financial services is 6% of its income, while output VAT for others is 17% of product sales and taxable services before 1 May 2018, 16% between 1 May 2018 and 31 March 2019 and 13% on or after 1 April 2019 based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.  According to Provisions on Issues Concerning Value-Added Tax on Asset Management Products (CS [2017] No. 56) issued by the Ministry of Finance and the State Taxation Administration, managers of asset management products shall calculate and pay value-added tax for taxable income at a levying rate of 3% from 1 January 2018.  According to the Notice on Further Clarifying Polices Concerning the Financial Industry during the Comprehensive Promotion of the Pilot Program of Replacing Business Tax with Value-Added Tax (CS [2016] No. 46) issued by the Ministry of Finance and the State Taxation Administration, the subsidiaries of the Bank, namely Chongqing Kaizhou Taiye Village Bank Co., Ltd., Dongyuan Taiye Village Town Bank Co., Ltd. and Zongyang Taiye Village Bank Co, Ltd. calculated and paid value-added tax at 3% for the income from the financial services provided.
City maintenance and construction tax	Subject to 7% or 5% of the VAT actually paid.
Education surcharges	Subject to 5% of the VAT actually paid.

### (2) Income tax

The statutory income tax rate of the Bank and its subsidiaries Dongyuan Taiye Village Town Bank Co., Ltd. and Zongyang Taiye Village Bank Co, Ltd. is 25%. The applicable income tax rate for the year is the statutory rate (2019: 25%).

According to the Circular of the Ministry of Finance, General Administration of Customs and State Taxation Administration on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies (CS [2011] No.58) and the Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China (Announcement No. 23 [2020] of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission), the enterprise income tax is levied on qualified enterprises operating in Western China at a rate of 15% from 1 January 2011 to 31 December 2030. The enterprise income tax is levied on the Bank's subsidiary Chongqing Kaizhou Taiye Village Bank Co., Ltd. at a rate of 15% from 1 January 2011 to 31 December 2018, as approved annually by the Kaizhou Tax Bureau (former Kaixian Tax Bureau), and no approval or filing is required from 2019. Both 2019 and 2020 are within the reduction period.

**(3) Taxes payable**

	The Group		The Bank	
	2020	2019	2020	2019
VAT payable	130,414,850.78	149,245,523.76	130,139,427.78	149,005,273.59
Income tax payable	1,361,207.39	371,043,835.39	–	370,695,763.65
Urban maintenance and construction tax payable	10,261,761.32	10,368,168.21	10,245,046.92	10,353,081.78
Educational surcharges payable	7,339,330.54	7,416,126.91	7,325,716.90	7,404,114.73
Others	15,172,009.43	28,267,494.60	15,128,515.89	28,228,131.86
<b>Total</b>	<b>164,549,159.46</b>	<b>566,341,148.87</b>	<b>162,838,707.49</b>	<b>565,686,365.61</b>

**6 BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2020, the consolidated financial statements included the following subsidiaries:

Name of subsidiaries	Principal place of business	Registration place	Business nature	Registered capital (RMB)	Shareholding percentage of the Bank direct/indirect (or percentage of similar equity)	Voting rights of the Bank direct/indirect
Chongqing Kaizhou Taiye Village Bank Co., Ltd.	Wanzhou, Chongqing	Wanzhou, Chongqing	Banking industry	50 million	63.10%	63.10%
Dongyuan Taiye Village Town Bank Co., Ltd.	Heyuan, Guangdong	Heyuan, Guangdong	Banking industry	100 million	51.00%	51.00%
Zongyang Taiye Village Bank Co., Ltd.	Zongyang, Anhui	Zongyang, Anhui	Banking industry	110 million	84.55%	84.55%

Zongyang Taiye Village Bank Co., Ltd. was incorporated on 17 March 2011, and its main business is financial industry. The Bank made a contribution of RMB16 million with a shareholding ratio of 40.00%. In 2020, the Bank totally held 93 million shares of Zongyang Taiye Village Bank Co., Ltd. by means of equity transfer and targeted capital increase, and the Bank's shareholding ratio increased from 40.00% to 84.55%, which has formed the actual control over Zongyang Taiye Village Bank Co., Ltd., so it was included in the scope of the consolidated financial statements.

**7 CASH AND DEPOSITS IN THE CENTRAL BANK**

	Note	The Group		The Bank	
		2020	2019	2020	2019
Cash		748,254,734.30	941,869,645.72	738,772,845.02	930,693,576.30
Deposits in the central bank					
– Statutory reserves	(i)	25,625,141,225.08	23,579,861,074.24	25,558,625,812.77	23,504,608,735.77
– Excess reserves	(ii)	7,580,810,221.74	9,687,452,621.16	7,495,970,536.19	9,636,003,063.47
– Foreign-exchange risk reserves	(iii)	76,031,487.75	24,463,588.85	76,031,487.75	24,463,588.85
– Fiscal deposits in central bank	(iv)	49,204,000.00	87,114,000.00	49,204,000.00	87,114,000.00
<b>Sub-total</b>		<b>33,331,186,934.57</b>	<b>33,378,891,284.25</b>	<b>33,179,831,836.71</b>	<b>33,252,189,388.09</b>
Accrued interest		13,083,787.66	12,816,089.74	13,055,278.64	12,816,089.74
<b>Total</b>		<b>34,092,525,456.53</b>	<b>34,333,577,019.71</b>	<b>33,931,659,960.37</b>	<b>34,195,699,054.13</b>

(i) The Group places deposit reserves for general deposits with the People's Bank of China (or "PBOC"), including RMB deposit reserves and foreign currency deposit reserves, in accordance with related regulations. Without approval from the PBOC, these statutory deposit reserves mustn't be used in the regular operation of the Group. The PBOC pays no interest for the placed foreign currency deposit reserves.

As at each balance sheet date, the Bank was subject to the following statutory deposit reserve ratios:

	2020	2019
RMB deposit reserve ratio	9.00%	9.50%
Foreign currency deposit reserve ratio	5.00%	5.00%



The three subsidiaries of the Bank were subject to a statutory RMB reserve ratio determined by the PBOC.

- (ii) Excess reserves with the central bank are mainly used in fund settlement and transfers, etc.
- (iii) Foreign-exchange risk reserves with the central bank are the reserves deposited with the PBOC in a prescribed proportion for the Group engaging in forward exchange business on behalf of clients.
- (iv) Fiscal deposits in central bank are fiscal deposits the Group collects under agency services for the central national treasury or the local national treasury, which are placed with the PBOC at a percentage of 100%. No interest is paid on the fiscal deposits, and they cannot be withdrawn at will. The Bank does not include them as cash equivalents.

## 8 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

### Analysed by type and location of institutions

	The Group		The Bank	
	2020	2019	2020	2019
Deposits with domestic				
– banks and other financial institutions	928,532,281.33	1,518,639,587.38	737,767,126.81	1,206,075,236.63
Deposits with overseas				
– banks and other financial institutions	466,105,108.74	357,851,029.25	466,105,108.74	357,851,029.25
Accrued interest	1,212,915.69	839,440.51	205,620.95	44,821.06
<b>Sub-total</b>	<b>1,395,850,305.76</b>	<b>1,877,330,057.14</b>	<b>1,204,077,856.50</b>	<b>1,563,971,086.94</b>
Less: Provision for impairment	(2,229,402.29)	(1,166,138.21)	(2,227,543.10)	(1,155,500.00)
<b>Total</b>	<b>1,393,620,903.47</b>	<b>1,876,163,918.93</b>	<b>1,201,850,313.40</b>	<b>1,562,815,586.94</b>

## 9 LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

### Analysed by type and location of institutions

	The Group and the Bank	
	2020	2019
Banks operating in Mainland China	737,777,676.83	965,426,830.79
Other financial institutions operating in Mainland China	–	780,000,000.00
Accrued interest	903,408.61	14,761,412.21
<b>Sub-total</b>	<b>738,681,085.44</b>	<b>1,760,188,243.00</b>
Less: Provision for impairment	(20,137,453.49)	(25,654,576.84)
<b>Total</b>	<b>718,543,631.95</b>	<b>1,734,533,666.16</b>

## 10 DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Bank:

	2020		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign currency derivatives			
– Forward contracts	1,295,904,109.27	28,528,222.02	(15,362,853.17)
– Swap contracts	6,548,578,092.50	115,131,599.40	(61,945,941.51)
– Option contracts	6,675,960,000.00	23,502,064.55	(23,502,064.55)
Interest rate derivatives			
– Interest rate swap	33,715,670,000.00	186,502,972.25	(183,388,805.80)
<b>Total</b>	<b>48,236,112,201.77</b>	<b>353,664,858.22</b>	<b>(284,199,665.03)</b>

	2019		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign currency derivatives			
– Forward contracts	486,617,290.36	1,107,668.78	(306,624.08)
– Swap contracts	3,698,023,810.00	8,796,810.05	(2,257,102.28)
Interest rate derivatives			
– Interest rate swap	3,040,000,000.00	18,440,341.14	(16,652,624.88)
<b>Total</b>	<b>7,224,641,100.36</b>	<b>28,344,819.97</b>	<b>(19,216,351.24)</b>

## 11 FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS

### (1) Analysed by classification of collateral

	The Group and the Bank	
	2020	2019
Bonds		
– Bonds issued by the Chinese government	2,700,000,000.00	4,171,200,000.00
– Policy bank bonds	2,200,000,000.00	2,789,800,000.00
– Bonds issued by commercial banks and other financial institutions	150,914,090.91	–
– Corporate bonds	872,788,909.09	–
– Interbank negotiable certificate of deposit	199,950,000.00	–
Accrued interest	527,117.63	1,619,132.39
<b>Sub-total</b>	<b>6,124,180,117.63</b>	<b>6,962,619,132.39</b>
Less: Provision for impairment	(112,495.57)	–
<b>Total</b>	<b>6,124,067,622.06</b>	<b>6,962,619,132.39</b>

### (2) Analysed by type and location of counterparties

	The Group and the Bank	
	2020	2019
Banks operating in Mainland China	4,900,000,000.00	6,961,000,000.00
Other financial institutions operating in Mainland China	1,223,653,000.00	–
Accrued interest	527,117.63	1,619,132.39
<b>Sub-total</b>	<b>6,124,180,117.63</b>	<b>6,962,619,132.39</b>
Less: Provision for impairment	(112,495.57)	–
<b>Total</b>	<b>6,124,067,622.06</b>	<b>6,962,619,132.39</b>

## 12 LOANS AND ADVANCES TO CUSTOMERS

### (1) Analysed by nature

	The Group		The Bank	
	2020	2019	2020	2019
Loans and advances at amortised cost:				
Loans and advances to corporate customers	119,219,090,213.58	120,877,849,378.73	119,083,228,935.14	120,762,643,356.33
Personal mortgage loans	50,438,879,655.58	47,133,449,029.63	50,262,548,801.80	46,978,060,028.42
Other personal loans	27,693,700,548.53	20,479,595,458.68	27,040,302,853.74	20,090,138,539.01
Loans and advances to individual customers	78,132,580,204.11	67,613,044,488.31	77,302,851,655.54	67,068,198,567.43
Principal of loans and advances at amortised cost:	197,351,670,417.69	188,490,893,867.04	196,386,080,590.68	187,830,841,923.76
Accrued interest	522,482,542.17	468,682,883.45	519,801,090.51	466,710,987.66
<b>Total loans and advances at amortised cost:</b>	<b>197,874,152,959.86</b>	<b>188,959,576,750.49</b>	<b>196,905,881,681.19</b>	<b>188,297,552,911.42</b>
Less: Provision for losses on loans and advances at amortised cost				
– 12-month expected credit loss	(3,517,933,583.42)	(2,417,846,607.81)	(3,495,752,026.13)	(2,399,076,450.16)
– Lifetime expected credit loss				
– Not credit impaired loans and advances	(559,165,568.65)	(719,830,958.83)	(548,689,843.16)	(716,237,749.30)
– Credit impaired loans and advances	(1,813,213,629.64)	(1,828,480,038.69)	(1,791,473,590.09)	(1,816,153,381.46)
Provision for losses on loans and advances at amortised cost	(5,890,312,781.71)	(4,966,157,605.33)	(5,835,915,459.38)	(4,931,467,580.92)
<b>Net loans and advances to customers at amortised cost</b>	<b>191,983,840,178.15</b>	<b>183,993,419,145.16</b>	<b>191,069,966,221.81</b>	<b>183,366,085,330.50</b>
Loans and advances at fair value through other comprehensive income:				
Discounted bills	29,517,006,453.64	1,640,995,486.33	29,517,006,453.64	1,640,995,486.33
Loans and advances to corporate customers-Forfeiting	2,234,626,707.60	75,232,755.33	2,234,626,707.60	75,232,755.33
Principal of loans and advances at fair value through other comprehensive income	31,751,633,161.24	1,716,228,241.66	31,751,633,161.24	1,716,228,241.66
<b>Net loans and advances to customers</b>	<b>223,735,473,339.39</b>	<b>185,709,647,386.82</b>	<b>222,821,599,383.05</b>	<b>185,082,313,572.16</b>

### (2) Analysed by collateral

	The Group		The Bank	
	2020	2019	2020	2019
Loans secured by mortgages	123,190,801,167.89	109,440,373,364.67	122,382,547,729.62	108,903,323,400.52
Guaranteed loans	61,004,489,183.54	35,407,555,055.49	60,884,013,442.68	35,314,289,959.86
Pledged loans	23,813,376,113.76	28,925,081,747.39	23,806,799,813.56	28,915,371,747.39
Unsecured loans	21,094,637,113.74	16,434,111,941.15	21,064,352,766.06	16,414,085,057.65
<b>Total loans and advances to customers</b>	<b>229,103,303,578.93</b>	<b>190,207,122,108.70</b>	<b>228,137,713,751.92</b>	<b>189,547,070,165.42</b>

**(3) Analysed by industry distribution****The Group**

	2020		2019	
	Total loans	Percentage	Total loans	Percentage
		%		%
Loans and advances to corporate customers				
– Leasing and commercial services	27,708,634,821.36	12.10	22,557,048,913.67	11.86
– Manufacturing	25,132,362,133.10	10.97	27,726,438,058.13	14.58
– Wholesale and retail	18,695,626,575.45	8.16	18,439,696,199.37	9.69
– Real estate	15,389,448,392.06	6.72	17,116,917,086.08	9.00
– Construction	8,937,537,002.22	3.90	9,384,379,088.23	4.93
– Education	5,302,247,559.37	2.31	4,977,904,946.24	2.62
– Transportation, storage and postal services	4,738,530,950.66	2.07	5,771,767,277.45	3.03
– Production and supply of electricity, heating, gas and water	2,384,958,091.42	1.04	2,013,519,086.01	1.06
– Water, environment and public utility management	2,266,488,502.17	0.99	2,994,117,485.64	1.57
– Others	10,897,882,893.37	4.76	9,971,293,993.24	5.25
<b>Total loans and advances to corporate customers</b>	<b>121,453,716,921.18</b>	<b>53.02</b>	<b>120,953,082,134.06</b>	<b>63.59</b>
<b>Total loans and advances to individual customers</b>	<b>78,132,580,204.11</b>	<b>34.10</b>	<b>67,613,044,488.31</b>	<b>35.55</b>
Discounted bills	29,517,006,453.64	12.88	1,640,995,486.33	0.86
<b>Total loans and advances to customers</b>	<b>229,103,303,578.93</b>	<b>100.00</b>	<b>190,207,122,108.70</b>	<b>100.00</b>

**The Bank**

	2020		2019	
	Total loans	Percentage	Total loans	Percentage
		%		%
Loans and advances to corporate customers				
– Leasing and commercial services	27,707,134,821.36	12.15	22,557,048,913.67	11.90
– Manufacturing	25,109,952,133.10	11.02	27,708,638,737.79	14.62
– Wholesale and retail	18,670,282,155.16	8.18	18,414,707,004.10	9.72
– Real estate	15,389,448,392.06	6.75	17,116,917,086.08	9.03
– Construction	8,924,105,889.69	3.91	9,367,379,088.23	4.94
– Education	5,302,247,559.37	2.32	4,977,904,946.24	2.63
– Transportation, storage and postal services	4,731,087,302.09	2.07	5,765,607,277.45	3.04
– Production and supply of electricity, heating, gas and water	2,381,325,993.57	1.04	2,010,386,988.16	1.06
– Water, environment and public utility management	2,266,488,502.17	0.99	2,994,117,485.64	1.58
– Others	10,835,782,894.17	4.74	9,925,168,584.30	5.23
<b>Total loans and advances to corporate customers</b>	<b>121,317,855,642.74</b>	<b>53.17</b>	<b>120,837,876,111.66</b>	<b>63.75</b>
<b>Total loans and advances to individual customers</b>	<b>77,302,851,655.54</b>	<b>33.89</b>	<b>67,068,198,567.43</b>	<b>35.38</b>
Discounted bills	29,517,006,453.64	12.94	1,640,995,486.33	0.87
<b>Total loans and advances to customers</b>	<b>228,137,713,751.92</b>	<b>100.00</b>	<b>189,547,070,165.42</b>	<b>100.00</b>

**(4) Analysed by geographic distribution****The Group**

	2020		2019	
	Total loans	Percentage	Total loans	Percentage
		%		%
Dongguan	138,130,801,887.54	60.30	125,028,914,973.35	65.73
Guangdong province (excluding Dongguan)	47,729,103,019.75	20.83	45,234,645,653.26	23.78
Outside of Guangdong province	18,289,595,341.33	7.98	18,822,345,350.32	9.90
Head Office	24,953,803,330.31	10.89	1,121,216,131.77	0.59
<b>Total loans and advances to customers</b>	<b>229,103,303,578.93</b>	<b>100.00</b>	<b>190,207,122,108.70</b>	<b>100.00</b>

**The Bank**

	2020		2019	
	Total loans	Percentage	Total loans	Percentage
		%		%
Dongguan	138,130,801,887.54	60.55	125,028,914,973.35	65.96
Guangdong province (excluding Dongguan)	47,369,558,576.84	20.76	44,867,576,786.11	23.67
Outside of Guangdong province	17,683,549,957.23	7.75	18,529,362,274.19	9.78
Head Office	24,953,803,330.31	10.94	1,121,216,131.77	0.59
<b>Total loans and advances to customers</b>	<b>228,137,713,751.92</b>	<b>100.00</b>	<b>189,547,070,165.42</b>	<b>100.00</b>

**(5) Analysis of overdue loans by collateral and overdue term****The Group**

	2020				
	Overdue for within 90 days (inclusive)	Overdue for 90 days to 1 year (inclusive)	Overdue for 1 year to 3 years (inclusive)	Overdue for more than 3 years	Total
Pledged loans	38,671,772.06	237,754,145.06	6,371,770.43	56,106,275.87	338,903,963.42
Loans secured by mortgages	396,823,616.72	458,609,847.67	196,267,889.01	104,864,153.40	1,156,565,506.80
Guaranteed loans	290,546,369.90	158,920,566.97	136,538,659.07	38,711,614.51	624,717,210.45
Unsecured loans	86,069,877.78	146,525,198.25	119,549,593.68	128,098,710.36	480,243,380.07
<b>Total</b>	<b>812,111,636.46</b>	<b>1,001,809,757.95</b>	<b>458,727,912.19</b>	<b>327,780,754.14</b>	<b>2,600,430,060.74</b>

	2019				
	Overdue for within 90 days (inclusive)	Overdue for 90 days to 1 year (inclusive)	Overdue for 1 year to 3 years (inclusive)	Overdue for more than 3 years	Total
Pledged loans	879,695.31	64,123,952.51	95,355,945.28	78,345,247.12	238,704,840.22
Loans secured by mortgages	496,854,442.44	322,000,134.56	411,156,929.46	167,791,496.69	1,397,803,003.15
Guaranteed loans	115,690,268.09	324,019,098.52	589,240,694.64	25,967,182.92	987,917,244.17
Unsecured loans	277,092,394.88	63,646,547.61	86,839,042.27	107,450,251.41	602,028,236.17
<b>Total</b>	<b>890,516,800.72</b>	<b>773,789,733.20</b>	<b>1,182,592,611.65</b>	<b>379,554,178.14</b>	<b>3,226,453,323.71</b>

**The Bank**

	2020				Total
	Overdue for within 90 days (inclusive)	Overdue for 90 days to 1 year (inclusive)	Overdue for 1 year to 3 years (inclusive)	Overdue for more than 3 years	
Pledged loans	38,671,772.06	237,754,145.06	6,371,770.43	56,106,275.87	338,903,963.42
Loans secured by mortgages	390,381,508.13	454,406,460.74	193,944,178.76	99,077,166.54	1,137,809,314.17
Guaranteed loans	287,888,519.68	156,441,692.42	134,656,899.86	34,488,634.78	613,475,746.74
Unsecured loans	82,362,113.73	145,778,063.63	119,298,885.53	128,098,710.36	475,537,773.25
<b>Total</b>	<b>799,303,913.60</b>	<b>994,380,361.85</b>	<b>454,271,734.58</b>	<b>317,770,787.55</b>	<b>2,565,726,797.58</b>

	2019				Total
	Overdue for within 90 days (inclusive)	Overdue for 90 days to 1 year (inclusive)	Overdue for 1 year to 3 years (inclusive)	Overdue for more than 3 years	
Pledged loans	879,695.31	64,123,952.51	95,355,945.28	78,345,247.12	238,704,840.22
Loans secured by mortgages	488,921,286.80	321,806,935.29	406,381,762.42	164,318,864.96	1,381,428,849.47
Guaranteed loans	115,171,624.96	322,373,109.22	587,991,821.33	25,967,182.92	1,051,503,738.43
Unsecured loans	276,327,313.26	63,497,751.90	86,511,178.12	107,450,251.41	533,786,494.69
<b>Total</b>	<b>881,299,920.33</b>	<b>771,801,748.92</b>	<b>1,176,240,707.15</b>	<b>376,081,546.41</b>	<b>3,205,423,922.81</b>

Overdue loans refer to all loans of the Group extended to customers whose principals or interests are completely or partially overdue for one day or above.

**(6) Analysis of loans and advances to customers and provision for losses on loans****The Group**

Loans and advances to customers and provision for losses on loans as at 31 December 2020 and 31 December 2019 are analysed as follows:

(a) Loans and advances to customers and provision for losses on loans at amortised cost:

	2020			Total
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	
Total loans and advances to customers at amortised cost	193,542,364,348.28	1,615,129,830.99	2,716,658,780.59	197,874,152,959.86
Less: Provision for losses on loans	(3,517,933,583.42)	(559,165,568.65)	(1,813,213,629.64)	(5,890,312,781.71)
Net loans and advances to customers at amortised	190,024,430,764.86	1,055,964,262.34	903,445,150.95	191,983,840,178.15

	2019			Total
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	
Total loans and advances to customers at amortised cost	183,683,867,898.46	2,866,566,184.58	2,409,142,667.45	188,959,576,750.49
Less: Provision for losses on loans	(2,417,846,607.81)	(719,830,958.83)	(1,828,480,038.69)	(4,966,157,605.33)
Net loans and advances to customers at amortised	181,266,021,290.65	2,146,735,225.75	580,662,628.76	183,993,419,145.16

(b) Loans and advances to customers and provision for losses on loans at fair value through other comprehensive income:

	2020			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Total loans and advances to customers at fair value through other comprehensive income	31,751,633,161.24	–	–	31,751,633,161.24
Provision for impairment included in other comprehensive income	(61,802,479.83)	–	–	(61,802,479.83)

	2019			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Total loans and advances to customers at fair value through other comprehensive income	1,689,430,709.29	–	26,797,532.37	1,716,228,241.66
Provision for impairment included in other comprehensive income	(2,331,890.37)	–	(39,802,095.25)	(42,133,985.62)

Provision for loans and advances that are measured at FVOCI is recognised in other comprehensive income and the impairment gain or loss is recognised in profit or loss without corresponding adjustment to financial asset's carrying amount presented in the balance sheet.

The Group performs impairment tests on and makes impairment provision for loans and advances to customers in accordance with the accounting policies specified in Note 3(12)(a).

#### The Bank

Loans and advances to customers and provision for losses on loans as at 31 December 2020 and 31 December 2019 are analysed as follows:

(a) Loans and advances to customers and provision for losses on loans at amortised cost:

	2020			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Total loans and advances to customers at amortised cost	192,642,862,362.12	1,572,681,361.44	2,690,337,957.63	196,905,881,681.19
Less: Provision for losses on loans	(3,495,752,026.13)	(548,689,843.16)	(1,791,473,590.09)	(5,835,915,459.38)
Net loans and advances to customers at amortised cost	189,147,110,335.99	1,023,991,518.28	898,864,367.54	191,069,966,221.81

	2019			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Total loans and advances to customers at amortised cost	183,051,708,788.82	2,850,113,975.66	2,395,730,146.94	188,297,552,911.42
Less: Provision for losses on loans	(2,399,076,450.16)	(716,237,749.30)	(1,816,153,381.46)	(4,931,467,580.92)
Net loans and advances to customers at amortised cost	180,652,632,338.66	2,133,876,226.36	579,576,765.48	183,366,085,330.50

(b) Loans and advances to customers and provision for losses on loans at fair value through other comprehensive income:

	2020			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Total loans and advances to customers at fair value through other comprehensive income	31,751,633,161.24	–	–	31,751,633,161.24
Provision for impairment included in other comprehensive income	(61,802,479.83)	–	–	(61,802,479.83)

	2019			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Total loans and advances to customers at fair value through other comprehensive income	1,689,430,709.29	–	26,797,532.37	1,716,228,241.66
Provision for impairment included in other comprehensive income	(2,331,890.37)	–	(39,802,095.25)	(42,133,985.62)

Provision for loans and advances that are measured at FVOCI is recognised in other comprehensive income and the impairment gain or loss is recognised in profit or loss without corresponding adjustment to financial asset's carrying amount presented in the balance sheet.

The Bank performs impairment tests on and makes impairment provision for loans and advances to customers in accordance with the accounting policies specified in Note 3(12)(a).

## (7) Changes in provision for losses on loans

### The Group

Changes in provision for losses on loans and advances to customers as at 31 December 2020 and 31 December 2019 are analysed as follows:

(a) Changes in provision for losses on loans and advances to customers at amortised cost

	2020			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Balance at the beginning of the year	2,417,846,607.81	719,830,958.83	1,828,480,038.69	4,966,157,605.33
Transfer to:				
– 12-month expected credit loss	56,252,813.81	(55,405,719.70)	(847,094.11)	–
– Lifetime expected credit loss				
– Not credit-impaired loans and advances	(10,340,333.05)	11,434,410.94	(1,094,077.89)	–
– Credit-impaired loans and advances	(14,711,299.06)	(117,007,343.95)	131,718,643.01	–
Charge for the year	1,068,885,793.91	313,262.53	1,336,846,762.85	2,406,045,819.29
Written off during the year	–	–	(1,489,854,061.70)	(1,489,854,061.70)
Recovery during the year	–	–	8,669,912.99	8,669,912.99
Other	–	–	(706,494.20)	(706,494.20)
<b>Balance at the end of the year</b>	<b>3,517,933,583.42</b>	<b>559,165,568.65</b>	<b>1,813,213,629.64</b>	<b>5,890,312,781.71</b>



	2019			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Balance at the beginning of the year	1,798,761,886.39	625,845,220.17	1,261,774,907.85	3,686,382,014.41
Transfer to:				
– 12-month expected credit loss	13,422,304.18	(12,819,837.98)	(602,466.20)	–
– Lifetime expected credit loss				
– Not credit-impaired loans and advances	(15,163,026.02)	17,071,611.20	(1,908,585.18)	–
– Credit-impaired loans and advances	(5,593,916.69)	(114,918,995.75)	120,512,912.44	–
Charge for the year	626,419,359.95	204,652,961.19	696,328,247.97	1,527,400,569.11
Written off during the year	–	–	(206,702,637.69)	(206,702,637.69)
Recovery during the year	–	–	14,044,634.10	14,044,634.10
Other	–	–	(54,966,974.60)	(54,966,974.60)
<b>Balance at the end of the year</b>	<b>2,417,846,607.81</b>	<b>719,830,958.83</b>	<b>1,828,480,038.69</b>	<b>4,966,157,605.33</b>

(b) Changes in provision for losses on loans and advances at fair value through other comprehensive income

	2020			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Balance at the beginning of the year	2,331,890.37	–	39,802,095.25	42,133,985.62
Charge/(reversal) for the year	59,470,589.46	–	(39,802,095.25)	19,668,494.21
<b>Balance at the end of the year</b>	<b>61,802,479.83</b>	<b>–</b>	<b>–</b>	<b>61,802,479.83</b>

	2019			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Balance at the beginning of the year	17,585,989.67	–	–	17,585,989.67
Transfer to:				
– Lifetime expected credit loss				
– Not credit-impaired loans and advances	(153,059.91)	–	153,059.91	–
(Reversal)/charge for the year	(15,101,039.39)	–	39,649,035.34	24,547,995.95
<b>Balance at the end of the year</b>	<b>2,331,890.37</b>	<b>–</b>	<b>39,802,095.25</b>	<b>42,133,985.62</b>

Provision for loans and advances that are measured at FVOCI is recognised in other comprehensive income and the impairment gain or loss is recognised in profit or loss without corresponding adjustment to financial assets' carrying amount presented in the balance sheet.

The Group performs impairment tests on and makes impairment provision for loans and advances to customers in accordance with the accounting policies specified in Note 3(12)(a).

**The Bank**

Changes in provision for losses on loans and advances as at 31 December 2020 and 31 December 2019 are analysed as follows:

## (a) Changes in provision for losses on loans and advances at amortised cost

	2020			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Balance at the beginning of the year	2,399,076,450.16	716,237,749.30	1,816,153,381.46	4,931,467,580.92
Transfer to:				
– 12-month expected credit loss	56,030,368.80	(55,372,963.19)	(657,405.61)	–
– Lifetime expected credit loss				
– Not credit-impaired loans and advances	(9,428,890.49)	10,522,968.38	(1,094,077.89)	–
– Credit-impaired loans and advances	(14,361,197.56)	(116,627,356.61)	130,988,554.17	–
Charge/(reversal) for the year	1,064,435,295.22	(6,070,554.72)	1,273,777,131.58	2,332,141,872.08
Written off during the year	–	–	(1,435,657,412.41)	(1,435,657,412.41)
Recovery during the year	–	–	8,669,912.99	8,669,912.99
Other	–	–	(706,494.20)	(706,494.20)
<b>Balance at the end of the year</b>	<b>3,495,752,026.13</b>	<b>548,689,843.16</b>	<b>1,791,473,590.09</b>	<b>5,835,915,459.38</b>

	2019			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Balance at the beginning of the year	1,782,700,709.05	617,979,139.40	1,251,773,771.79	3,652,453,620.24
Transfer to:				
– 12-month expected credit loss	12,746,380.65	(12,143,914.45)	(602,466.20)	–
– Lifetime expected credit loss				
– Not credit-impaired loans and advances	(14,696,590.32)	16,605,175.50	(1,908,585.18)	–
– Credit-impaired loans and advances	(5,520,751.40)	(111,838,405.71)	117,359,157.11	–
Charge for the year	623,846,702.18	205,635,754.56	695,477,018.90	1,524,959,475.64
Written off during the year	–	–	(205,023,174.46)	(205,023,174.46)
Recovery during the year	–	–	14,044,634.10	14,044,634.10
Other	–	–	(54,966,974.60)	(54,966,974.60)
<b>Balance at the end of the year</b>	<b>2,399,076,450.16</b>	<b>716,237,749.30</b>	<b>1,816,153,381.46</b>	<b>4,931,467,580.92</b>

## (b) Changes in provision for losses on loans and advances at fair value through other comprehensive income

	2020			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Balance at the beginning of the year	2,331,890.37	–	39,802,095.25	42,133,985.62
Charge/(reversal) for the year	59,470,589.46	–	(39,802,095.25)	19,668,494.21
<b>Balance at the end of the year</b>	<b>61,802,479.83</b>	<b>–</b>	<b>–</b>	<b>61,802,479.83</b>

	2019			
	12-month ECL loans and advances	Lifetime ECL – not credit impaired loans and advances	Lifetime ECL – credit impaired loans and advances	Total
Balance at the beginning of the year	17,585,989.67	–	–	17,585,989.67
Transfer to:				
– Lifetime expected credit loss				
– Not credit-impaired loans and advances	(153,059.91)	–	153,059.91	–
(Reversal)/charge for the year	(15,101,039.39)	–	39,649,035.34	24,547,995.95
<b>Balance at the end of the year</b>	<b>2,331,890.37</b>	<b>–</b>	<b>39,802,095.25</b>	<b>42,133,985.62</b>

Provision for loans and advances that are measured at FVOCI is recognised in other comprehensive income and the impairment gain or loss is recognised in profit or loss without corresponding adjustment to financial asset's carrying amount presented in the balance sheet.

The Bank performs impairment tests on and makes impairment provision for loans and advances to customers in accordance with the accounting policies specified in Note 3(12)(a).

### 13 FINANCIAL INVESTMENT – FINANCIAL ASSETS HELD FOR TRADING

	The Group and the Bank	
	2020	2019
<b>Bond investment</b>		
Unlisted in China		
– Bonds issued by local government	62,628,666.99	63,453,947.21
– Policy bank bonds	132,033,933.51	1,001,545,149.43
– Bonds issued by commercial banks and other financial institutions	1,930,920,332.80	695,121,846.22
– Corporate bonds	177,608,053.27	543,187,766.07
<b>Sub-total</b>	<b>2,303,190,986.57</b>	<b>2,303,308,708.93</b>
Listed in China		
– Bonds issued by commercial banks and other financial institutions	–	106,724,900.00
– Corporate bonds	226,334,240.52	174,209,941.53
<b>Sub-total</b>	<b>226,334,240.52</b>	<b>280,934,841.53</b>
Interbank certificate of deposits	512,513,509.44	1,424,998,311.65
Trust plans	292,739,346.86	1,855,961,941.19
Asset management plans	186,745,050.56	1,085,708,583.72
Wealth management products	–	253,653,019.85
Funds	30,520,056,564.38	27,380,159,110.78
<b>Total</b>	<b>34,041,579,698.33</b>	<b>34,584,724,517.65</b>

### 14 FINANCIAL INVESTMENTS – DEBT INVESTMENTS

	Note	The Group and the Bank	
		2020	2019
<b>Bond investment</b>			
– Bonds issued by the Chinese government		17,936,461,446.45	17,262,221,950.33
– Bonds issued by local government		54,667,243,109.80	39,264,310,021.29
– Policy bank bonds		70,000,337.73	70,024,748.68
– Bonds issued by commercial banks and other financial institutions		467,707,537.95	–
– Corporate bonds		781,332,137.66	983,099,305.06

	Note	The Group and the Bank	
		2020	2019
<b>Sub-total of bond investment</b>		73,922,744,569.59	57,579,656,025.36
Interbank certificate of deposits		–	34,788,851.58
Trust plans		3,622,079,402.76	6,209,673,352.14
Asset management plans		15,623,239,509.92	13,802,908,836.62
Accrued interest		1,213,825,356.46	1,089,182,121.58
Less: Provision for impairment	(1)	(3,590,570,490.93)	(2,744,969,555.26)
<b>Total</b>		<b>90,791,318,347.80</b>	<b>75,971,239,632.02</b>

(1) As at 31 December 2020 and 31 December 2019, movements of provisions for impairment of bond investment are as follows:

	2020			
	12-month ECL	Lifetime ECL – Not credit impaired	Lifetime ECL – Credit impaired	Total
<b>Balance at the beginning of the year</b>	157,814,164.67	499,377,519.20	2,087,777,871.39	2,744,969,555.26
Transfer to:				
– Lifetime ECL				
– Not credit impaired	(3,880,516.15)	3,880,516.15	–	–
– Credit impaired	(4,049,367.73)	(355,517,947.01)	359,567,314.74	–
Charge for the year	40,063,345.75	135,024,604.34	1,010,512,985.58	1,185,600,935.67
Written off during the year	–	–	(340,000,000.00)	(340,000,000.00)
<b>Balance at the end of the year</b>	<b>189,947,626.54</b>	<b>282,764,692.68</b>	<b>3,117,858,171.71</b>	<b>3,590,570,490.93</b>

	2019			
	12-month ECL	Lifetime ECL – Not credit impaired	Lifetime ECL – Credit impaired	Total
<b>Balance at the beginning of the year</b>	243,016,069.24	360,525,224.15	384,970,950.00	988,512,243.39
Transfer to:				
– Lifetime ECL				
– Not credit impaired	(15,859,016.43)	15,859,016.43	–	–
– Credit impaired	(15,214,411.37)	(261,889,596.84)	277,104,008.21	–
Charge/(reversal) for the year	(54,128,476.77)	384,882,875.46	1,425,702,913.18	1,756,457,311.87
<b>Balance at the end of the year</b>	<b>157,814,164.67</b>	<b>499,377,519.20</b>	<b>2,087,777,871.39</b>	<b>2,744,969,555.26</b>

## 15 FINANCIAL INVESTMENTS – OTHER DEBT INVESTMENTS

	The Group and the Bank	
	2020	2019
<b>Bond investment</b>		
Unlisted in China		
– Bonds issued by the Chinese government	10,334,541,758.02	11,392,433,040.00
– Bonds issued by local government	6,237,302,270.00	6,329,114,260.00
– Policy bank bonds	20,001,540.00	20,081,400.00
– Bonds issued by commercial banks and other financial institutions	460,755,780.00	30,500,070.00
– Corporate bonds	503,100,655.10	4,952,745,620.00
<b>Sub-total</b>	<b>17,555,702,003.12</b>	<b>22,724,874,390.00</b>

	The Group and the Bank	
	2020	2019
Listed in China		
– Corporate bonds	147,622,363.52	50,514,250.00
<b>Sub-total of bond investment</b>	<b>17,703,324,366.64</b>	<b>22,775,388,640.00</b>
Interbank certificate of deposits	147,551,663.01	300,512,400.00
Trust plans	152,524,651.83	640,401,329.26
Asset management plans	554,986,617.49	2,348,607,964.85
Accrued interest	261,692,641.46	505,877,420.66
<b>Total</b>	<b>18,820,079,940.43</b>	<b>26,570,787,754.77</b>
Provision for impairment recognised in other comprehensive income	230,832,706.95	155,629,831.22

(1) As at 31 December 2020 and 31 December 2019, movements of provisions for impairment of other debt investment are as follows:

	2020			
	Estimated 12-month ECL	Lifetime ECL – Not credit impaired	Lifetime ECL – Credit impaired	Total
<b>Balance at the beginning of the year</b>	19,445,441.22	–	136,184,390.00	155,629,831.22
Transfer to:				
– Lifetime ECL	–	–	–	–
– Credit impaired	(19,185.35)	–	19,185.35	–
(Reversal)/charge for the year	(13,217,803.64)	15,235,844.72	73,184,834.65	75,202,875.73
<b>Balance at the end of the year</b>	<b>6,208,452.23</b>	<b>15,235,844.72</b>	<b>209,388,410.00</b>	<b>230,832,706.95</b>

	2019			
	Estimated 12-month ECL	Lifetime ECL – Not credit impaired	Lifetime ECL – Credit impaired	Total
<b>Balance at the beginning of the year</b>	28,740,600.47	–	111,834,740.00	140,575,340.47
Transfer to:				
– Lifetime ECL	–	–	–	–
– Credit impaired	(23,451.46)	–	23,451.46	–
(Reversal)/charge for the year	(9,269,987.79)	–	24,324,478.54	15,054,490.75
<b>Balance at the end of the year</b>	<b>19,447,161.22</b>	<b>–</b>	<b>136,182,670.00</b>	<b>155,629,831.22</b>

(i) Loss allowances of other debt investments are recognised in other comprehensive income and impairment gains or losses are recognised in profit or loss, without decreasing the book value of the financial assets presented in the balance sheet.

## 16 FINANCIAL INVESTMENTS – INVESTMENTS IN OTHER EQUITY INSTRUMENTS

	The Group and the Bank	
	2020	2019
Unlisted equity investment	17,630,546.29	18,914,386.99

Investments in other equity instruments:

	Dividend income recognised for 2020	Accumulated gains or losses recognised in other comprehensive income	Amount transferred from other comprehensive income to retained earnings
China UnionPay Co., Ltd.	1,440,000.00	–	Not applicable
China Guangfa Bank Co., Ltd.	102,515.03	6,630,366.19	Not applicable
<b>Total</b>	<b>1,542,515.03</b>	<b>6,630,366.19</b>	<b>–</b>

	Dividend income recognised for 2019	Accumulated gains or losses recognised in other comprehensive income	Amount transferred from other comprehensive income to retained earnings
China UnionPay Co., Ltd.	1,200,000.00	–	–
China Guangfa Bank Co., Ltd.	52,942.03	7,914,206.88	–
<b>Total</b>	<b>1,252,942.03</b>	<b>7,914,206.88</b>	<b>–</b>

On 1 January 2019, the Group intended to hold the above equity instrument investment for a long term and designated it as an equity instrument investment measured at FVOCI. In 2020, the Group did not sell the above equity instrument investments.

## 17 LONG-TERM EQUITY INVESTMENTS

	Note	The Group		The Bank	
		2020	2019	2020	2019
Investment in subsidiaries	(1)	–	–	163,570,182.25	82,550,000.00
Investment in associates	(2)	882,393,628.39	874,201,805.12	882,393,628.39	874,201,805.12
<b>Total</b>		<b>882,393,628.39</b>	<b>874,201,805.12</b>	<b>1,045,963,810.64</b>	<b>956,751,805.12</b>

### (1) The Bank's investments in its subsidiaries as at 31 December 2020 are analysed as follows:

	The Bank	
	2020	2019
Chongqing Kaizhou Taiye Village Bank Co., Ltd.	31,550,000.00	31,550,000.00
Dongyuan Taiye Village Town Bank Co., Ltd.	51,000,000.00	51,000,000.00
Zongyang Taiye Village Bank Co., Ltd.	81,020,182.25	–
<b>Total</b>	<b>163,570,182.25</b>	<b>82,550,000.00</b>

Please refer to Note 6 for information about our subsidiaries.

### (2) The Bank's investments in its associates as at 31 December 2020 are analysed as follows:

	Note	The Group and the Bank	
		2020	2019
Bank of Xingtai Co., Ltd.		714,778,933.29	709,268,367.81
Dongguan Chang'an Village Bank Co., Ltd.		107,726,302.19	103,406,531.05
Lingshan Taiye Village Bank Co., Ltd.		26,256,246.92	25,406,428.58
Zongyang Taiye Village Bank Co., Ltd.	(i)	–	3,987,627.05
Dongguan Houjie Huaye Village Bank Co., Ltd.		33,632,145.99	32,132,850.63
<b>Total</b>		<b>882,393,628.39</b>	<b>874,201,805.12</b>

(i) Zongyang Taiye Village Bank Co., Ltd. accepted the capital injection from the Bank and other shareholders, and the Group's shareholding ratio increased from 40.00% to 84.55% and the Bank has substantially formed the control over Zongyang Taiye Village Bank Co., Ltd., so the Bank adopts the cost method for subsequent measurement.

**(3) Details of immaterial associates accounted for using the equity method are summarised as follows:**

	The Group and the Bank	
	2020	2019
<b>Aggregate carrying amount of investments</b>	882,393,628.39	874,201,805.12
Aggregate amount of the following items by shareholding ratio		
– Net profits	26,407,041.58	38,433,476.15
– Other comprehensive income	194,058.34	(11,218,683.96)
– Capital reserve	–	–
<b>Total comprehensive income</b>	26,601,099.92	27,214,792.19

**18 FIXED ASSETS****The Group**

	Buildings	Motor vehicles	Electronic and machinery equipments	Others	Total
<b>Cost</b>					
Balance as at 1 January 2019	897,458,598.52	20,687,057.73	474,398,331.96	109,833,902.41	1,502,377,890.62
Additions during the year	–	–	94,677,805.44	12,279,615.34	106,957,420.78
Transfers from construction in progress	48,586,001.94	–	5,940,517.14	931,930.31	55,458,449.39
Reductions during the year	–	–	(44,990,678.28)	(3,994,928.76)	(48,985,607.04)
<b>Balance as at 31 December 2019</b>	946,044,600.46	20,687,057.73	530,025,976.26	119,050,519.30	1,615,808,153.75
Additions during the year	5,372,319.45	894,232.15	131,864,120.61	13,183,742.20	151,314,414.41
Transfers from construction in progress	228,666,520.37	–	9,341,638.76	589,631.20	238,597,790.33
Reductions during the year	–	(390,500.00)	(24,988,233.67)	(10,535,050.34)	(35,913,784.01)
<b>Balance as at 31 December 2020</b>	1,180,083,440.28	21,190,789.88	646,243,501.96	122,288,842.36	1,969,806,574.48
<b>Accumulated depreciation</b>					
Balance as at 1 January 2019	(563,142,161.41)	(18,143,054.36)	(333,386,409.29)	(85,723,439.34)	(1,000,395,064.40)
Charge for the year	(30,024,994.46)	(726,538.54)	(50,963,860.38)	(9,451,332.55)	(91,166,725.93)
Written off on disposal	–	–	41,453,121.69	3,823,237.55	45,276,359.24
<b>Balance as at 31 December 2019</b>	(593,167,155.87)	(18,869,592.90)	(342,897,147.98)	(91,351,534.34)	(1,046,285,431.09)
Charge for the year	(31,251,594.00)	(1,203,139.72)	(62,518,672.82)	(9,372,900.74)	(104,346,307.28)
Written off on disposal	–	374,880.00	22,933,755.03	10,010,857.92	33,319,492.95
<b>Balance as at 31 December 2020</b>	(624,418,749.87)	(19,697,852.62)	(382,482,065.77)	(90,713,577.16)	(1,117,312,245.42)
<b>Carrying amounts</b>					
<b>As at 31 December 2020</b>	555,664,690.41	1,492,937.26	263,761,436.19	31,575,265.20	852,494,329.06
<b>As at 31 December 2019</b>	352,877,444.59	1,817,464.83	187,128,828.28	27,698,984.96	569,522,722.66

**The Bank**

	Buildings	Motor vehicles	Electronic and machinery equipments	Others	Total
<b>Cost</b>					
Balance as at 1 January 2019	880,789,179.33	19,365,924.73	472,360,057.28	108,118,476.00	1,480,633,637.34
Additions during the year	–	–	94,496,175.44	12,269,969.66	106,766,145.10
Transfers from construction in progress	48,586,001.94	–	5,940,517.14	931,930.31	55,458,449.39
Reductions during the year	–	–	(44,974,148.28)	(3,970,335.66)	(48,944,483.94)
<b>Balance as at 31 December 2019</b>	929,375,181.27	19,365,924.73	527,822,601.58	117,350,040.31	1,593,913,747.89

	Buildings	Motor vehicles	Electronic and machinery equipments	Others	Total
Additions during the year	615,004.19	243,168.15	130,497,298.73	11,932,757.27	143,288,228.34
Transfers from construction in progress	228,666,520.37	–	9,341,638.76	589,631.20	238,597,790.33
Reductions during the year	–	(390,500.00)	(24,782,489.67)	(10,439,234.84)	(35,612,224.51)
<b>Balance as at 31 December 2020</b>	<b>1,158,656,705.83</b>	<b>19,218,592.88</b>	<b>642,879,049.40</b>	<b>119,433,193.94</b>	<b>1,940,187,542.05</b>
<b>Accumulated depreciation</b>					
Balance as at 1 January 2019	(556,319,052.46)	(17,139,255.11)	(331,955,754.86)	(84,393,185.72)	(989,807,248.15)
Charge for the year	(29,353,321.27)	(596,409.98)	(50,775,090.73)	(9,300,394.01)	(90,025,215.99)
Written off on disposal	–	–	41,437,252.89	3,799,628.15	45,236,881.04
<b>Balance as at 31 December 2019</b>	<b>(585,672,373.73)</b>	<b>(17,735,665.09)</b>	<b>(341,293,592.70)</b>	<b>(89,893,951.58)</b>	<b>(1,034,595,583.10)</b>
Charge for the year	(29,875,838.23)	(462,140.18)	(61,378,865.66)	(8,220,579.65)	(99,937,423.72)
Written off on disposal	–	374,880.00	22,741,183.35	9,944,673.76	33,060,737.11
<b>Balance as at 31 December 2020</b>	<b>(615,548,211.96)</b>	<b>(17,822,925.27)</b>	<b>(379,931,275.01)</b>	<b>(88,169,857.47)</b>	<b>(1,101,472,269.71)</b>
<b>Carrying amounts</b>					
<b>As at 31 December 2020</b>	<b>543,108,493.87</b>	<b>1,395,667.61</b>	<b>262,947,774.39</b>	<b>31,263,336.47</b>	<b>838,715,272.34</b>
<b>As at 31 December 2019</b>	<b>343,702,807.54</b>	<b>1,630,259.64</b>	<b>186,529,008.88</b>	<b>27,456,088.73</b>	<b>559,318,164.79</b>

As at 31 December 2020, the Bank had buildings with cloud on title with a carrying amount of RMB25.90 million (RMB31.97 million as at 31 December 2019). In the opinion of the Bank's management, the Bank has the right to legally and effectively occupy or use these buildings.

## 19 CONSTRUCTION IN PROGRESS

### The Group

	Total
<b>Cost</b>	
Balance as at 1 January 2019	482,292,352.17
Additions during the year	198,590,922.03
Transfers to fixed assets for the year	(55,458,449.39)
Transfers to long-term deferred expenses for the year	(34,050,111.26)
<b>Balance as at 31 December 2019</b>	<b>591,374,713.55</b>
Additions during the year	537,297,216.10
Transfers to fixed assets for the year	(238,597,790.33)
Transfers to long-term deferred expenses for the year	(78,344,749.22)
<b>Balance as at 31 December 2020</b>	<b>811,729,390.10</b>
<b>Carrying amounts</b>	
As at 31 December 2020	811,729,390.10
As at 31 December 2019	591,374,713.55

### The Bank

	Total
<b>Cost</b>	
Balance as at 1 January 2019	474,196,633.55
Additions during the year	197,891,229.38
Transfers to fixed assets for the year	(55,458,449.39)
Transfers to long-term deferred expenses for the year	(34,050,111.26)



	Total
<b>Balance as at 31 December 2019</b>	582,579,302.28
Additions during the year	537,175,541.10
Transfers to fixed assets for the year	(238,597,790.33)
Transfers to long-term deferred expenses for the year	(74,507,655.60)
<b>Balance as at 31 December 2020</b>	806,649,397.45
<b>Carrying amounts</b>	
As at 31 December 2020	806,649,397.45
As at 31 December 2019	582,579,302.28

## 20 INTANGIBLE ASSETS

	The Group and the Bank		
	Software	Land use right	Total
<b>Cost</b>			
Balance as at 1 January 2019	201,595,375.48	166,671,121.00	368,266,496.48
Additions during the year	143,746,801.01	-	143,746,801.01
Reductions during the year	-	-	-
<b>Balance as at 31 December 2019</b>	345,342,176.49	166,671,121.00	512,013,297.49
Additions during the year	170,513,392.32	-	170,513,392.32
Reductions during the year	-	-	-
<b>Balance as at 31 December 2020</b>	515,855,568.81	166,671,121.00	682,526,689.81
<b>Accumulated amortization</b>			
Balance as at 1 January 2019	(108,817,432.11)	(45,024,653.95)	(153,842,086.06)
Additions during the year	(34,463,545.63)	(4,426,051.87)	(38,889,597.50)
Reductions during the year	-	-	-
<b>Balance as at 31 December 2019</b>	(143,280,977.74)	(49,450,705.82)	(192,731,683.56)
Additions during the year	(63,029,084.54)	(4,426,051.92)	(67,455,136.46)
Reductions during the year	-	-	-
<b>Balance as at 31 December 2020</b>	(206,310,062.28)	(53,876,757.74)	(260,186,820.02)
<b>Carrying amounts</b>			
As at 31 December 2020	309,545,506.53	112,794,363.26	422,339,869.79
As at 31 December 2019	202,061,198.75	117,220,415.18	319,281,613.93

## 21 DEFERRED INCOME TAX ASSETS

### (1) Analysed by nature

Item	The Group			
	2020		2019	
	Deductible/(taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/(taxable) temporary differences	Deferred tax assets/ (liabilities)
Provisions for impairment of loans and advances to customers and other assets	7,674,559,096.28	1,917,376,628.44	5,907,363,486.59	1,475,405,726.42
Changes in fair value of financial instruments	(124,151,645.44)	(31,037,911.36)	(409,793,144.76)	(102,448,286.19)
Employee benefits payable	495,804,773.26	123,859,366.86	416,455,307.13	104,043,633.37
Provisions	212,670,215.80	53,167,553.95	187,451,161.96	46,862,790.49
Others	(169,331,865.53)	(42,433,018.03)	(80,199,996.96)	(20,564,837.98)
<b>Total</b>	8,089,550,574.37	2,020,932,619.86	6,021,276,813.96	1,503,299,026.11

Item	The Bank			
	2020		2019	
	Deductible/(taxable) temporary differences	Deferred tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred tax assets/(liabilities)
Provisions for impairment of loans and advances to customers and other assets	7,606,136,329.52	1,901,534,082.38	5,879,274,394.36	1,469,818,598.59
Changes in fair value of financial instruments	(124,151,645.44)	(31,037,911.36)	(409,793,144.76)	(102,448,286.19)
Employee benefits payable	490,934,026.36	122,733,506.59	412,519,218.84	103,129,804.71
Provisions	212,670,215.80	53,167,553.95	187,451,161.96	46,862,790.49
Others	(170,457,603.36)	(42,614,400.84)	(85,348,384.36)	(21,337,096.09)
<b>Total</b>	<b>8,015,131,322.88</b>	<b>2,003,782,830.72</b>	<b>5,984,103,246.04</b>	<b>1,496,025,811.51</b>

The deferred income tax assets mentioned above are the tax implications of the difference between the related pre-tax accounting profits estimated by the management of the Group to be able to bring tax profits for the Group and the taxable income. The management's estimate was based on the principle of prudence with consideration of the related requirements and realities of prevailing tax regulations.

## (2) Changes in deferred income tax

Item	The Group					
	2020					
	Balance at the end of the previous year	Balance at the beginning of the year	Consolidated by consolidated subsidiaries	Current year increase/decrease charged to profit or loss	Current year increase/decrease recognised in equity	Balance at the end of the year
Provisions for impairment of loans and advances to customers and other assets	1,475,405,726.42	1,475,405,726.42	11,308,588.23	454,380,156.27	(23,717,842.48)	1,917,376,628.44
Changes in fair value of financial instruments	(102,448,286.19)	(102,448,286.19)	–	(21,682,878.61)	93,093,253.44	(31,037,911.36)
Employee benefits payable	104,043,633.37	104,043,633.37	145,372.65	19,670,360.84	–	123,859,366.86
Provisions	46,862,790.49	46,862,790.49	–	6,304,763.46	–	53,167,553.95
Others	(20,564,837.98)	(20,564,837.98)	4,508.75	(21,872,688.80)	–	(42,433,018.03)
<b>Total</b>	<b>1,503,299,026.11</b>	<b>1,503,299,026.11</b>	<b>11,458,469.63</b>	<b>436,799,713.16</b>	<b>69,375,410.96</b>	<b>2,020,932,619.86</b>

Item	The Group					
	2019					
	Balance at the end of the previous year	Changes in accounting policy	Balance at the beginning of the year	Current year increase/decrease charged to profit or loss	Current year increase/decrease recognised in equity	Balance at the end of the year
Provisions for impairment of loans and advances to customers and other assets	787,527,700.27	21,192,327.62	808,720,027.89	676,586,320.20	(9,900,621.67)	1,475,405,726.42
Changes in fair value of financial instruments	(163,908,079.70)	6,584,212.56	(157,323,867.14)	48,784,189.18	6,091,391.77	(102,448,286.19)
Employee benefits payable	47,333,491.51	–	47,333,491.51	56,710,141.86	–	104,043,633.37
Provisions	–	42,156,800.50	42,156,800.50	4,705,989.99	–	46,862,790.49
Others	532,019.00	–	532,019.00	(21,096,856.98)	–	(20,564,837.98)
<b>Total</b>	<b>671,485,131.08</b>	<b>69,933,340.68</b>	<b>741,418,471.76</b>	<b>765,689,784.25</b>	<b>(3,809,229.90)</b>	<b>1,503,299,026.11</b>

Item	The Bank			
	2020			
	Balance at the end of the previous year	Current year increase/decrease charged to profit or loss	Current year increase/decrease recognised in equity	Balance at the end of the year
Provisions for impairment of loans and advances to customers and other assets	1,469,818,598.59	455,433,326.27	(23,717,842.48)	1,901,534,082.38
Changes in fair value of financial instruments	(102,448,286.19)	(21,682,878.61)	93,093,253.44	(31,037,911.36)
Employee benefits payable	103,129,804.71	19,603,701.88	–	122,733,506.59
Provisions	46,862,790.49	6,304,763.46	–	53,167,553.95
Others	(21,337,096.09)	(21,277,304.75)	–	(42,614,400.84)
<b>Total</b>	<b>1,496,025,811.51</b>	<b>438,381,608.25</b>	<b>69,375,410.96</b>	<b>2,003,782,830.72</b>

Item	The Bank					
	2019					
	Balance at the end of the previous year	Changes in accounting policy	Balance at the beginning of the year	Current year increase/decrease charged to profit or loss	Current year increase/decrease recognised in equity	Balance at the end of the year
Provisions for impairment of loans and advances to customers and other assets	780,719,546.40	21,204,213.83	801,923,760.23	677,795,460.03	(9,900,621.67)	1,469,818,598.59
Changes in fair value of financial instruments	(163,908,079.70)	6,584,212.56	(157,323,867.14)	48,784,189.18	6,091,391.77	(102,448,286.19)
Employee benefits payable	46,566,092.98	–	46,566,092.98	56,563,711.73	–	103,129,804.71
Provisions	–	42,156,800.50	42,156,800.50	4,705,989.99	–	46,862,790.49
Others	532,019.00	–	532,019.00	(21,869,115.09)	–	(21,337,096.09)
<b>Total</b>	<b>663,909,578.68</b>	<b>69,945,226.89</b>	<b>733,854,805.57</b>	<b>765,980,235.84</b>	<b>(3,809,229.90)</b>	<b>1,496,025,811.51</b>

## 22 OTHER ASSETS

	Note	The Group		The Bank	
		2020	2019	2020	2019
		Other receivables	(1)	523,771,302.58	280,734,178.51
Interest receivable	(2)	142,465,481.03	87,952,792.65	142,369,539.68	87,747,050.84
Long-term deferred expenses					
– Expenditures of improvement of fixed assets rented through operating lease		40,439,111.22	30,430,044.43	40,333,717.79	30,028,974.27
– Other long-term deferred expenses		71,850,122.62	40,474,461.79	71,423,324.67	39,967,219.01
Debt-expiated assets	(3)	14,837,528.00	6,165,000.00	6,165,000.00	6,165,000.00
Deferred expenses		1,710,707.01	2,202,111.57	712,956.97	1,380,111.59
Continuously involved assets	(4)	557,024,393.82	–	557,024,393.82	–
Others		1,106,694.27	1,106,694.25	1,022,138.00	1,022,138.00
<b>Sub-total</b>		<b>1,353,205,340.55</b>	<b>449,065,283.20</b>	<b>1,342,174,609.96</b>	<b>446,868,736.51</b>
Provision for impairment losses	(5)	(105,492,462.81)	(89,423,692.61)	(105,271,193.92)	(89,300,132.16)
<b>Total</b>		<b>1,247,712,877.74</b>	<b>359,641,590.59</b>	<b>1,236,903,416.04</b>	<b>357,568,604.35</b>

**(1) Other receivables**

	The Group		The Bank	
	2020	2019	2020	2019
Credit card fees receivable	144,980,391.51	107,498,026.27	144,980,391.51	107,498,026.27
Legal costs	59,512,040.74	91,684,667.05	59,084,507.19	91,531,702.34
Guarantee deposits paid	91,482,332.98	44,211,115.09	91,372,332.98	44,211,115.09
Prepayments and advances	5,604,406.09	8,432,375.68	5,604,406.09	8,432,375.68
Others	222,192,131.26	28,907,994.42	222,081,901.26	28,885,023.42
<b>Sub-total</b>	<b>523,771,302.58</b>	<b>280,734,178.51</b>	<b>523,123,539.03</b>	<b>280,558,242.80</b>
Less: Provision for impairment losses	(58,104,152.53)	(48,393,977.02)	(57,882,883.64)	(48,270,416.57)
<b>Total</b>	<b>465,667,150.05</b>	<b>232,340,201.49</b>	<b>465,240,655.39</b>	<b>232,287,826.23</b>

**(2) The interest receivable listed in other assets includes the interest that is due and can be collected but has not been received as at the balance sheet date.**

**(3) Debt-expiated assets**

Analysed by category of debt-expiated assets

	The Group		The Bank	
	2020	2019	2020	2019
Land and buildings	14,837,528.00	6,165,000.00	6,165,000.00	6,165,000.00
Less: Provision for impairment losses	(3,699,000.00)	(3,699,000.00)	(3,699,000.00)	(3,699,000.00)
<b>Total</b>	<b>11,138,528.00</b>	<b>2,466,000.00</b>	<b>2,466,000.00</b>	<b>2,466,000.00</b>

**(4) Continuously involved assets**

Regarding the first-phase property rights trust project between Guangdong Finance Trust Co., Ltd. and Bank Dongguan for 2020 and Guanxin's first-phase personal housing mortgage securitisation project for 2020 issued by the Bank in 2020, the Bank neither transferred nor retained the ownership of the underlying credit assets. For all risks and rewards, the Bank still retains control over the transferred underlying credit assets together with the consolidated asset securitisation trust, and shall continue to recognise the relevant financial assets according to the degree of continued involvement in the transferred underlying credit assets, and recognise accordingly relevant debts. Changes in the value of financial assets have caused the Bank to face risks mainly due to the inability to recover the investment funds of secondary asset-backed securities and trust beneficiary rights. Therefore, the Bank recognised its continuously involved assets and continuously involved liabilities of RMB557,024,393.82 on 31 December 2020.

**(5) The changes in provisions for impairment of other assets are as follows:**

	The Group		The Bank	
	2020	2019	2020	2019
Balance at the beginning of the year	89,423,692.61	36,947,114.70	89,300,132.16	36,872,657.35
Charge for the year	20,761,442.93	53,471,439.57	19,916,917.99	53,398,626.48
Written off during the year	(5,319,053.24)	(1,135,898.52)	(4,572,236.74)	(1,112,188.52)
Recovery during the year	626,380.51	141,036.86	626,380.51	141,036.85
<b>Total</b>	<b>105,492,462.81</b>	<b>89,423,692.61</b>	<b>105,271,193.92</b>	<b>89,300,132.16</b>

**23 BORROWINGS FROM CENTRAL BANK**

	The Group		The Bank	
	2020	2019	2020	2019
Borrowings from central bank	25,306,430,200.00	3,325,400,000.00	25,269,335,200.00	3,297,000,000.00
Re-discounted bills	2,213,694,627.91	36,433,785.74	2,213,694,627.91	36,433,785.74
Accrued interest	78,852,779.99	2,710,812.51	78,830,647.73	2,691,333.34
<b>Total</b>	<b>27,598,977,607.90</b>	<b>3,364,544,598.25</b>	<b>27,561,860,475.64</b>	<b>3,336,125,119.08</b>

## 24 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

### Analysed by type and location of institutions

	The Group		The Bank	
	2020	2019	2020	2019
Banks operating in Mainland China	1,934,701,494.03	3,696,526,435.21	2,208,556,951.64	3,833,975,609.72
Other financial institutions operating in Mainland China	2,200,453,166.65	3,319,763,329.67	2,200,453,166.65	3,319,763,329.67
Accrued interest	21,053,484.89	61,972,958.63	21,358,584.94	61,972,958.63
<b>Total</b>	<b>4,156,208,145.57</b>	<b>7,078,262,723.51</b>	<b>4,430,368,703.23</b>	<b>7,215,711,898.02</b>

## 25 LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

### Analysed by type and location of institutions

	The Group and the Bank	
	2020	2019
Banks operating in Mainland China	3,445,747,000.00	2,624,420,347.64
Banks operating outside Mainland China	269,883,988.19	1,749,822,825.24
Accrued interest	5,234,707.96	30,117,431.48
<b>Total</b>	<b>3,720,865,696.15</b>	<b>4,404,360,604.36</b>

## 26 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

### (1) Analysed by category of financial assets

	The Group and the Bank	
	2020	2019
Bills	9,758,877,276.54	–
Bonds		
– Bonds issued by the Chinese government	–	9,114,500,000.00
– Policy bank bonds	–	203,700,000.00
– Corporate bonds	–	200,450,000.00
Accrued interest	66,662,928.90	2,769,690.09
<b>Total</b>	<b>9,825,540,205.44</b>	<b>9,521,419,690.09</b>

### (2) Analysed by type of counter-parties

	The Group and the Bank	
	2020	2019
Banks operating in Mainland China	9,758,877,276.54	9,318,200,000.00
Other financial institutions operating in Mainland China	–	200,450,000.00
Accrued interest	66,662,928.90	2,769,690.09
<b>Total</b>	<b>9,825,540,205.44</b>	<b>9,521,419,690.09</b>

## 27 ACCEPTED DEPOSITS

### The Group

	Notes	The Group		The Bank	
		2020	2019	2020	2019
Demand deposits					
– Corporate customers		91,895,312,370.04	85,535,125,368.53	91,389,756,357.94	84,942,451,730.95
– Individual customers		33,646,865,564.64	31,065,515,988.46	33,595,670,002.69	30,957,628,910.12
<b>Sub-total</b>		125,542,177,934.68	116,600,641,356.99	124,985,426,360.63	115,900,080,641.07
Time deposits					
– Corporate customers		100,176,595,013.92	89,933,456,889.48	100,083,533,027.14	89,893,201,889.48
– Individual customers		53,631,231,976.38	48,860,908,796.51	53,069,742,961.77	48,627,628,331.36
<b>Sub-total</b>		153,807,826,990.30	138,794,365,685.99	153,153,275,988.91	138,520,830,220.84
Fiscal deposits		263,526,376.51	17,087,734.91	263,526,376.51	17,087,734.91
Remittances outstanding and outward remittances		356,736,501.06	278,667,478.16	356,731,535.75	278,667,478.16
Margin deposits	(1)	11,724,180,205.29	8,020,698,295.15	11,691,764,442.24	8,009,577,551.75
Accrued interest		4,244,634,145.46	3,930,177,252.35	4,212,731,055.46	3,918,878,391.81
<b>Total</b>		295,939,082,153.30	267,641,637,803.55	294,663,455,759.50	266,645,122,018.54

#### (1) Customer deposits include deposits for guarantees received as indicated below:

	The Group		The Bank	
	2020	2019	2020	2019
– Deposits for acceptance bills	8,664,363,530.09	5,271,227,145.77	8,664,363,530.09	5,271,227,145.77
– Deposits for secured loans	1,130,722,261.95	1,204,393,540.36	1,103,727,334.10	1,201,120,175.61
– Deposits for letters of guarantee	703,623,192.43	666,932,177.77	703,623,192.43	666,932,177.77
– Deposits for letters of credit	1,022,561,036.93	686,742,604.79	1,022,561,036.93	686,742,604.79
– Others	202,910,183.89	191,402,826.46	197,489,348.69	183,555,447.81
<b>Total</b>	11,724,180,205.29	8,020,698,295.15	11,691,764,442.24	8,009,577,551.75

## 28 EMPLOYEE BENEFITS PAYABLE

	Notes	The Group		The Bank	
		2020	2019	2020	2019
Short-term employee benefits	(1)	762,907,612.58	671,516,251.29	758,209,277.77	667,926,045.25
Post-employment benefits					
– Defined contribution plan	(2)	117,319,538.10	81,131,300.60	117,301,786.83	81,131,300.60
Termination benefits	(3)	917,599.17	1,068,990.63	917,599.17	1,068,990.63
Other long-term employee benefits	(4)	181,493,854.44	146,315,023.50	176,986,591.86	143,831,880.05
<b>Total</b>		1,062,638,604.29	900,031,566.02	1,053,415,255.63	893,958,216.53

**(1) Short-term employee benefits**

Item	The Group			
	Balance as at 1 January 2020	Accrued during the year	Decrease during the year	Balance as at 31 December 2020
Salaries	664,038,988.54	1,280,585,537.70	(1,192,529,015.35)	752,095,510.89
Staff welfare	-	70,278,186.61	(70,278,186.61)	-
Social insurance				
- Medical insurance	-	33,196,558.25	(33,196,558.25)	-
- Work-related injury insurance	-	63,969.62	(63,969.62)	-
- Maternity insurance	-	4,655,112.62	(4,655,112.62)	-
Housing fund	34,924.00	100,960,529.80	(98,051,141.48)	2,944,312.32
Labor union fee, staff and workers' education fee	7,419,338.26	39,569,073.53	(39,136,860.92)	7,851,550.87
Other short-term employee benefits	23,000.49	14,877,901.71	(14,884,663.70)	16,238.50
<b>Total</b>	<b>671,516,251.29</b>	<b>1,544,186,869.84</b>	<b>(1,452,795,508.55)</b>	<b>762,907,612.58</b>

	The Group			
	Balance as at 1 January 2019	Accrued during the year	Decrease during the year	Balance as at 31 December 2019
Salaries	632,896,756.41	1,238,931,508.99	(1,207,789,276.86)	664,038,988.54
Staff welfare	-	52,960,952.70	(52,960,952.70)	-
Social insurance				
- Medical insurance	-	29,709,062.52	(29,709,062.52)	-
- Work-related injury insurance	-	599,022.60	(599,022.60)	-
- Maternity insurance	-	4,063,853.81	(4,063,853.81)	-
Housing fund	29,282.00	84,148,239.53	(84,142,597.53)	34,924.00
Labor union fee, staff and workers' education fee	5,760,414.27	42,204,600.97	(40,545,676.98)	7,419,338.26
Other short-term employee benefits	22,148.62	7,700,110.91	(7,699,259.04)	23,000.49
<b>Total</b>	<b>638,708,601.30</b>	<b>1,460,317,352.03</b>	<b>(1,427,509,702.04)</b>	<b>671,516,251.29</b>

	The Bank			
	Balance as at 1 January 2020	Accrued during the year	Decrease during the year	Balance as at 31 December 2020
Salaries	660,607,906.59	1,267,782,600.80	(1,180,882,409.19)	747,508,098.20
Staff welfare	-	69,494,704.94	(69,494,704.94)	-
Social insurance				
- Medical insurance	-	32,447,929.88	(32,447,929.88)	-
- Work-related injury insurance	-	58,117.97	(58,117.97)	-
- Maternity insurance	-	4,637,923.84	(4,637,923.84)	-
Housing fund	-	99,664,727.80	(96,720,415.48)	2,944,312.32
Labor union fee, staff and workers' education fee	7,295,138.17	39,306,011.30	(38,860,520.72)	7,740,628.75
Other short-term employee benefits	23,000.49	14,779,311.71	(14,786,073.70)	16,238.50
<b>Total</b>	<b>667,926,045.25</b>	<b>1,528,171,328.24</b>	<b>(1,437,888,095.72)</b>	<b>758,209,277.77</b>

	The Bank			
	Balance as at 1 January 2019	Accrued during the year	Decrease during the year	Balance as at 31 December 2019
Salaries	629,739,202.35	1,227,776,412.19	(1,196,907,707.95)	660,607,906.59
Staff welfare	-	52,348,028.96	(52,348,028.96)	-
Social insurance				
- Medical insurance	-	28,999,210.81	(28,999,210.81)	-
- Work-related injury insurance	-	578,105.90	(578,105.90)	-
- Maternity insurance	-	4,047,690.86	(4,047,690.86)	-
Housing fund	-	83,086,681.53	(83,086,681.53)	-
Labor union fee, staff and workers' education fee	5,562,237.98	41,977,823.40	(40,244,923.21)	7,295,138.17
Other short-term employee benefits	22,148.62	7,700,110.91	(7,699,259.04)	23,000.49
<b>Total</b>	<b>635,323,588.95</b>	<b>1,446,514,064.56</b>	<b>(1,413,911,608.26)</b>	<b>667,926,045.25</b>

## (2) Termination benefits – Defined contribution plans

	The Group			
	Balance as at 1 January 2020	Accrued during the year	Decrease during the year	Balance as at 31 December 2020
Basic pension insurance	-	7,855,210.35	(7,855,210.35)	-
Unemployment insurance	-	214,070.88	(196,319.61)	17,751.27
Enterprise annuity contributions	-	68,070,483.49	(65,815,856.38)	2,254,627.11
Retirement benefits	81,131,300.60	41,604,889.37	(7,689,030.25)	115,047,159.72
<b>Total</b>	<b>81,131,300.60</b>	<b>117,744,654.09</b>	<b>(81,556,416.59)</b>	<b>117,319,538.10</b>

	The Group			
	Balance as at 1 January 2019	Accrued during the year	Decrease during the year	Balance as at 31 December 2019
Basic pension insurance	-	84,765,435.26	(84,765,435.26)	-
Unemployment insurance	-	2,680,333.74	(2,680,333.74)	-
Enterprise annuity contributions	-	47,066,673.49	(47,066,673.49)	-
Retirement benefits	64,250,522.17	24,001,045.75	(7,120,267.32)	81,131,300.60
<b>Total</b>	<b>64,250,522.17</b>	<b>158,513,488.24</b>	<b>(141,632,709.81)</b>	<b>81,131,300.60</b>

	The Bank			
	Balance as at 1 January 2020	Accrued during the year	Decrease during the year	Balance as at 31 December 2020
Basic pension insurance	-	7,603,200.22	(7,603,200.22)	-
Unemployment insurance	-	191,324.17	(191,324.17)	-
Enterprise annuity contributions	-	68,070,483.49	(65,815,856.38)	2,254,627.11
Retirement benefits	81,131,300.60	41,604,889.37	(7,689,030.25)	115,047,159.72
<b>Total</b>	<b>81,131,300.60</b>	<b>117,469,897.25</b>	<b>(81,299,411.02)</b>	<b>117,301,786.83</b>



	The Bank			
	Balance as at 1 January 2019	Accrued during the year	Decrease during the year	Balance as at 31 December 2019
Basic pension insurance	-	83,358,179.60	(83,358,179.60)	-
Unemployment insurance	-	2,638,675.13	(2,638,675.13)	-
Enterprise annuity contributions	-	47,066,673.49	(47,066,673.49)	-
Retirement benefits	64,250,522.17	24,001,045.75	(7,120,267.32)	81,131,300.60
<b>Total</b>	64,250,522.17	157,064,573.97	(140,183,795.54)	81,131,300.60

#### (i) Social insurance

Social insurance consists of basic pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. The Group makes contributions to the above-mentioned social insurance for the benefits of its employees in accordance with related laws, regulations and policies of the Chinese authorities in charge of labor and social insurance. The Group pays the above-mentioned social insurance contributions to related authorities in a certain proportion of the contribution base.

#### (ii) Annuity plan

In addition to basic endowment insurance, the Bank also set up annuity plans for qualified employees in accordance with the Labor Law of the People's Republic of China, the Measures for Enterprise Annuity (Decree No. 36 of the Ministry of Labor and Social Security), the Administrative Measures on Enterprise Annuity Funds (Decree No. 24 of the Ministry of Human Resources and Social Security), the Notification of Guangdong Province on Establishing Enterprise Annuity System (YFB [2004] No. 81), the Opinions on Implementation of Enterprise Annuity in Guangdong Province (YLS [2005] No. 98), and the Notification on Establishing Enterprise Annuity System in Dongguan (DFB [2007] No. 82). The Bank started to implement its annuity plan in 2006 and paid annuity based on its operations and the specific conditions of individual employee.

### (3) Termination benefits

	The Group and the Bank			
	Balance as at 1 January 2020	Accrued during the year	Paid during the year	Balance as at 31 December 2020
Early retirement benefits	1,068,990.63	436,482.40	(587,873.86)	917,599.17

	The Group and the Bank			
	Balance as at 1 January 2019	Accrued during the year	Paid during the year	Balance as at 31 December 2019
Early retirement benefits	966,975.81	1,738,184.14	(1,636,169.32)	1,068,990.63

### (4) Other long-term employee benefits

	The Group			
	Balance as at 1 January 2020	Accrued during the year	Paid during the year	Balance as at 31 December 2020
Deferred payment for compensation	146,315,023.50	109,060,850.47	(73,882,019.53)	181,493,854.44

	The Group			
	Balance as at 1 January 2019	Accrued during the year	Paid during the year	Balance as at 31 December 2019
Deferred payment for compensation	140,235,587.60	72,342,495.70	(66,263,059.80)	146,315,023.50

	The Bank			
	Balance as at 1 January 2020	Accrued during the year	Paid during the year	Balance as at 31 December 2020
Deferred payment for compensation	143,831,880.05	106,325,638.04	(73,170,926.23)	176,986,591.86

	The Bank			
	Balance as at 1 January 2019	Accrued during the year	Paid during the year	Balance as at 31 December 2019
Deferred payment for compensation	138,102,583.13	70,963,606.54	(65,234,309.62)	143,831,880.05

## 29 PROVISIONS

Changes in provision for the expected credit losses on credit commitments as at 31 December 2020 and 31 December 2019 are analysed as follows:

### The Group and the Bank

	2020			
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
Balance at the beginning of the year	175,648,896.18	11,772,655.76	29,610.00	187,451,161.94
Transfer to:				
– 12-month expected credit loss	5,387.02	(5,387.02)	–	–
– Lifetime expected credit loss				
– Not credit-impaired	(3,017.51)	32,627.51	(29,610.00)	–
Charge/(reversal) for the year	17,068,356.14	(11,400,736.79)	19,551,434.51	25,219,053.86
<b>Balance at the end of the year</b>	<b>192,719,621.83</b>	<b>399,159.46</b>	<b>19,551,434.51</b>	<b>212,670,215.80</b>

	2019			
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
Balance at the beginning of the year	152,647,492.79	15,950,099.20	29,610.00	168,627,201.99
Charge/(reversal) for the year	23,001,403.39	(4,177,443.44)	–	18,823,959.95
<b>Balance at the end of the year</b>	<b>175,648,896.18</b>	<b>11,772,655.76</b>	<b>29,610.00</b>	<b>187,451,161.94</b>

## 30 BONDS PAYABLE

	Notes	The Group and the Bank	
		2020	2019
Tier 2 capital bonds payable	(ii)	8,997,453,859.55	8,996,075,402.30
Financial bonds payable	(iii)	5,998,991,181.05	3,998,912,896.69
Interbank certificates of deposit payable	(iv)	29,618,484,266.05	41,384,308,105.09
Accrued interest		274,214,246.58	256,421,925.30
<b>Total</b>		<b>44,889,143,553.23</b>	<b>54,635,718,329.38</b>

(i) Changes in bonds payable do not include accrued interest.

(ii) Approved by the "Decision on Administrative Approval from the People's Bank of China" (YSCHXZYZ [2016] No. 15) issued by the People's Bank of China, the Bank issued tier 2 capital bonds of RMB5 billion in total on 2 March 2016, of which the term is 10 years. The Bank has an option to redeem all or part of the tier 2 capital bonds as per the nominal value at the end of the 5th year. If the Bank exercises such option, then the term of the bonds is 5 years. The bond interest is paid once a year at a fixed interest rate using simple interest method. The annual interest rate is fixed at 4.30%, and the value date is 4 March 2016.

Approved by the "Decision on Administrative Approval from the People's Bank of China" (YSCHXZYZ [2019] No. 198) issued by the People's Bank of China, the Bank issued tier 2 capital bonds of RMB4 billion in total on 26 November 2019, of which the term is 10 years. The Bank has an option to redeem all or part of the tier 2 capital bonds as per the nominal value at the end of the 5th year. If the Bank exercises such option, then the term of the bonds is 5 years. The bond interest is paid once a year at a fixed interest rate using simple interest method. The annual interest rate is fixed at 4.50%, and the value date is 28 November 2019.

(iii) Approved by the "Decision on Administrative Approval from the People's Bank of China" (YSCHXZYZ [2017] No. 125) issued by the People's Bank of China, the Bank issued financial bonds of RMB2 billion on 8 September 2017, of which the term is 3 years. The bond interest is paid once a year at a fixed interest rate using simple interest method. The annual interest rate is fixed at 4.75%, and the value date is 12 September 2017. The bond matured and redeemed on 12 September 2020.

Approved by the People's Bank of China on the "Decision of the People's Bank of China on Approving Administrative Licensing" (YXZHJZ [2020] No. 55), the Bank issued a total of RMB4 billion of financial bonds on 9 September 2020, of which the term is 3 years. This bond uses a fixed interest rate to calculate interest on an annual basis, and the interest is paid once a year. The annual coupon rate is fixed at 3.79%, and the value date is 11 September 2020.

(iv) During 2019, the Bank accumulatively issued to the national interbank bond market 197 interbank certificates of deposits with a total face value of RMB82.24 billion and a coupon rate ranging from 2.60% to 3.45%.

During 2020, the Bank accumulatively issued to the national interbank bond market 235 interbank certificates of deposits with a total face value of RMB88.2 billion and a coupon rate ranging from 1.05% to 3.4%.

### 31 OTHER LIABILITIES

	Notes	The Group		The Bank	
		2020	2019	2020	2019
Other payables	(1)	578,104,832.50	529,464,889.86	577,696,228.24	520,511,014.98
Payables for fund settlement		212,830,450.48	282,597,213.63	211,209,887.71	282,281,003.27
Deferred income		29,707,144.14	46,382,193.79	29,707,144.14	46,382,193.79
Dividends payable		10,662,345.58	8,603,919.71	10,662,345.58	8,603,919.71
Accrued expenses		2,366,980.24	1,700,019.44	2,366,980.24	1,700,019.44
Continuously involved debt	22(4)	557,024,393.82	–	557,024,393.82	–
Others		560,779.23	12,075,358.32	560,779.23	12,075,358.32
<b>Total</b>		<b>1,391,256,925.99</b>	<b>880,823,594.75</b>	<b>1,389,227,758.96</b>	<b>871,553,509.51</b>

#### (1) Other payables

	The Group		The Bank	
	2020	2019	2020	2019
Asset-backed securitisation payments to be transferred	338,090,288.74	100,089,164.17	338,090,288.74	100,089,164.17
Pending accounts for wealth management product subscription	30,869,824.30	83,415,905.83	30,869,824.30	83,415,905.83
Amounts to be transferred	13,044,145.90	53,304,180.70	13,044,145.90	53,304,180.70
Long-suspended and pending customers' deposits	7,348,153.03	7,767,464.20	7,312,450.90	7,743,246.32
Temporary receipt of risk reserve for wealth management as an agency	6,642,602.52	4,210,777.08	6,642,602.52	4,210,777.08
Others	182,109,818.01	280,677,397.88	181,736,915.88	271,747,740.88
<b>Total</b>	<b>578,104,832.50</b>	<b>529,464,889.86</b>	<b>577,696,228.24</b>	<b>520,511,014.98</b>

### 32 SHARE CAPITAL

The share capital structures of the Bank as at each balance sheet date are as follows:

	Number of shares	Amount
<b>Registered capital and share capital (ordinary share with a face value of RMB1,000 per share)</b>		
As at 31 December 2020 and 31 December 2019	2,180,000,000.00	2,180,000,000.00

Historical verification results of the Bank's share capital:

According to the Capital Verification Report (DSSYZ [1999] No. 0355) issued on 26 July 1999 by Dongguan Auditing Firm, the Bank had share capital of RMB1,089,218,723.

According to the Capital Verification Report (SPSYZ [2006] No. 033) issued on 29 April 2006 by Shenzhen Pengcheng Accounting Firm Co., Ltd. (former Shenzhen City Pengcheng Accounting Firm Co., Ltd.), the Bank increased its share capital by RMB547,581,277 to RMB1,636,800,000.

According to the Capital Verification Report (XKSBZ [2011] No. 300019) issued on 13 December 2011 by BDO China Shu Lun Pan Certified Public Accountants LLP, the Bank increased its share capital by RMB343,200,000 to RMB1,980,000,000, and increased the capital reserve (share premium) by RMB1,201,200,000.

According to the Capital Verification Report (XKSBZ [2014] No. 130015) issued on 21 January 2014 by BDO China Shu Lun Pan Certified Public Accountants LLP, the Bank increased its share capital by RMB200,000,000 to RMB2,180,000,000, and increased the capital reserve (share premium) by RMB866,000,000.

### 33 CAPITAL RESERVE

Changes in capital reserve are as follows:

	The Group			
	Balance as at 1 January 2020	Additions during the year	Reductions during the year	Balance as at 31 December 2020
Share premium	2,102,221,024.35	–	–	2,102,221,024.35
Other capital reserve	(12,685,892.94)	–	–	(12,685,892.94)
<b>Total</b>	<b>2,089,535,131.41</b>	<b>–</b>	<b>–</b>	<b>2,089,535,131.41</b>

	The Group			
	Balance as at 1 January 2019	Additions during the year	Reductions during the year	Balance as at 31 December 2019
Share premium	2,102,221,024.35	–	–	2,102,221,024.35
Other capital reserve	(12,685,892.94)	–	–	(12,685,892.94)
<b>Total</b>	<b>2,089,535,131.41</b>	<b>–</b>	<b>–</b>	<b>2,089,535,131.41</b>

	The Bank			
	Balance as at 1 January 2020	Additions during the year	Reductions during the year	Balance as at 31 December 2020
Share premium	2,101,471,122.46	–	–	2,101,471,122.46
Other capital reserve	(12,685,892.94)	–	–	(12,685,892.94)
<b>Total</b>	<b>2,088,785,229.52</b>	<b>–</b>	<b>–</b>	<b>2,088,785,229.52</b>

	The Bank			
	Balance as at 1 January 2019	Additions during the year	Reductions during the year	Balance as at 31 December 2019
Share premium	2,101,471,122.46	–	–	2,101,471,122.46
Other capital reserve	(12,685,892.94)	–	–	(12,685,892.94)
<b>Total</b>	<b>2,088,785,229.52</b>	<b>–</b>	<b>–</b>	<b>2,088,785,229.52</b>

### 34 OTHER EQUITY INSTRUMENTS

#### (1) Table of other equity instruments issued at the end of the year

Issuing perpetual bonds	Issue date	Accounting classification	Initial interest rate	Offering price	Number (shares)	Amount	Maturity date	Share transfer conditions	Transfer situation
Open-ended capital bonds	20 May 2020	Equity instrument	4.25%	RMB100/piece	22,000,000.00	2,200,000,000.00	Permanent	None	None
Less: issue expenses						2,641,509.43			
Carrying value						2,197,358,490.57			

#### (2) Main terms

Approved by the People's Bank of China on the Decision of the People's Bank of China on Approving Administrative Licensing ((YSCXZY [2020] No. 72), the Bank issued a total of RMB2.2 billion of write-down open-ended bonds ("perpetual bonds") in the national inter-bank bond market on 20 May 2020. The unit face value of the bond is RMB100, and the coupon rate for the first 5 years is 4.25%. Every 5 years is a coupon rate adjustment period. During a coupon rate adjustment period, interest is paid at the same coupon rate as agreed.

The duration of the bonds is consistent with the duration of the Bank's continuing operations. The bond issuance sets the Bank's conditional redemption clause. The Bank has the right to redeem the bonds in full or in part on the payment date of annual interest (including the interest payment date in the fifth year after the issuance date) five years after the issuance date. The Bank must exercise the redemption rights subject to the approval of the China Banking Regulatory Commission and the following conditions: Replace the redeemed instruments with equivalent or higher-quality capital instruments only if the income capacity is sustainable; or after the exercise of the redemption rights, the capital level is still significantly higher than the regulatory capital requirements stipulated by the China Banking Regulatory Commission.

The Bank has the right to cancel part or all of the bond dividends, and it does not constitute an event of default. If the Bank completely or partially cancels the dividend distribution of this bond, the Bank will not make any income to ordinary shareholders from the day after the resolution of the general meeting of shareholders is passed until it decides to restart the full dividend payment to the bondholders. This bond adopts a non-cumulative interest payment method, that is, the difference of the full amount of interest not paid to the bondholders will not accumulate to the next interest accrual year.

After deducting the issuance costs, the proceeds from the bond offering will be used to supplement other Tier 1 capital of the Bank in accordance with applicable laws and the approval of the competent authorities.

### (3) Change

	Balance as at 1 January 2020		Additions during the Year		Reductions during the year		Balance as at 31 December 2020	
	Number (million shares)	Carrying value	Number (shares)	Carrying value	Number (million shares)	Carrying value	Number (million shares)	Carrying value
Issuing perpetual bonds								
Open-ended bonds	-	-	22,000,000	2,197,358,490.57	-	-	22,000,000	2,197,358,490.57

## 35 OTHER COMPREHENSIVE INCOME

	The Group and the bank	
	2020	2019
Balance at the end of the previous year	302,457,170.97	497,427,476.52
Changes in accounting policies	-	(195,054,098.65)
<b>Balance at the beginning of the year</b>	<b>302,457,170.97</b>	<b>302,373,377.87</b>
Items that will not be reclassified to profit or loss		
– changes in fair value of investments in other equity instruments	(1,283,840.69)	(125,212.64)
Items that may be reclassified to profit or loss		
– Changes in fair value of debt instruments measured at FVOCI	(224,546,822.04)	31,958,805.58
– Losses of debt instruments in FVOCI	94,871,369.94	39,602,486.70
– Net amount of reclassifications from previous other comprehensive income to current profit or loss	(147,826,191.73)	(56,324,372.69)
– Other comprehensive income recognised under equity method	194,058.34	(11,218,683.95)
Income tax implications	69,375,410.96	(3,809,229.90)
<b>Balance at the end of the year</b>	<b>93,241,155.75</b>	<b>302,457,170.97</b>

## 36 SURPLUS RESERVE

	The Group and the Bank Statutory surplus reserve
<b>Balance as at 1 January 2019</b>	1,998,870,723.07
Appropriation of profits	282,190,826.38
<b>Balance as at 31 December 2019</b>	2,281,061,549.45
Appropriation of profits	288,253,828.63
<b>Balance as at 31 December 2020</b>	2,569,315,378.08

### 37 GENERAL RISK RESERVE

	The Group	The Bank
Balance as at 1 January 2019	4,403,268,266.88	4,403,268,266.88
Additions during the year	130,000,000.00	130,000,000.00
Balance as at 31 December 2019	4,533,268,266.88	4,533,268,266.88
Additions during the year	142,446,923.55	130,000,000.00
Balance as at 31 December 2020	4,675,715,190.43	4,663,268,266.88

In accordance with the Administrative Measures on Accrual of Provisions by Financial Enterprises (CJ [2012] No. 20) issued by the Ministry of Finance, apart from provisions for impairment of assets, the Bank made general risk reserves to compensate for potential losses in association with risk assets yet to be identified by the Bank. Such general risk reserves are treated as appropriation of profits, forms part of owners' equity and in principle should not be less than 1.5% of the closing balance of risk assets. As at 31 December 2020, the Bank maintained a general risk reserve of no less than 1.5% of the closing balance of its risk assets.

### 38 APPROPRIATION OF PROFITS

#### (1) Appropriation to surplus reserve and general risk reserves

- (i) In accordance with the Articles of Association, the Bank made an appropriation of RMB288,253,828.63 to its statutory surplus reserve for 2020 (2019: RMB282,190,826.38).
- (ii) The Bank's profit appropriation plan for the year ended 31 December 2019 approved by the Annual General Meeting of Shareholders for the Year 2019 held on 26 March 2020 is as follows:
  - Appropriate 10% of the net profit as statutory surplus reserve
  - Appropriate RMB130 million as general risk reserve

#### (2) Appropriation of profits to investors

- (i) As approved by the Annual General Meeting of Shareholders held on 26 March 2020, based on the retained earnings at the end of 2019, the Bank distributed a cash dividend totaling RMB545,000,000.00 to all shareholders of 2,180,000,000.00 capital shares.
- (ii) As approved by the Annual General Meeting of Shareholders for the Year 2019 held on 20 April 2020, Dongyuan Taiye Village Town Bank Co., Ltd., a subsidiary of the Bank distributed a total cash dividend of RMB6,400,000.00 out of the 2019 profit distribution to its investors, among which the Bank received a cash dividend of RMB3,264,000.00.

#### (3) Retained earnings at the end of the year

As at 31 December 2020, the retained earnings attributable to the parent company included an appropriation of RMB10,066,989.60 (As at 31 December 2019: RMB7,688,174.69) to surplus reserve made by the Bank's subsidiaries.

### 39 NET INTEREST INCOME

	The Group		The Bank	
	2020	2019	2020	2019
<b>Interest income</b>				
Loans and advances to customers	11,391,605,423.12	9,920,414,904.24	11,337,030,929.91	9,866,068,558.17
– Corporate loans and advances	6,987,838,485.96	6,607,805,702.40	6,968,502,075.21	6,586,424,266.64
– Individual loans and advances	4,020,951,533.30	3,028,982,766.97	3,985,713,450.84	2,996,017,856.66
– Discounted bills	382,815,403.86	283,626,434.87	382,815,403.86	283,626,434.87
Financial investment	3,878,823,954.61	4,174,962,238.83	3,878,823,954.61	4,174,962,238.83
Deposits in the central bank	405,415,340.45	403,722,449.81	404,029,722.73	402,368,323.50
Financial assets purchased under resale agreements	121,731,898.55	207,288,130.88	121,731,898.55	207,288,130.88
Loans to banks and other financial institutions	7,198,096.47	136,054,455.70	7,198,096.47	136,054,455.70
Deposits with banks and other financial institutions	12,590,852.79	18,441,463.76	6,556,591.74	13,077,782.72
Total of interest revenue	15,817,365,565.99	14,860,883,643.22	15,755,371,194.01	14,799,819,489.80

	The Group		The Bank	
	2020	2019	2020	2019
<b>Interest expense</b>				
Accepted deposits	(5,670,957,183.24)	(5,259,288,630.07)	(5,651,578,724.40)	(5,245,185,957.79)
Bonds payable	(1,800,879,640.83)	(1,861,469,588.02)	(1,800,879,640.83)	(1,861,469,588.02)
Deposits from banks and other financial institutions	(121,934,425.92)	(259,581,528.63)	(126,778,119.32)	(261,556,350.80)
Financial assets sold under repurchase agreements	(304,257,542.95)	(212,340,288.68)	(304,257,542.95)	(212,340,288.68)
Loans from banks and other financial institutions	(111,977,393.41)	(86,488,456.61)	(111,977,393.41)	(86,488,456.61)
Borrowings from central bank	(250,695,364.38)	(50,907,202.08)	(249,841,826.06)	(50,338,943.86)
Total of interest expenses	(8,260,701,550.73)	(7,730,075,694.09)	(8,245,313,246.97)	(7,717,379,585.76)
<b>Net interest income</b>	7,556,664,015.26	7,130,807,949.13	7,510,057,947.04	7,082,439,904.04

#### 40 NET FEE AND COMMISSION INCOME

	The Group		The Bank	
	2020	2019	2020	2019
<b>Fee and commission income</b>				
Agency service charges	288,500,726.86	254,459,005.21	288,551,155.26	254,536,538.80
Guarantee service charges	117,377,704.80	89,268,503.87	117,377,704.80	89,268,503.87
Settlement charges	87,686,803.52	70,385,890.26	87,680,822.44	70,378,149.75
Bank card charges	75,605,235.61	72,803,658.14	75,598,244.67	72,797,871.05
Entrusted service charges	48,144,121.57	36,322,497.23	48,144,121.57	36,322,497.23
Consulting services charges	46,413,336.96	27,719,813.58	46,404,016.61	27,716,900.96
Account management charges	2,538,538.11	17,175,544.79	2,538,538.11	17,175,544.79
Security lending service charges	2,186,252.24	5,376,049.44	2,186,252.24	5,376,049.44
Custody service charges	3,231,988.73	1,628,230.38	3,230,046.99	1,628,230.38
Other charges	197,611,631.90	156,114,632.79	197,561,416.91	156,068,582.09
<b>Sub-total</b>	869,296,340.30	731,253,825.69	869,272,319.60	731,268,868.36
<b>Fee and commission expenses</b>				
Settlement charges	(46,076,201.19)	(33,723,391.92)	(45,968,341.52)	(33,617,346.97)
Agency service charges	(18,386,610.73)	(15,940,819.67)	(18,386,610.73)	(15,940,819.67)
Security lending service charges	(4,048,904.14)	(2,412,191.70)	(4,048,904.14)	(2,412,191.70)
Bank card charges	(5,110,969.39)	(1,518,019.46)	(5,053,225.64)	(1,452,457.40)
Other charges	(9,154,487.16)	(11,887,322.60)	(9,144,936.11)	(11,884,647.60)
<b>Sub-total</b>	(82,777,172.61)	(65,481,745.35)	(82,602,018.14)	(65,307,463.34)
<b>Net fee and commission income</b>	786,519,167.69	665,772,080.34	786,670,301.46	665,961,405.02



#### 41 INVESTMENT INCOME

	The Group		The Bank	
	2020	2019	2020	2019
<b>Realised profits and losses from disposal of investment</b>				
– Financial assets held for trading	(430,421,586.78)	(88,333,303.61)	(430,421,586.78)	(88,333,303.61)
– Debt investments	12,390,458.72	12,896,585.63	12,390,458.72	12,896,585.63
– Other debt investments	138,492,291.59	49,657,997.19	138,492,291.59	49,657,997.19
– Derivative financial assets	(10,153,620.13)	3,014,529.97	(10,153,620.13)	3,014,529.97
<b>Profits or losses realised during the period</b>				
– Interest income from financial investments	215,127,521.02	740,852,275.46	215,127,521.02	740,852,275.46
– Fund dividends	775,305,950.71	679,781,304.48	775,305,950.71	679,781,304.48
– Dividend income	1,542,515.03	1,252,942.03	1,542,515.03	1,252,942.03
– Dividend from subsidiaries	–	–	3,264,000.00	2,805,000.00
– Income from investment in associates	26,407,041.58	38,433,476.14	26,407,041.58	38,433,476.14
– Equity method to cost method	12,046,490.02	–	–	–
Others	26,990.98	43,074.45	26,990.98	43,074.45
<b>Total</b>	<b>740,764,052.74</b>	<b>1,437,598,881.74</b>	<b>731,981,562.72</b>	<b>1,440,403,881.74</b>

#### 42 NET GAINS/(LOSSES) FROM CHANGES IN FAIR VALUE

	The Group and the bank	
	2020	2019
Financial assets held for trading	26,885,470.98	(204,121,711.85)
Derivative financial instruments	59,871,422.21	8,973,527.24
<b>Total</b>	<b>86,756,893.19</b>	<b>(195,148,184.61)</b>

#### 43 NET GAINS/(LOSSES) FROM DISPOSAL OF ASSETS

	The Group		The Bank	
	2020	2019	2020	2019
Net gains/(losses) from the disposal of fixed assets and other long-term assets	3,035,553.33	(3,628,616.62)	(1,256,634.00)	(3,628,616.62)
Gains/(losses) from disposal of debt-expiated assets	–	102,313.19	–	102,313.19
<b>Total</b>	<b>3,035,553.33</b>	<b>(3,526,303.43)</b>	<b>(1,256,634.00)</b>	<b>(3,526,303.43)</b>

#### 44 GOVERNMENT GRANTS

##### Other income

	The Group		The Bank	
	2020	2019	2020	2019
Government grants related to income	11,001,782.87	3,359,437.47	10,722,259.87	3,359,437.47

In 2020, the Group's government subsidies totaled RMB11,001,800, of which the Bank received RMB3.5015 million for financial development incentive award, RMB3.491 million for job stabilization subsidy, RMB2.4691 million for office leasing support, RMB419,300 for burden reduction subsidy for enterprises during the Songshan Lake COVID-19 epidemic, RMB400,000 for enterprise support award, RMB150,000 for service subsidy, RMB146,600 for unemployment insurance refund, RMB100,000 for 2017 industry economy top 30 award, and RMB44,700 for high-enterprise loan interest discount income; the subsidiary Chongqing Kaizhou Taiye Village Bank Co., Ltd. received RMB243,800 for loan extension support and RMB27,600 for job stabilization subsidy; and the subsidiary Zongyang Taiye Village Bank Co., Ltd. received RMB8,200 for 2020 Modern Service Award supplement.

In 2019, the Group's government subsidies totaled RMB3,359,400, of which the Bank received RMB1,769,600 of rent subsidies for industrial buildings assigned by the Futian District Government, RMB608,000 for inclusive technology credit risk compensation from the Bureau of Science and Technology, and RMB500,000 from the Bureau of Science and Technology Subsidy for science and technology credit services of innovation platform construction, RMB212,800 for financial institution development incentive award, RMB134,200 for job stabilization subsidy, RMB80,000 for Shiqi District Outstanding Contribution Enterprise Award in Banking Industry for 2018, RMB26,500 for technology finance subsidies and rewards, RMB18,300 for Songshan Lake Technology Financial Loan Reward, and RMB10,000 for Women Civilization Post Reward of Gaobu Sub-branch.

#### 45 TAXES AND SURCHARGES

	The Group		The Bank	
	2020	2019	2020	2019
City maintenance and construction tax	44,978,149.01	39,388,206.83	44,913,544.13	39,325,651.15
Education surcharges	32,169,088.92	28,172,511.16	32,116,861.51	28,122,880.41
Others	21,214,887.35	20,732,097.79	20,996,345.90	20,583,074.88
<b>Total</b>	<b>98,362,125.28</b>	<b>88,292,815.78</b>	<b>98,026,751.54</b>	<b>88,031,606.44</b>

#### 46 OPERATING AND ADMINISTRATIVE EXPENSES

	The Group		The Bank	
	2020	2019	2020	2019
Employee benefits expenses	1,770,591,766.48	1,692,911,520.11	1,752,403,345.93	1,676,280,429.21
Depreciation and amortization	202,181,172.86	168,377,610.17	200,014,028.15	166,760,320.17
Lease and property management fees	187,139,798.35	184,812,564.41	185,196,031.21	183,103,200.89
Other office and administrative expenses	648,972,183.02	585,537,804.63	639,078,565.92	577,813,153.41
<b>Total</b>	<b>2,808,884,920.71</b>	<b>2,631,639,499.32</b>	<b>2,776,691,971.21</b>	<b>2,603,957,103.68</b>

#### 47 CREDIT LOSSES

	The Group		The Bank	
	2020	2019	2020	2019
Loans and advances to customers	2,379,758,160.36	1,551,948,565.06	2,351,810,366.29	1,549,507,471.59
Debt investments	1,185,600,935.67	1,756,457,311.87	1,185,600,935.67	1,756,457,311.87
Other debt investments	75,202,875.73	15,054,490.75	75,202,875.73	15,054,490.75
Deposits with banks and other financial institutions	1,063,264.08	(3,765,078.44)	1,072,043.10	(3,775,716.65)
Loans to banks and other financial institutions	(5,517,123.35)	17,513,462.66	(5,517,123.35)	17,513,462.66
Credit commitments	25,219,053.86	18,823,959.95	25,219,053.86	18,823,959.95
Financial assets purchased under resale agreements	112,495.57	(179,268.82)	112,495.57	(179,268.82)
Others	20,743,407.93	53,471,439.57	19,916,917.99	53,398,626.48
<b>Total</b>	<b>3,682,183,069.85</b>	<b>3,409,324,882.60</b>	<b>3,653,417,564.86</b>	<b>3,406,800,337.83</b>

#### 48 NON-OPERATING INCOME AND EXPENSES

##### (1) Non-operating income

	The Group		The Bank	
	2020	2019	2020	2019
Income from long-suspended and pending customers' deposits	1,338,343.24	3,173,138.67	1,338,343.24	3,173,138.67
Income from cash overage	244,358.30	323,566.49	244,358.30	323,566.49
Others	2,266,708.27	5,038,665.48	2,133,457.04	4,843,923.06
<b>Total</b>	<b>3,849,409.81</b>	<b>8,535,370.64</b>	<b>3,716,158.58</b>	<b>8,340,628.22</b>

**(2) Non-operating expenses**

	The Group		The Bank	
	2020	2019	2020	2019
Fines and overdue fines	661,879.63	43,563.97	661,879.63	43,563.97
Donation expenses	14,190,842.36	11,451,259.45	14,128,842.36	11,431,259.45
Asset inventory loss and liquidation	988.00	–	–	–
Embankment fee	3,805.05	–	–	–
Others	2,144,629.52	3,200,828.34	2,123,171.36	3,183,683.44
<b>Total</b>	<b>17,002,144.56</b>	<b>14,695,651.76</b>	<b>16,913,893.35</b>	<b>14,658,506.86</b>

**49 INCOME TAX EXPENSE****(1) Income tax expense for the year represents:**

	The Group		The Bank	
	2020	2019	2020	2019
Current tax expense for the year	121,426,612.56	880,216,302.67	118,128,984.31	876,171,377.69
Adjustment of income tax for previous year	(5,673,988.51)	265,500.77	(5,902,305.94)	93,181.74
Changes in deferred tax	(436,799,713.16)	(765,689,784.25)	(438,381,608.25)	(765,980,235.84)
<b>Total</b>	<b>(321,047,089.11)</b>	<b>114,792,019.19</b>	<b>(326,154,929.88)</b>	<b>110,284,323.59</b>

**(2) Reconciliation between income tax expense and income tax calculated based on statutory tax rates:**

	The Group		The Bank	
	2020	2019	2020	2019
Total profits before taxation	2,554,983,663.02	2,947,255,755.58	2,556,383,356.43	2,932,192,587.40
Estimated income tax expenses based on statutory income tax rate	638,745,915.76	736,813,938.90	639,095,839.11	733,048,146.85
Effect of different tax rates applied by subsidiaries	(554,686.26)	(231,673.86)	–	–
Tax implications of the following items:				
Income from non-taxable items (i)	(978,323,386.38)	(636,891,619.79)	(976,187,568.13)	(637,592,869.79)
Non-tax-deductible expenses (ii)	16,938,041.94	14,835,873.17	16,839,105.08	14,735,864.79
Adjustment of income tax for previous year	(5,673,988.51)	265,500.77	(5,902,305.94)	93,181.74
Others	7,821,014.34	–	–	–
<b>Income tax expenses</b>	<b>(321,047,089.11)</b>	<b>114,792,019.19</b>	<b>(326,154,929.88)</b>	<b>110,284,323.59</b>

(i) This mainly includes interest income from bonds issued by the Chinese government, income from equity investment between qualified resident enterprises, and income from distributions by security investment funds.

(ii) This mainly includes asset losses that fail to be approved by tax authorities, donations and sponsorships not entitled to pre-tax deduction, and other expenses irrelevant to obtained income.

## 50 OTHER COMPREHENSIVE INCOME, NET OF TAX

	The Group and the bank	
	2020	2019
Items that will not be reclassified to profit or loss		
– Changes in fair value of investments in other equity instruments	(1,283,840.69)	(125,212.64)
Other comprehensive income to be reclassified into profit/loss		
– Changes in fair value of debt instruments in FVOCI	(129,675,452.10)	71,561,292.29
– Net amount of reclassifications from previous other comprehensive income to current profit or loss	(147,826,191.73)	(56,324,372.70)
– Other comprehensive income recognised under equity method	194,058.34	(11,218,683.95)
Income tax implications	69,375,410.96	(3,809,229.90)
<b>Total</b>	<b>(209,216,015.22)</b>	<b>83,793.10</b>

## 51 SUPPLEMENT TO CASH FLOW STATEMENT

### (1) Reconciliation of net profit to cash flows from operating activities:

	The Group		The Bank	
	2020	2019	2020	2019
<b>Net profit</b>	2,876,030,752.13	2,832,463,736.39	2,882,538,286.31	2,821,908,263.81
Add: Accrued credit losses	3,682,183,069.85	3,409,324,882.60	3,653,417,564.86	3,406,800,337.83
Depreciation of fixed assets	101,179,604.97	91,166,725.93	99,937,423.72	90,025,215.99
Amortization of intangible assets	67,455,136.46	38,889,597.50	67,455,136.46	38,889,597.50
Amortization of long-term deferred expenses	33,546,431.43	38,321,286.74	32,621,467.97	37,845,506.68
Unwinding of discount	(6,385,314.86)	(54,966,974.60)	(6,385,314.86)	(54,966,974.60)
Losses from disposal of fixed, intangible and long-term assets	(3,034,565.33)	3,527,948.33	1,256,634.00	3,526,303.43
Net (gains)/(losses) from changes in fair value	(86,756,893.19)	195,148,184.61	(86,756,893.19)	195,148,184.61
Income from investment interest	(3,878,823,954.61)	(4,174,962,238.83)	(3,878,823,954.61)	(4,174,962,238.83)
Investment income	(740,764,052.74)	(1,437,598,881.74)	(731,981,562.72)	(1,440,403,881.74)
Unrealised foreign exchange gains and losses	(18,052,000.00)	4,520,000.00	(18,052,000.00)	4,520,000.00
Interest expenses on issued bonds	1,800,879,640.83	1,861,469,588.02	1,800,879,640.83	1,861,469,588.02
Increase in deferred tax	(436,799,713.16)	(765,689,784.25)	(438,381,608.25)	(765,980,235.84)
Increase in operating receivables	(42,157,653,790.23)	(43,103,880,405.23)	(42,187,211,996.37)	(43,046,140,821.96)
Increase in operating payables	48,447,384,047.37	47,564,130,871.50	48,848,507,227.06	47,435,301,588.71
<b>Net cash flows generated from operating activities</b>	<b>9,680,388,398.92</b>	<b>6,501,864,536.97</b>	<b>10,039,020,051.21</b>	<b>6,412,980,433.61</b>

**(2) Change in cash and cash equivalents:**

	The Group		The Bank	
	2020	2019	2020	2019
Cash at the end of the year	748,254,734.30	941,869,645.72	738,772,845.02	930,693,576.30
Less: Cash at the beginning of the year	(941,869,645.72)	(726,303,798.69)	(930,693,576.30)	(718,318,742.22)
Add: Cash equivalents at the end of the year	15,243,061,059.90	19,661,598,685.88	15,054,491,771.74	19,324,620,329.35
Less: Cash equivalents at the beginning of the year	(19,661,598,685.88)	(18,875,893,705.16)	(19,324,620,329.35)	(18,617,667,470.71)
Net (decrease)/increase in cash and cash equivalents	(4,612,152,537.40)	1,001,270,827.75	(4,462,049,288.89)	919,327,692.72

**(3) Relevant information of subsidiaries acquired this year**

Relevant information of subsidiaries acquired:

**The Group**

	2020
Price of the subsidiary acquired	18,000,000.00
The cash or cash equivalents paid by the subsidiary this year	18,000,000.00
Less: cash and cash equivalents held by the subsidiary	-
Add: Acquired subsidiaries in previous years	
Cash or cash equivalents paid during the year	-
<b>Net cash paid for acquisition of subsidiaries</b>	<b>18,000,000.00</b>

**(4) Cash and cash equivalents are as follows:**

	The Group		The Bank	
	2020	2019	2020	2019
Cash on hand	748,254,734.30	941,869,645.72	738,772,845.02	930,693,576.30
Excess reserves with central bank	7,580,810,221.74	9,687,452,621.16	7,495,970,536.19	9,636,003,063.47
With an original maturity of three months or less				
– Deposits with banks and other financial institutions	1,277,601,838.16	1,849,455,064.72	1,173,872,235.55	1,563,926,265.88
– Loans to banks and other financial institutions	260,996,000.00	1,163,691,000.00	260,996,000.00	1,163,691,000.00
– Financial assets purchased under resale agreements	6,123,653,000.00	6,961,000,000.00	6,123,653,000.00	6,961,000,000.00
<b>Total of cash and cash equivalents</b>	<b>15,991,315,794.20</b>	<b>20,603,468,331.60</b>	<b>15,793,264,616.76</b>	<b>20,255,313,905.65</b>

## 52 CHANGE IN CONSOLIDATION SCOPE

### Consolidation of enterprises not under common control

#### (1) Consolidation of enterprises not under common control for the year

	Time point of equity acquisition	Equity acquisition cost	Proportion after equity acquisition (%)	Method of obtaining equity	Purchase date	Basis for determining the purchase date	The purchased party from the date of purchase to 31 December 2020	
							Revenue	Net loss
Zongyang Taiye Village Bank Co., Ltd.	7 September 2020	18,000,000.00	85.00%	Equity transfer	7 September 2020	Gaining control rights	3,414,910.117	(25,361,208.04)

Zongyang Taiye Village Bank Co., Ltd. was incorporated on 17 March 2011, and its main business is financial industry. The Bank made a contribution of RMB16 million with a 40.00% shareholding ratio. In September 2020, the Bank contributed RMB18 million to purchase 18 million shares of Zongyang Taiye Village Bank Co., Ltd. through equity transfer. The bank's shareholding ratio increased from 40.00% to 85.00%, and the Bank has formed the actual control over Zongyang Taiye Village Bank Co., Ltd., so it was included in the scope of the consolidated financial statements. In December 2020, Zongyang Taiye Village Bank Co., Ltd. made a targeted capital increase. The Bank contributed RMB59 million, and totally held its 93 million shares after the capital increase, with the final shareholding ratio of 84.55%.

#### (2) Combined cost

	Zongyang Taiye Village Bank Co., Ltd.
Cash	18,000,000.00
Cost of equity held before the purchase date	16,066,671.57
Total of combined cost	34,066,671.57
Less: the fair value share of identifiable net assets obtained	34,066,671.57
Amount obtained by reducing the amount of the fair value share of identifiable net assets from goodwill/combined cost	-

## 53 RISK MANAGEMENT

The Group has exposure to the following main risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks and their sources, and their changes during the year, as well as the Group's objectives, policies and processes for measuring and managing risks, and their changes during the year.

The board of directors is the top decision maker of the Bank's risk management policy and supervises the Group's risk management functions through the risk management committee. The Group aims to seek appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest implementer of our risk management framework and reports directly to the board of directors according to the risk management preferences established by the board of directors. Senior management is responsible for establishing and implementing risk management policies and systems, and for monitoring, identifying and controlling risks faced by different businesses

#### (1) Credit risk

Credit risk refers to the risk that a customer or counterparty is unable or unwilling to perform contractual obligations. Changes in the economic environment or the quality of credit assets in a particular industry in the Group's asset portfolio will result in possible losses to the Group. The credit risk exposures in the balance sheet include customer loans, securities investment and interbank transactions, and there are also off-balance-sheet credit risk exposures, such as loan commitments. The Group's main business is currently mainly in Guangdong Province, which indicates that there is a concentration risk in the Group's credit portfolio and it is relatively vulnerable to changes in regional economic conditions. Therefore, the management cautiously manages its exposure to credit risks. The risk management department of the head office is responsible for managing the overall credit risk of the Bank (including loans, securities investment and interbank transactions), which regularly reports to the senior management of the Group. The Group has established relevant mechanisms to set relevant credit risk limits. The Group regularly monitors the above credit risk limits and conducts audits at least once a year.

Based on the Guidelines for Loan Risk Classification issued by the China Banking Regulatory Commission, the Group has developed a risk classification and management system to measure and manage the quality of credit assets of the Bank. According to the Guidelines for Loan Risk Classification, the Group classifies on-balance sheet and off-balance sheet credit assets into five categories: pass, special mention, substandard, doubtful and loss. The latter three categories of loans are considered non-performing credit assets.

The core definitions of 5 categories of loans are as follows:

**Pass:** Borrowers can honor the terms of the contracts. There is no reason to doubt their ability to repay the principals and interests of loans in full and on a timely basis.

**Special Mention:** Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.

**Substandard:** Borrowers' abilities to service their loans are in question. Borrowers cannot depend on their normal business revenues to pay back the principals and interests. Losses may ensue, even when guarantees are invoked.

**Doubtful:** Borrowers are unable repay the principals and interests of the loans in full, and significant losses will incur, even when guarantees are invoked.

**Loss:** Principals and interests of loans cannot be recovered or only a small portion can be recovered after taking all possible measures and resorting to necessary legal procedures.

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment, the Group measures allowances for loss of different assets with 12-month ECL or lifetime ECL, respectively.

The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of expected credit losses within the next 12 months, and measures loss allowances for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.

**(i) Significant increase in credit risk**

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial instruments has increased significantly.

If the counterparty 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 counterparty's business, financial and economic status;
- Application of a grace period or debt-restructuring;
- Significant changes with an adverse effect in the counterparty's operating conditions;
- Less value of the collaterals;
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of guarantees;
- The payment is more than 30 days past due.

The Group uses an early warning list to monitor credit risk in financial instruments related to loans and advances and capital operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by the management for the appropriateness.

As at 31 December 2020, the Group has not considered that any of its financial instruments has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

**(ii) Definitions of "default" and "credit-impaired assets"**

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets.

(a) Quantitative criterion.

The borrower has not paid more than 90 days after the contract payment date.

(b) Qualitative criterion.

The borrower meets the criterion of "having difficulty in repayment", which indicates that the borrower has significant financial difficulty, including:

- the borrower has been in the grace period for a long time;
- the death of the borrower;
- the borrower enters bankruptcy;
- the borrower breaches (one or more) terms of the contract that the debtor shall be subject to;
- the disappearance of an active market for the related financial asset because of financial difficulties faced by the borrower;
- the creditor make concessions due to the financial difficulties faced by the borrower;
- it becomes probable that the borrower will enter bankruptcy;
- a higher discount was obtained during the acquisition of assets, and the assets have incurred credit loss when they are acquired.

The above criteria apply to all financial instruments of the Bank and they are consistent with the definition of "default" adopted by the internal management of credit risk.

#### (iii) Loss provision measurement in combination

The Group has classified exposures with similar risk characteristics when accruing the expected credit loss provisions in a combined manner. When grouping, the Group obtained sufficient information to ensure its statistical reliability. The Group measures the individual loans and advances and the company loans and advances separately according to the combination. Among them, the company loans and advances refer to industry and credit ratings.

#### (iv) Notes to the parameters, assumptions and valuation techniques

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a counterparty will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the guarantee;
- 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 guarantee;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future months. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future months. The results of calculation for each month are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Both the assessment of the significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including GDP, increase in RMB loans, PPI, etc.

There has been no significant change in the valuation techniques and key assumptions during the reporting period.

The credit risk faced by the Group's capital business is generated by the investment business and the inter-bank business. The group implements the access management of inter-bank credit for the business of banks and non-bank financial institutions, and verifies the inter-bank credit line; and the credit granting and control model of corporate customers for non-financial institutions



## (a) Maximum credit risk exposure

Regardless of collaterals or other credit enhancements, the maximum exposure to credit risk of the Group and the Bank is the sum of the carrying amount of each financial asset and the contract amount of each credit commitment. Except for the credit commitments given by the Group and the Bank as set out in Note 62, the Group and the Bank do not provide any other guarantees which would expose the Group or the Bank to credit risk. The maximum exposure to credit risk in respect of these credit commitments at the end of the period is disclosed in Note 62.

The carrying amounts of financial instruments on the balance sheet have reflected their maximum credit risks.

## (b) Credit quality analysis of financial assets:

	As at 31 December 2020							
	The Group							
	Book balance			Provisions for ECL				
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – credit impaired)	Total	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – credit impaired)	Total
Loan	225,293,997,509.52	1,615,129,830.99	2,716,658,780.59	229,625,786,121.10	(3,517,933,583.42)	(559,165,588.65)	(1,813,213,629.64)	(5,890,312,781.71)
Investment (ii)	105,998,791,166.57	1,492,202,236.43	5,710,975,376.16	113,201,968,779.16	(189,947,626.54)	(282,764,632.68)	(3,117,858,171.71)	(3,590,570,490.93)
Others (iii)	8,861,220,305.33	-	63,727,987.11	8,924,948,292.44	(60,544,827.05)	-	(63,727,987.11)	(124,272,814.16)
	As at 31 December 2019							
	The Group							
	Book balance			Provisions for ECL				
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – credit impaired)	Total	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – credit impaired)	Total
Loan	185,373,298,607.75	2,866,566,184.58	2,435,940,199.82	190,675,804,992.15	(2,417,846,607.81)	(719,830,958.83)	(1,828,480,038.69)	(4,966,157,605.33)
Investment (ii)	98,911,602,056.54	2,694,921,669.75	3,680,473,215.76	105,286,996,942.05	(157,814,164.67)	(499,377,519.20)	(2,087,777,871.39)	(2,744,969,555.26)
Others (iii)	10,879,681,446.11	-	89,142,957.58	10,968,824,403.69	(49,683,616.60)	-	(62,861,791.06)	(112,545,407.66)



## (c) Credit quality of bond investments

The Group adopts the credit rating method to monitor the credit risk status of the debt instrument investment portfolio held by the Group. The debt instrument investment rating refers to the rating of the rating agency recognised by the People's Bank of China. On the balance sheet date, the analysis of the Group's bond investment according to the debt rating is as follows

## The Group and the Bank

	The Group and the bank	
	2020	
Financial assets credit impaired		
Carrying value		41,925,376.16
Provision for impairment		(209,388,410.00)
Overdue		
Carrying value		35,462,825.10
Provision for loss		(15,235,844.72)
Financial assets neither overdue nor credit impaired (including accrued interest)		
AAA		35,253,121,208.84
AA – to AA+		418,116,797.72
A – to A+		95,081,438.59
A3 to A1		198,403,897.39
BBB – to BBB+		159,159,452.37
Baa3 to Baa1		270,503,400.78
BB – to BB+		33,224,700.17
Not rated		56,449,417,061.98
Carrying value sub-total		92,825,750,663.91
<b>Total</b>		<b>92,903,138,865.17</b>
	The Group and the bank	
	2019	
Financial assets credit impaired		
Total amount		36,463,949.51
Provision for losses on credit impaired financial assets at fair value		(136,184,390.00)
Financial assets neither overdue nor credit impaired (including accrued interest)		
AAA		24,926,142,744.28
AA – to AA+		4,775,321,934.51
A – to A+		–
BBB – to BBB+		55,978,963.43
BB – to BB+		6,949,560.45
Not rated		54,419,242,653.36
Carrying value sub-total		84,183,635,856.03
<b>Total</b>		<b>84,220,099,805.54</b>

## (2) Market risk

Market risk refers to the risk of loss of on – and off-balance-sheet businesses of the Group due to adverse changes in market prices (interest rates, exchange rates, commodity prices, stock prices, and other prices). The market risk of the Group mainly comes from the interest rate risk and exchange rate risk of various asset and liability businesses and products involved in market operations.

The Group establishes a market risk management system based on the “Guidelines for Market Risk Management of Commercial Banks” promulgated by the former CBRC. The Board of Directors of the Bank assumes the ultimate responsibility for monitoring market risk management, is responsible for approving market risk management policies and procedures, and determines the level of tolerable market risk. The senior management is responsible for implementing the market risk management policy and market risk appetite decided by the Board of Directors and coordinating the match between the total risk and business objectives. The risk management department is responsible for the identification, measurement, monitoring, controlling, and reporting of market risk at the company level. Business departments are responsible for monitoring and reporting the market risk of the business being managed.

The Group’s risk monitoring means include risk identification measurement and monitoring management of market risks in each business by means of long-term monitoring exposure analysis, sensitivity analysis, scenario analysis and etc. The financial market department has set up the trading limit stop loss limit derivatives risk limit and other market risk limit system and monitored the use of market risk limit. The stress test of market risk has been carried out under prudent conditions according to the requirements of the former CBRC

### (a) Interest rate risk

Interest rate risk refers to the possibility of losses caused by changes in factors such as interest rate level and term structure to the overall return and economic value of bank accounts. With respect to the Bank’s exposure to interest rate risk, the Group determines the future interest rate trend by studying various macroeconomic indicators. It also forecasts the Group’s future fund movement trend based on factors such as the Group’s capital cost, capital adequacy ratio, and the growth of deposits and loans to study the Group’s tolerance towards interest rate risk.

The Group manages interest rate risk mainly through asset portfolio construction and adjustment. The purpose of the portfolio is to diversify risk and increase profitability through asset diversification.

The main aspects of the Group’s interest rate risk management include:

- (i) The Group strengthens the research and prediction of interest rate fluctuations, combines the interest rate trends of SHIBOR, treasury bonds, and policy financial bonds to predict the future interest rate trends, and uses the internal fund transfer pricing (FTP) system to concentrate interest rate risk to “Treasurer” conducts unified management, guides the optimization of business structure and improves the pricing level by formulating scientific and reasonable FTP price transmission policy guidance;
- (ii) Use the asset-liability management (ALM) system to measure and manage interest rate risk exposure, through scenario simulations, stress tests, and repricing gap analysis to simulate the Group’s net interest income and economic value under different interest rate scenarios. In this way, reasonable management suggestions are made, and timely strategic adjustments are made to avoid the negative impact of interest rate fluctuations on the Group’s financial position.

The Group uses sensitivity analysis to measure the possible impact of changes in interest rates on the Group’s net profit and equity. The following table shows the sensitivity of the Group’s net profit and equity to possible and reasonable changes in interest rates when other variables are fixed.

	Net profit sensitivity			
	The Group		The Bank	
	2020	2019	2020	2019
	(Decrease)/Increase	(Decrease)/Increase	(Decrease)/Increase	(Decrease)/Increase
<b>Interest rate change (basis point)</b>				
+100	(183,234,006.35)	(367,044,410.49)	(183,544,825.53)	(367,029,345.23)
- 100	183,234,006.35	367,044,410.49	183,544,825.53	367,029,345.23

	Equity sensitivity			
	The Group		The Bank	
	2020	2019	2020	2019
	(Decrease)/Increase	(Decrease)/Increase	(Decrease)/Increase	(Decrease)/Increase
<b>Interest rate change (basis point)</b>				
+100	(465,519,627.06)	(543,415,709.82)	(465,830,446.24)	(543,400,644.56)
- 100	475,556,741.40	551,737,597.41	475,867,560.58	551,722,532.15

The above sensitivity analysis is based on the static interest rate risk structure of assets and liabilities. The relevant analysis only measures changes in interest rates within one year and reflects the impact of re-pricing of the Group's assets and liabilities on the Group's annualised net profit and equity within one year based on the following assumptions:

- (i) All assets and liabilities re-priced or due within one year are assumed to be re-priced or expire at the beginning of the relevant period;
- (ii) The yield curve moves in parallel with the change in interest rates;
- (iii) There is no other change in the portfolio of assets and liabilities.

The sensitivity of net profit is based on the impact of certain interest rate changes on the net interest income from financial assets and liabilities held at the end of the year and whose interest rate is expected to be redefined within the next year.

The calculation of equity sensitivity is based on the effect of revaluation of all financial instruments held at the end of the year when a certain interest rate changes.

The above interest rate sensitivity analysis is just an example, based on the simplification of the scenario. The analysis shows the estimated changes in net profit and equity under each expected revenue curve and the current interest rate risk of the Group. However, the analysis of the impact does not consider the risk management activities that the management may take to reduce interest rate risk. The above estimation assumes that the interest rates for all the years will change at the same rate. Therefore, it does not reflect the potential impact on net profit and equity if some interest rates change while others remain unchanged.

Based on the above assumptions, the actual change in the net profit and equity of the Group due to the increase or decrease in interest rates may differ from the result of this sensitivity analysis.

The following table indicates assets and liabilities at the expected next repricing dates (or maturity dates whichever are earlier) as at the end of the reporting period.

The Group						
2020						
	Total	3 months or below	3 months to 1 year	1 to 5 years	More than 5 years	Interest not accounted for
<b>Assets</b>						
Cash and deposits in the central bank	34,092,525,456.53	33,281,999,052.26	-	-	-	810,526,404.27
Deposits with and loans to banks and other financial institutions	2,112,164,535.42	1,561,349,658.33	260,905,364.94	-	-	289,909,312.15
Financial assets purchased under resale agreements	6,124,067,622.06	6,123,540,504.43	-	-	-	527,117.63
Loans and advances to customers	223,735,473,339.39	89,663,286,239.34	98,012,006,066.09	25,053,744,791.89	10,483,953,699.90	522,482,542.17
Investments (i)	143,670,608,532.85	27,659,686,478.92	20,489,202,146.18	75,786,550,634.67	18,190,728,952.16	1,544,440,320.92
Derivative financial assets	353,664,858.22	9,765,994.00	28,273,001.00	50,952,093.00	-	264,673,770.22
Other assets	6,237,602,714.94	-	-	-	-	6,237,602,714.94
Total assets	416,326,107,059.41	158,299,628,127.28	118,790,386,578.21	100,891,247,519.56	28,674,682,652.06	9,670,162,182.30
<b>Liabilities</b>						
Borrowings from central bank	(27,598,977,607.90)	(5,098,915,647.18)	(22,421,209,180.73)	-	-	(78,852,779.99)
Deposits and loans from banks and other financial institutions	(7,877,073,841.72)	(268,545,930.54)	(4,597,873,499.99)	(250,000,000.00)	-	(2,760,654,411.19)
Financial assets sold under repurchase agreements	(9,825,540,205.44)	(6,181,318,596.99)	(3,577,558,679.55)	-	-	(66,662,928.90)
Accepted deposits	(295,939,082,153.30)	(169,691,252,644.15)	(51,331,121,710.39)	(70,408,278,321.66)	(288,955.13)	(4,508,160,521.97)
Bonds payable	(44,889,143,553.23)	(16,741,049,012.14)	(19,876,967,617.60)	(7,996,912,676.91)	-	(274,214,246.58)
Derivative financial liabilities	(284,199,665.03)	(9,491,054.00)	(27,477,036.00)	(49,517,648.00)	-	(197,713,927.03)
Other liabilities	(2,831,114,905.54)	-	-	-	-	(2,831,114,905.54)
Total liabilities	(389,245,131,932.16)	(197,990,572,885.00)	(101,832,207,724.26)	(78,704,708,646.57)	(288,955.13)	(10,717,373,721.20)
Exposure to assets and liabilities	27,080,975,127.25	(39,690,944,757.72)	16,958,178,853.95	22,186,538,872.99	28,674,413,696.93	(1,047,211,538.90)
Notional amount of derivative financial instruments	48,236,112,201.81	3,700,000,000.00	10,711,670,000.00	19,304,000,000.00	-	14,520,442,201.81

	The Group					
	2019					
	Total	3 months or below	3 months to 1 year	1 to 5 years	More than 5 years	Interest not accounted for
<b>Assets</b>						
Cash and deposits in the central bank	34,333,577,019.71	33,257,313,695.40	-	-	-	1,066,263,324.31
Deposits with and loans to banks and other financial institutions	3,610,697,565.09	3,062,414,448.51	404,506,171.67	-	-	143,776,964.91
Financial assets purchased under resale agreements	6,962,619,132.39	6,961,000,000.00	-	-	-	1,619,132.39
Loans and advances to customers	185,709,647,386.82	45,871,836,387.72	111,435,127,684.33	18,544,262,001.30	9,389,738,430.02	468,682,883.45
Investments (i)	137,145,666,291.43	6,787,308,410.04	33,930,655,813.07	72,637,555,509.25	22,111,151,781.94	1,678,994,777.13
Derivative financial assets	28,344,819.97	-	888,938.00	4,985,781.00	-	22,470,100.97
Other assets	4,217,321,471.96	-	-	-	-	4,217,321,471.96
Total assets	372,007,873,707.37	95,949,872,941.67	145,771,178,607.07	91,186,803,291.55	31,500,890,211.96	7,599,128,655.12
<b>Liabilities</b>						
Borrowings from central bank	(3,364,544,598.25)	(236,433,785.74)	(3,125,400,000.00)	-	-	(2,710,812.51)
Deposits and loans from banks and other financial institutions	(11,462,623,327.87)	(3,977,447,173.13)	(5,594,346,825.24)	-	-	(1,910,829,329.50)
Financial assets sold under repurchase agreements	(9,521,419,690.09)	(9,518,650,000.00)	-	-	-	(2,769,690.09)
Accepted deposits	(257,641,637,803.55)	(148,529,167,705.35)	(35,225,221,453.68)	(79,939,983,657.36)	-	(3,947,264,987.26)
Bonds payable	(54,635,718,329.38)	(23,481,052,962.01)	(19,903,012,004.67)	(10,995,231,437.40)	-	(256,421,925.30)
Derivative financial liabilities	(19,216,351.24)	-	(640,144.00)	(3,590,372.00)	-	(14,985,835.24)
Other liabilities	(2,534,647,471.58)	-	-	-	-	(2,534,647,471.58)
Total liabilities	(349,199,807,571.96)	(185,742,751,626.23)	(63,848,620,427.49)	(90,938,805,466.76)	-	(8,669,630,051.48)
Exposure to assets and liabilities	22,808,066,135.41	(89,792,878,684.56)	81,922,558,179.58	247,997,824.79	31,500,890,211.96	(1,070,501,396.36)
Notional amount of derivative financial instruments	7,224,641,100.36	-	460,000,000.00	2,580,000,000.00	-	4,184,641,100.36

The Bank						
2020						
	Total	3 months or below	3 months to 1 year	1 to 5 years	More than 5 years	Interest not accounted for
<b>Assets</b>						
Cash and deposits in the central bank	33,891,659,960.37	33,130,627,836.71	-	-	-	801,032,123.66
Deposits with and loans to banks and other financial institutions	1,920,393,945.35	1,370,942,663.05	260,905,364.94	-	-	288,545,917.36
Financial assets purchased under resale agreements	6,124,067,622.06	6,123,540,504.43	-	-	-	527,117.63
Loans and advances to customers	222,821,599,383.05	89,592,393,790.08	97,609,206,603.65	24,933,089,538.63	10,167,108,360.18	519,801,090.51
Investments (i)	143,670,608,532.85	27,659,686,478.92	20,489,202,146.18	75,786,550,634.67	18,190,728,952.16	1,544,440,320.92
Derivative financial assets	353,664,858.22	9,765,994.00	28,273,001.00	50,952,093.00	-	264,673,770.22
Other assets	6,354,354,596.98	-	-	-	-	6,354,354,596.98
Total assets	415,176,348,898.88	157,886,957,267.19	118,387,587,115.77	100,770,592,266.30	28,357,837,312.34	9,773,374,937.28
<b>Liabilities</b>						
Borrowings from central bank	(27,561,860,475.64)	(5,094,905,647.18)	(22,388,124,180.73)	-	-	(78,830,647.73)
Deposits and loans from banks and other financial institutions	(8,151,234,399.38)	(542,757,488.20)	(4,597,873,499.99)	(250,000,000.00)	-	(2,760,603,411.19)
Financial assets sold under repurchase agreements	(9,825,540,205.44)	(6,181,318,596.99)	(3,577,558,679.55)	-	-	(66,662,928.90)
Accepted deposits	(294,663,455,759.50)	(168,981,057,985.83)	(51,135,672,629.33)	(70,070,198,757.24)	(288,955.13)	(4,476,257,431.97)
Bonds payable	(44,889,143,553.23)	(16,741,049,012.14)	(19,876,967,617.60)	(7,996,912,676.91)	-	(274,214,246.58)
Derivative financial liabilities	(284,199,665.03)	(9,491,054.00)	(27,477,036.00)	(49,517,648.00)	-	(197,713,927.03)
Other liabilities	(2,818,151,937.88)	-	-	-	-	(2,818,151,937.88)
Total liabilities	(388,193,585,996.10)	(197,550,579,784.34)	(101,603,673,643.20)	(78,366,629,082.15)	(288,955.13)	(10,672,434,531.28)
Exposure to assets and liabilities	26,982,762,902.78	(39,663,622,517.15)	16,783,913,472.57	22,403,963,184.15	28,357,568,357.21	(899,059,594.00)
Notional amount of derivative financial instruments	48,236,112,201.81	3,700,000,000.00	10,711,670,000.00	19,304,000,000.00	-	14,520,442,201.81



	The Bank					
	2019					
	Total	3 months or below	3 months to 1 year	1 to 5 years	More than 5 years	Interest not accounted for
<b>Assets</b>						
Cash and deposits in the central bank	34,195,699,054.13	33,140,611,799.24	-	-	-	1,055,087,254.89
Deposits with and loans to banks and other financial institutions	3,297,349,253.10	2,749,860,735.97	404,506,171.67	-	-	142,982,345.46
Financial assets purchased under resale agreements	6,962,619,132.39	6,961,000,000.00	-	-	-	1,619,132.39
Loans and advances to customers	185,082,313,572.16	45,795,555,577.81	111,083,431,130.04	18,450,561,906.40	9,286,053,970.25	466,710,987.66
Investments (i)	137,145,666,291.43	6,787,308,410.04	33,930,655,813.07	72,637,555,509.25	22,111,151,781.94	1,678,994,777.13
Derivative financial assets	28,344,819.97	-	888,938.00	4,985,781.00	-	22,470,100.97
Other assets	4,271,525,301.98	-	-	-	-	4,271,525,301.98
Total assets	370,993,517,425.16	95,434,336,523.06	145,419,482,052.78	91,093,103,196.65	31,397,205,752.19	7,639,389,900.48
<b>Liabilities</b>						
Borrowings from central bank	(3,336,125,119.08)	(236,433,785.74)	(3,097,000,000.00)	-	-	(2,691,333.34)
Deposits and loans from banks and other financial institutions	(11,620,072,502.38)	(4,114,896,347.64)	(5,594,346,825.24)	-	-	(1,910,829,329.50)
Financial assets sold under repurchase agreements	(9,521,419,690.09)	(9,518,650,000.00)	-	-	-	(2,769,690.09)
Accepted deposits	(266,645,122,018.54)	(147,779,311,866.16)	(35,122,598,939.41)	(79,807,245,086.25)	-	(3,935,966,126.72)
Bonds payable	(54,635,718,329.38)	(23,481,052,962.01)	(19,903,012,004.67)	(10,995,231,437.40)	-	(256,421,925.30)
Derivative financial liabilities	(19,216,351.24)	-	(640,144.00)	(3,590,372.00)	-	(14,985,835.24)
Other liabilities	(2,518,649,253.59)	-	-	-	-	(2,518,649,253.59)
Total liabilities	(348,296,323,264.30)	(185,130,344,961.55)	(63,717,597,913.32)	(90,806,066,895.65)	-	(8,642,313,493.78)
Exposure to assets and liabilities	22,687,194,160.86	(89,696,008,438.49)	81,701,894,139.46	287,036,301.00	31,397,205,752.19	(1,002,923,593.30)
Notional amount of derivative financial instruments	7,224,641,100.36	-	460,000,000.00	2,580,000,000.00	-	4,184,641,100.36

(i) As at 31 December 2020 and 31 December 2019, investments include financial assets held for trading, debt investments, other debt investments and investments in other equity instruments.

**(b) Exchange rate risk**

The Group is mainly engaged in Renminbi business. Some transactions involve US dollar and Hong Kong dollar, while there are not many transactions in other currencies. The Group's exchange rate risk includes transactional foreign currency exposure risk caused by daily fund transaction business and non-RMB – denominated loans and advances to customers held by the Group, interbank payments, investments, accepted deposits, etc.

The exchange rate risk of the Group mainly arises from foreign exchange purchase and sale transactions provided by the Group's customers, when it has not been able to immediately hedge the exposure risk posed by the overall position of purchase and sale of foreign exchange. This type of the foreign exchange position may be subject to exchange rate fluctuations resulting in losses or profits. Because the Group centrally manages the foreign exchange position, watches closely foreign exchange market prices, and implements real-time position squaring for large transaction, the impact of exchange rate changes on the Group's financial position and cash flow is limited, and so the exchange rate risk is not significant. For this type of risks, the Group's measures include: strict implementation of overall position management of foreign exchange purchases and sales, and in accordance with the regulations of the State Administration of Foreign Exchange (SAFE), guarantee that the overall position reserved on a daily basis comply with the SAFE requirements.

The non-transactional risks mainly refer to the risks arising from the mismatch between foreign currency assets and liabilities, which are difficult to avoid in the Group's operations. For this type of risks, the Group measures the value in use, the purpose of clearing, and the risk bearing capacity of each currency, and tries to match the assets and liabilities of each currency in terms of currency and maturity to prevent foreign currency and maturity mismatch from causing losses to the Group due to exchange rate changes.

	Net profit sensitivity	
	The Group and the Bank	
	2020	2019
	Increase/(decrease)	Increase/(decrease)
<b>Exchange rate change</b>		
Appreciation against Renminbi by 1%	6,123,327.75	(5,241,036.69)
Depreciation against Renminbi by 1%	(6,123,327.75)	5,241,036.69

The analysis is based on the following assumptions:

- (i) The exchange rate sensitivity of all currencies refers to the exchange gains and losses resulting from the 1% fluctuation of the closing exchange rates (middle prices) of all currencies against Renminbi on the reporting date;
- (ii) Changes in exchange rate of all currencies refer to the simultaneous fluctuations in the same direction in the exchange rates of all currencies against Renminbi;
- (iii) The calculation of foreign exchange exposure includes spot foreign exchange exposure and forward foreign exchange exposure.

The above sensitivity analysis is based on the static exchange rate risk structure of assets and liabilities, and has not considered measures that the Group may take to eliminate the negative impact of foreign exchange exposure on profits. Therefore, the above impact may be different from the actual situation.

The exchange rate risk exposure of the Group on each balance sheet date is as follows:

	The Group				
	2020				
	RMB	Equivalent in Renminbi			Total
USD		HKD	Others		
<b>Assets</b>					
Cash and deposits in the central bank	33,891,197,368.54	176,456,223.65	24,871,864.34	-	34,092,525,456.53
Deposits with and loans to banks and other financial institutions	909,612,642.42	1,151,194,119.71	34,991,788.13	16,365,985.16	2,112,164,535.42
Financial assets purchased under resale agreements	6,124,067,622.06	-	-	-	6,124,067,622.06
Loans and advances to customers	221,921,292,410.97	1,752,904,046.55	34,011,429.26	27,265,452.61	223,735,473,339.39
Investments (i)	142,824,383,188.28	804,506,535.33	41,718,809.24	-	143,670,608,532.85
Derivative financial assets	353,664,858.22	-	-	-	353,664,858.22
Other assets	6,236,949,284.11	653,430.83	-	-	6,237,602,714.94
Total assets	412,261,167,374.60	3,885,714,356.07	135,593,890.97	43,631,437.77	416,326,107,059.41
<b>Liabilities</b>					
Borrowings from central bank	(27,598,977,607.90)	-	-	-	(27,598,977,607.90)
Deposits and loans from banks and other financial institutions	(7,407,538,763.63)	(469,535,078.09)	-	-	(7,877,073,841.72)
Financial assets sold under repurchase agreements	(9,825,540,205.44)	-	-	-	(9,825,540,205.44)
Accepted deposits	(292,816,503,297.81)	(2,909,200,877.65)	(205,176,788.66)	(8,201,189.18)	(295,939,082,153.30)
Bonds payable	(44,889,143,553.23)	-	-	-	(44,889,143,553.23)
Derivative financial liabilities	(284,199,665.03)	-	-	-	(284,199,665.03)
Other liabilities	(3,174,732,854.90)	404,464,351.47	(68,531,341.19)	7,684,939.08	(2,831,114,905.54)
Total liabilities	(385,996,635,947.94)	(2,974,271,604.27)	(273,708,129.85)	(516,250.10)	(389,245,131,932.16)
Net position of assets and liabilities	26,264,531,426.66	911,442,751.80	(138,114,238.88)	43,115,187.67	27,080,975,127.25

	The Group					Total
	2019					
	RMB	Equivalent in Renminbi			Others	
USD		HKD				
<b>Assets</b>						
Cash and deposits in the central bank	34,117,960,758.39	192,680,699.38	22,935,561.94	-	-	34,333,577,019.71
Deposits with and loans to banks and other financial institutions	2,229,647,630.82	1,297,696,645.46	75,907,927.14	7,445,381.67	-	3,610,697,585.09
Financial assets purchased under resale agreements	6,962,619,132.39	-	-	-	-	6,962,619,132.39
Loans and advances to customers	182,276,090,620.76	3,317,187,933.65	2,064,625.30	114,304,207.11	-	185,709,647,386.82
Investments (i)	136,943,152,631.73	202,513,659.70	-	-	-	137,145,666,291.43
Derivative financial assets	28,344,819.97	-	-	-	-	28,344,819.97
Other assets	4,217,321,471.96	-	-	-	-	4,217,321,471.96
Total assets	366,775,137,066.02	5,010,078,938.19	100,908,114.38	121,749,588.78	-	372,007,873,707.37
<b>Liabilities</b>						
Borrowings from central bank	(3,364,544,598.25)	-	-	-	-	(3,364,544,598.25)
Deposits and loans from banks and other financial institutions	(9,535,549,801.29)	(1,947,073,526.58)	-	-	-	(11,482,623,327.87)
Financial assets sold under repurchase agreements	(9,521,419,690.09)	-	-	-	-	(9,521,419,690.09)
Accepted deposits	(263,774,197,581.63)	(3,652,560,325.75)	(202,780,227.03)	(12,099,669.14)	-	(267,641,637,803.55)
Bonds payable	(54,635,718,329.38)	-	-	-	-	(54,635,718,329.38)
Derivative financial liabilities	(19,216,351.24)	-	-	-	-	(19,216,351.24)
Other liabilities	(2,417,619,687.37)	(8,084,953.63)	(2,874.65)	(108,939,955.93)	-	(2,534,647,471.58)
Total liabilities	(343,266,266,039.25)	(5,607,718,805.96)	(202,783,101.68)	(121,039,625.07)	-	(349,199,807,571.96)
Net position of assets and liabilities	23,506,871,026.77	(697,639,867.77)	(101,874,987.30)	709,963.71	-	22,808,066,135.41

	The Bank					Total
	2020					
	RMB	Equivalent in Renminbi			Others	
USD		HKD				
<b>Assets</b>						
Cash and deposits in the central bank	33,730,331,872.38	176,456,223.65	24,871,864.34	–	–	33,931,659,960.37
Deposits with and loans to banks and other financial institutions	717,842,052.35	1,151,194,119.71	34,991,788.13	16,365,985.16	–	1,920,393,945.35
Financial assets purchased under resale agreements	6,124,067,622.06	–	–	–	–	6,124,067,622.06
Loans and advances to customers	221,007,418,454.63	1,752,904,046.55	34,011,429.26	27,265,452.61	–	222,821,599,383.05
Investments (i)	142,824,383,188.28	804,506,535.33	41,718,809.24	–	–	143,670,608,532.85
Derivative financial assets	353,664,858.22	–	–	–	–	353,664,858.22
Other assets	6,353,701,166.15	653,430.83	–	–	–	6,354,354,596.98
Total assets	411,111,409,214.07	3,885,714,356.07	135,593,890.97	43,631,437.77	–	415,176,348,898.88
<b>Liabilities</b>						
Borrowings from central bank	(27,561,860,475.64)	–	–	–	–	(27,561,860,475.64)
Deposits and loans from banks and other financial institutions	(7,681,699,321.29)	(469,535,078.09)	–	–	–	(8,151,234,399.38)
Financial assets sold under repurchase agreements	(9,825,540,205.44)	–	–	–	–	(9,825,540,205.44)
Accepted deposits	(291,540,876,904.01)	(2,909,200,877.65)	(205,176,788.66)	(8,201,189.18)	–	(294,663,455,759.50)
Bonds payable	(44,889,143,553.23)	–	–	–	–	(44,889,143,553.23)
Derivative financial liabilities	(284,199,665.03)	–	–	–	–	(284,199,665.03)
Other liabilities	(3,161,769,887.24)	404,464,351.47	(68,531,341.19)	7,684,939.08	–	(2,818,151,937.88)
Total liabilities	(384,945,090,011.88)	(2,974,271,604.27)	(273,708,129.85)	(516,250.10)	–	(388,193,585,996.10)
Net position of assets and liabilities	26,166,319,202.19	911,442,751.80	(138,114,238.88)	43,115,187.67	–	26,982,762,902.78

	The Bank				
	2019				
	RMB	Equivalent in Renminbi			Total
USD		HKD	Others		
<b>Assets</b>					
Cash and deposits in the central bank	33,980,082,792.81	192,680,699.38	22,935,561.94	-	34,195,699,054.13
Deposits with and loans to banks and other financial institutions	1,916,299,298.83	1,297,696,645.46	75,907,927.14	7,445,381.67	3,297,349,253.10
Financial assets purchased under resale agreements	6,962,619,132.39	-	-	-	6,962,619,132.39
Loans and advances to customers	181,648,756,806.10	3,317,187,933.65	2,064,625.30	114,304,207.11	185,082,313,572.16
Investments (i)	136,943,152,631.73	202,513,659.70	-	-	137,145,666,291.43
Derivative financial assets	28,344,819.97	-	-	-	28,344,819.97
Other assets	4,271,525,301.98	-	-	-	4,271,525,301.98
Total assets	365,750,780,783.81	5,010,078,938.19	100,908,114.38	121,749,588.78	370,983,517,425.16
<b>Liabilities</b>					
Borrowings from central bank	(3,336,125,119.08)	-	-	-	(3,336,125,119.08)
Deposits and loans from banks and other financial institutions	(9,672,998,975.80)	(1,947,073,526.58)	-	-	(11,620,072,502.38)
Financial assets sold under repurchase agreements	(9,521,419,690.09)	-	-	-	(9,521,419,690.09)
Accepted deposits	(262,777,681,796.62)	(3,652,560,325.75)	(202,780,227.03)	(12,099,669.14)	(266,645,122,018.54)
Bonds payable	(54,635,718,329.38)	-	-	-	(54,635,718,329.38)
Derivative financial liabilities	(19,216,351.24)	-	-	-	(19,216,351.24)
Other liabilities	(2,401,621,469.38)	(8,084,953.63)	(2,874.65)	(108,939,955.93)	(2,518,649,253.59)
Total liabilities	(342,364,781,731.59)	(5,607,718,805.96)	(202,783,101.68)	(121,039,625.07)	(348,296,323,264.30)
Net position of assets and liabilities	23,385,999,052.22	(597,639,867.77)	(101,874,987.30)	709,963.71	22,687,194,160.86

(i) As at 31 December 2020 and 31 December 2019, investments include financial assets held for trading, debt investments, other debt investments and investments in other equity instruments.

### (3) Liquidity risk

Liquidity risk refers to the risk of failures to obtain sufficient funds in a timely manner at reasonable prices for repaying mature debts, honoring other payment obligations, or supporting regular business activities.

The Group implements liquidity management principles of comprehensive coverage, dynamic prevention, cost-effectiveness, and scientific management. At the head office level, the board of directors is the highest management body for liquidity risk management, and assumes the ultimate responsibility for liquidity risk management, and reviews and approves liquidity risk management preferences, policies and procedures. It is the Headquarters' Asset and Liability Committee that implements liquidity management, formulates liquidity management policies and strategies, coordinates the achievement of management objectives, and ensures the effective implementation of the policy objectives; the head office's accounting department is responsible for liquidity risk management throughout the bank, and implements specific liquidity risk management policies according to the resolution of the Asset and Liability Committee, issue various liquidity indicators, specialise in risk identification, measurement, monitoring and control to ensure the Bank's liquidity safety.

The main measures of the Group's liquidity management are: keeping a close eye on the market, formulating and dynamically adjusting the bank's financing arrangements on a daily basis, strictly implementing large capital position management and cash management systems, preventing day-to-day liquidity risks, and maintaining adequate payment; continuously monitoring changes in the ratio of asset-liability structure and the increasing size of high-liquidity assets to ensure that the Group's liquidity needs are met; conducting liquidity risk limit management to ensure that the indicators are in good quality and meet management requirements; establishing multi-level liquidity guarantees; consolidating liabilities Business foundation, increasing the ratio of core liabilities, and maintaining good market financing capabilities; establishing a liquidity risk early warning mechanism and emergency plan; regularly carrying out liquidity risk stress tests to identify factors that may trigger liquidity risk in a timely manner.

**(a) Remaining maturity analysis**

An analysis of the assets and liabilities based on the remaining maturities is as follows:

The Group

	2020							Total
	Late repayment/repayment on demand	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	
<b>Assets</b>								
Cash and deposits in the central bank	846,178,207.51	-	-	-	-	-	-	34,092,525,456.53
Deposits with and loans to banks and other financial institutions	1,217,166,190.01	462,476,206.35	171,021,232.04	261,500,807.02	-	-	-	2,112,164,535.42
Financial assets purchased under resale	-	6,124,067,622.06	-	-	-	-	-	6,124,067,622.06
Loans and advances to customers (i)	3,513,105,935.21	8,686,940,351.51	14,291,495,266.86	58,313,051,520.41	42,777,778,686.73	95,207,074,016.46	946,024,582.21	223,735,473,339.39
Investments (ii)	21,308,547,926.10	2,074,724,789.76	4,883,938,864.03	21,407,488,819.84	75,786,550,634.67	18,190,728,952.16	17,630,546.29	143,670,608,532.85
Derivative financial assets	-	27,616,352.00	51,891,245.00	129,717,240.00	144,440,011.22	-	-	353,684,858.22
Other assets	617,195,871.96	2,747,784.26	149,773,171.97	1,253,547.94	15,480,259.11	1,757,061.88	5,449,395,017.82	6,237,622,714.94
Total assets	27,503,194,130.79	17,378,576,115.94	19,549,117,779.90	80,113,012,035.21	118,724,249,571.73	113,399,560,030.50	39,659,397,395.34	416,326,107,059.41
<b>Liabilities</b>								
Borrowings from central bank	-	(524,430,506.54)	(4,530,961,851.92)	(22,483,585,249.44)	-	-	-	(27,539,977,607.90)
Deposits with and loans to banks and other financial institutions	(2,484,849,560.62)	(420,680,477.52)	(103,446,902.44)	(4,616,086,301.14)	(250,000,000.00)	-	-	(7,877,073,841.72)
Financial assets sold under repurchase	-	(3,047,777,134.25)	(3,177,946,852.85)	(3,599,817,218.34)	-	-	-	(9,825,540,205.44)
Accepted deposits	(135,546,082,488.92)	(22,394,248,707.35)	(13,053,726,543.79)	(52,682,326,776.62)	(72,252,421,623.50)	(276,013.12)	-	(295,939,082,153.30)
Bonds payable	-	(4,463,155,230.00)	(12,457,551,316.39)	(19,971,524,329.93)	(7,396,912,676.91)	-	-	(44,889,143,555.23)
Derivative financial liabilities	-	(22,192,095.03)	(41,699,010.00)	(104,238,788.00)	(116,089,782.00)	-	-	(284,199,665.03)
Other liabilities	(866,519,422.29)	(15,346,430.13)	(181,006,030.02)	(160,326,893.32)	(21,827,660.49)	(137,388.82)	(1,585,948,980.47)	(2,831,114,905.54)
Total liabilities	(138,897,451,471.83)	(30,887,842,570.82)	(33,506,337,507.41)	(103,619,906,246.79)	(80,647,231,742.90)	(413,411.94)	(1,585,948,980.47)	(389,245,131,932.16)
Exposure to assets and liabilities	(111,394,257,341.04)	(13,509,268,454.88)	(14,058,219,727.51)	(23,508,894,211.58)	38,077,017,828.83	113,399,146,618.56	38,073,448,414.87	27,080,975,127.25
Nominal amounts of derivative financial instruments	-	3,766,577,422.01	7,077,411,597.20	17,682,047,182.60	19,700,076,000.00	-	-	48,236,112,201.81



	2019								Total
	Late repayment/repayment on demand	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity		
<b>Assets</b>									
Cash and deposits in the central bank	10,642,138,356.62	-	-	-	-	-	-	23,691,438,663.09	34,333,577,019.71
Deposits with and loans to banks and other financial institutions	1,645,379,937.69	1,337,722,776.52	215,178,364.59	412,416,504.29	-	-	-	-	3,610,697,365.09
Financial assets purchased under resale	-	6,962,619,132.39	-	-	-	-	-	-	6,962,619,132.39
Loans and advances to customers (i)	3,347,992,299.39	5,770,051,355.60	5,382,531,609.14	42,817,292,375.45	45,119,790,485.00	82,596,945,312.13	673,043,950.11	185,709,647,386.82	
Investments (ii)	819,771,747.67	1,166,234,661.32	5,538,685,819.00	34,853,352,385.26	72,637,555,509.25	22,111,151,781.94	18,914,386.99	137,145,666,291.43	
Derivative financial assets	-	2,550,199.00	1,100,755.99	14,571,612.99	10,122,251.99	-	-	-	28,344,819.97
Other assets	271,671,540.60	59,800.00	330,691.50	13,400,683.67	7,420,244.06	13,721,936.70	3,910,716,575.43	4,217,321,471.96	
Total assets	16,726,953,981.97	15,239,237,926.83	11,137,827,240.22	78,111,033,561.66	117,774,888,490.30	104,723,819,030.77	28,294,113,575.62	372,007,873,707.37	
<b>Liabilities</b>									
Borrowings from central bank	-	-	(236,597,045.27)	(3,127,947,552.98)	-	-	-	-	(3,364,544,598.25)
Deposits with and loans to banks and other financial institutions	(1,682,088,882.07)	(2,574,371,059.18)	(1,670,585,050.02)	(5,555,578,336.60)	-	-	-	-	(11,482,623,327.87)
Financial assets sold under repurchase	-	(9,521,419,690.09)	-	-	-	-	-	-	(9,521,419,690.09)
Accepted deposits	(130,576,984,595.33)	(6,825,169,597.03)	(11,571,892,435.40)	(36,562,689,754.36)	(82,104,901,421.43)	-	-	-	(267,641,637,803.55)
Bonds payable	-	(4,383,147,000.01)	(19,277,563,496.25)	(19,979,776,395.72)	(10,985,231,437.40)	-	-	-	(54,635,718,328.38)
Derivative financial liabilities	-	(1,728,906.00)	(746,257.00)	(9,878,814.24)	(6,862,374.00)	-	-	-	(19,216,351.24)
Other liabilities	(817,461,587.40)	(13,826,871.29)	(579,636,483.07)	(157,138,086.95)	(48,645,432.08)	(179,329.95)	(917,699,680.84)	(2,534,647,471.58)	
Total liabilities	(133,076,535,064.80)	(23,319,663,123.60)	(33,337,080,767.01)	(65,393,006,940.85)	(93,155,640,664.91)	(179,329.95)	(917,699,680.84)	(349,199,807,571.96)	
Exposure to assets and liabilities	(116,349,581,182.83)	(8,080,425,196.77)	(22,199,253,526.79)	12,718,024,620.81	24,619,247,825.39	104,723,639,700.82	27,376,413,894.78	22,808,066,135.41	
Nominal amounts of derivative financial instruments	-	660,004,758.35	280,585,044.04	3,714,071,297.97	2,580,000,000.00	-	-	-	7,224,641,100.36

## The Bank

	2020								Total
	Late repayment/repayment on demand	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity		
<b>Assets</b>									
Cash and deposits in the central bank	751,828,123.66	-	-	-	-	-	-	33,179,831,836.71	33,931,659,960.37
Deposits with and loans to banks and other financial institutions	1,171,706,135.54	326,522,975.27	160,663,927.52	261,500,907.02	-	-	-	-	1,920,393,945.35
Financial assets purchased under resale	-	6,124,067,622.06	-	-	-	-	-	-	6,124,067,622.06
Loans and advances to customers (i)	3,509,704,246.33	8,657,980,734.53	14,255,709,729.73	58,124,761,117.86	42,544,174,718.61	94,789,402,305.45	939,866,530.54	222,821,599,363.05	
Investments (ii)	21,309,547,926.10	2,074,724,789.76	4,883,936,864.03	21,407,488,819.84	75,786,550,634.67	18,190,728,952.16	17,630,546.29	143,670,608,532.85	
Derivative financial assets	-	27,616,362.00	51,891,245.00	129,717,240.00	144,440,011.22	-	-	-	353,664,858.22
Other assets	780,766,054.21	2,747,784.26	149,773,171.97	1,253,547.94	15,480,259.11	1,757,061.88	5,402,576,717.61	6,354,354,596.98	
Total assets	27,523,552,465.84	17,213,680,267.88	19,501,974,938.25	79,924,721,632.66	118,490,645,623.61	112,981,888,319.49	39,539,905,631.15	415,176,348,898.88	
<b>Liabilities</b>									
Borrowings from central bank	-	(524,450,506.54)	(4,566,949,872.63)	(22,450,480,086.47)	-	-	-	-	(27,561,860,475.64)
Deposits with and loans to banks and other financial institutions	(2,734,010,118.28)	(445,690,477.52)	(103,446,902.44)	(4,618,086,901.14)	(250,000,000.00)	-	-	-	(8,151,234,393.38)
Financial assets sold under repurchase	-	(3,047,777,134.25)	(3,177,945,852.65)	(3,589,817,218.34)	-	-	-	-	(9,825,540,205.44)
Accepted deposits	(134,842,163,107.98)	(22,390,984,634.60)	(13,043,444,987.67)	(62,477,583,083.49)	(71,908,988,922.64)	(276,013.12)	-	-	(294,663,455,759.50)
Bonds payable	-	(4,463,155,230.00)	(12,457,551,316.39)	(19,971,524,329.93)	(7,996,912,676.91)	-	-	-	(44,889,143,555.23)
Derivative financial liabilities	-	(22,192,085.03)	(41,699,010.00)	(104,238,788.00)	(116,069,782.00)	-	-	-	(284,199,665.03)
Other liabilities	(866,519,422.29)	(15,348,430.13)	(181,006,030.02)	(160,326,983.32)	(21,827,660.49)	(137,398.82)	(1,572,986,012.81)	(2,818,151,937.88)	
Total liabilities	(138,442,692,646.55)	(30,909,578,498.07)	(33,592,043,972.00)	(103,382,062,410.69)	(80,293,809,042.04)	(413,411.94)	(1,572,986,012.81)	(388,193,585,996.10)	
Exposure to assets and liabilities	(110,919,140,162.71)	(13,695,918,230.19)	(14,090,069,033.75)	(23,457,340,778.03)	38,196,836,581.57	112,981,474,907.55	37,966,919,618.34	26,982,762,902.78	
Nominal amounts of derivative financial instruments	-	3,766,577,422.01	7,077,411,597.20	17,692,047,182.60	19,700,076,000.00	-	-	-	48,236,112,201.81

	2019							
	Late repayment/repayment on demand	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
<b>Assets</b>								
Cash and deposits in the central bank	10,579,512,729.51	-	-	-	-	-	23,616,186,324.62	34,195,699,054.13
Deposits with and loans to banks and other financial institutions	1,562,815,586.94	1,217,414,320.40	104,702,841.47	412,416,504.29	-	-	-	3,297,349,253.10
Financial assets purchased under resale	-	6,962,619,132.39	-	-	-	-	-	6,962,619,132.39
Loans and advances to customers (i)	3,347,992,299.33	5,729,583,023.97	5,343,406,356.10	42,641,020,359.78	44,961,607,784.61	82,387,378,688.04	671,345,060.33	185,082,318,572.16
Investments (ii)	819,771,747.67	1,166,234,661.32	5,538,685,819.00	34,853,352,385.26	72,637,555,509.25	22,111,151,781.94	18,914,386.99	137,145,666,291.43
Derivative financial assets	-	2,550,199.00	1,100,755.99	14,571,612.99	10,122,251.99	-	-	28,344,819.97
Other assets	271,671,540.60	59,800.00	330,691.50	13,400,683.67	7,420,244.06	13,721,936.70	3,964,920,405.45	4,271,525,301.98
Total assets	16,581,763,904.05	15,078,441,137.08	10,988,226,464.06	77,934,761,545.99	117,616,705,789.91	104,512,252,406.68	28,271,366,177.39	370,983,517,425.16
<b>Liabilities</b>								
Borrowings from central bank	-	-	(236,597,045.27)	(3,089,528,073.81)	-	-	-	(3,326,125,119.08)
Deposits with and loans to banks and other financial institutions	(1,819,538,056.58)	(2,574,371,059.18)	(1,670,585,050.02)	(5,555,578,336.60)	-	-	-	(11,620,072,502.38)
Financial assets sold under repurchase	-	(9,521,419,690.09)	-	-	-	-	-	(9,521,419,690.09)
Accepted deposits	(129,858,844,712.01)	(6,813,836,898.73)	(11,546,082,580.71)	(36,457,629,185.48)	(81,968,728,641.61)	-	-	(266,645,122,018.54)
Bonds payable	-	(4,383,147,000.01)	(19,277,563,496.25)	(19,979,776,395.72)	(10,985,231,437.40)	-	-	(54,635,718,329.38)
Derivative financial liabilities	-	(1,728,906.00)	(746,257.00)	(9,878,814.24)	(6,862,374.00)	-	-	(19,216,351.24)
Other liabilities	(817,461,587.40)	(13,826,871.29)	(579,636,483.07)	(157,138,086.95)	(48,645,432.08)	(179,329.95)	(901,701,462.85)	(2,518,649,253.59)
Total liabilities	(132,495,844,355.99)	(23,308,330,425.30)	(33,311,270,912.32)	(65,259,528,892.80)	(93,019,467,865.09)	(179,329.95)	(901,701,462.85)	(348,296,323,264.30)
Exposure to assets and liabilities	(115,914,080,451.94)	(8,229,889,288.22)	(22,323,044,448.26)	12,675,232,653.19	24,597,237,904.82	104,512,073,076.73	27,369,664,714.54	22,687,194,160.86
Nominal amounts of derivative financial instruments	-	660,004,758.35	280,585,044.04	3,714,071,297.97	2,580,000,000.00	-	-	7,224,641,100.36

(i) The "no maturity" category under loans and advances refers to loans that have been credit impaired or impaired and overdue by more than one month. Loans neither credit impaired nor impaired that overdue for no more than one month are included in "Late repayment/repayment on demand" category. The amount is stated after deducting the appropriate provision for impairment loss.

(ii) As at 31 December 2020 and 31 December 2019, investments include financial assets held for trading, debt investments and investments in other equity instruments.





#### **(4) Operational risk**

Operational risk refers to the risk of losses caused by incomplete or problematic internal procedures, employees and information technology systems, and external events, including legal risks, but excluding strategy risks and reputational risks.

The Group has developed a series of policies and procedures to identify, evaluate, control, manage and report risks focusing on internal control measures. This set of mechanisms covering all aspects of business involves finance, credit, accounting, settlement, savings, fund, intermediary business, application and management of computer systems, asset preservation and legal affairs. The Group relies on this mechanism to identify and monitor the inherent operational risks in all major products, activities, processes and systems.

### **54 FAIR VALUE OF FINANCIAL INSTRUMENTS**

#### **(1) Determination method of the fair value of financial instruments**

The following table presents the fair value information and the fair value hierarchy as at the end of the current reporting period of the Group's assets and liabilities which are measured at fair value at each balance sheet date on recurring and non-recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels of inputs are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: Inputs that are unobservable for underlying assets or liabilities.

The Group has established relevant policies and internal monitoring mechanisms for the measurement of fair value, and standardised the fair value measurement methods and procedures of the fair value measurement framework of financial instruments.

The following summarises the major methods and assumptions used in estimating the fair value of financial instruments.

##### **(i) Bond investments**

Fair value is based on quoted market prices at the balance sheet date for bond if there is an active market.

##### **(ii) Other financial investments and other non-derivative financial assets**

The fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date.

##### **(iii) Debentures payable and other non-derivative financial liabilities**

The fair value of debentures payable is based on quoted market prices at the balance sheet date or estimated as the present value of the future cash flows. The fair value of other non-derivative financial liabilities is estimated as the present value of the future cash flows. It is discounted at the market interest rates at the balance sheet date.

##### **(iv) Derivative financial instruments**

Derivative financial instruments that are valued using valuation techniques that only include observable market data mainly include interest rate swaps, currency forwards, and swaps. The most common valuation techniques include discounted cash flow models. Model parameters include forward foreign exchange rate, foreign exchange rate volatility, and interest rate curve.

(a) Financial assets measured at fair value

The following table presents the analysis of financial instruments measured at fair value by fair value levels:

**The Group and the Bank**

	2020			
	Level 1 fair value measurements	Level 2 fair value measurements	Level 3 fair value measurements	Total
<b>Assets</b>				
Loans and advances at fair value through other comprehensive income	-	-	31,751,633,161.24	31,751,633,161.24
Financial assets held for trading	-	33,562,095,300.91	479,484,397.42	34,041,579,698.33
Other debt investments	-	18,105,865,774.96	714,214,165.47	18,820,079,940.43
Investments in other equity instruments	-	-	17,630,546.29	17,630,546.29
Derivative financial assets	-	330,162,793.67	23,502,064.55	353,664,858.22
Total assets measured at fair value on a recurring basis	-	51,998,123,869.54	32,986,464,334.97	84,984,588,204.51
<b>Liabilities</b>				
Derivative financial liabilities	-	(260,697,600.48)	(23,502,064.55)	(284,199,665.03)

	2019			
	Level 1 fair value measurements	Level 2 fair value measurements	Level 3 fair value measurements	Total
<b>Assets</b>				
Loans and advances at fair value through other comprehensive income	-	-	1,716,228,241.66	1,716,228,241.66
Financial assets held for trading	-	31,389,400,972.89	3,195,323,544.76	34,584,724,517.65
Other debt investments	-	23,539,626,673.36	3,031,161,081.41	26,570,787,754.77
Investments in other equity instruments	-	-	18,914,386.99	18,914,386.99
Derivative financial assets	-	28,344,819.97	-	28,344,819.97
Total assets measured at fair value on a recurring basis	-	54,957,372,466.22	7,961,627,254.82	62,918,999,721.04
<b>Liabilities</b>				
Derivative financial liabilities	-	(19,216,351.24)	-	(19,216,351.24)

(i) Available-for-sale financial assets presented in the above table do not include equity investments measured at cost.

(ii) There is no significant transfer, between Level 1 and Level 2, of the Bank's financial instruments measured at fair value.

## (b) Level 2 fair value measurement

Most of the financial assets classified in Level 2 are investments in RMB-denominated bonds. The fair value of these bonds are determined by results of valuation conducted by China Central Depository & Clearing Co., Ltd., and all significant valuation parameters adopted in its valuation techniques are observable market information.

As at 31 December 2020, there was no change in the valuation techniques used by the Group for the recurring Level 2 fair value measurements.

## (c) Level 3 fair value measurement

The Group has a specific team performing valuation of assets and liabilities for Level 3 fair value measurements. The significant and unobservable inputs and valuation adjustments are reviewed regularly by the valuation team. If third-party information (such as broker quotes or pricing service) is applied in fair value measurement, the valuation team will assess the evidence obtained from the third party to support the conclusion that the related valuation conforms to the provisions of the Accounting Standards for Business Enterprises, including the requirement that the related valuation has been classified in the appropriate level of the fair value hierarchy.

Quantitative information about Level 3 fair value measurements is as follows:

**The Group and the Bank**

	Fair value in 2020	Valuation techniques	Unobservable inputs
Loans and advances at fair value through other comprehensive income	31,751,633,161.24	Discounted cash flow	Risk-adjusted discount rates/Liquidity discount
Financial assets held for trading	479,484,397.42	Discounted cash flow	Risk-adjusted discount rates/Liquidity discount
Other debt investments	714,214,165.47	Discounted cash flow	Risk-adjusted discount rates/Liquidity discount
Investments in other equity instruments	17,630,546.29	Comparison of listed companies	Market data calibration
Derivative financial assets	23,502,064.55	Discounted cash flow	Risk-adjusted discount rates/Liquidity discount
Derivative financial liabilities	(23,502,064.55)	Discounted cash flow	Risk-adjusted discount rates/Liquidity discount

	Fair value in 2019	Valuation techniques	Unobservable inputs
Loans and advances at fair value through other comprehensive income	1,716,228,241.66	Discounted cash flow	Risk-adjusted discount rates/Liquidity discount
Financial assets held for trading	3,195,323,544.76	Discounted cash flow	Risk-adjusted discount rates/Liquidity discount
Other debt investments	3,031,161,081.41	Discounted cash flow	Risk-adjusted discount rates/Liquidity discount
Investments in other equity instruments	18,914,386.99	Comparison of listed companies	Market data calibration



Reconciliation between the opening and closing balances of the assets and liabilities under the recurring Level 3 fair value measurements is as follows:

### The Group and the Bank

	As at 1 January 2020		Total gains or losses for the year				Purchases, issues, sales and settlements			As at 31 December 2020		Unrealised gains or losses for the year included in profit or loss for the above assets held at the reporting day
	Included in profit or loss	Included in other comprehensive income	Included in profit or loss	Included in other comprehensive income	Purchases	Issues	Sales and Settlements	Purchases, issues, sales and settlements		As at 31 December 2020		
								Purchases	Issues		Sales and settlements	
Loans and advances at fair value through other comprehensive income	406,531,524.75	100,332,200.34	30,263,264,986.29	-	(734,723,783.80)	-	-	-	-	31,751,633,161.24	(45,045,369.35)	
Financial assets held for trading	(113,935,282.65)	-	280,877,630.21	-	(2,882,781,494.90)	-	-	(2,882,781,494.90)	-	479,494,937.42	(80,538,856.73)	
Other debt investments	(24,380,233.65)	(62,805,661.78)	150,000,000.00	-	(2,379,769,960.31)	-	-	-	-	714,214,165.47	857,661.90	
Investments in other equity	-	(1,283,840.70)	-	-	-	-	-	-	-	17,630,546.29	-	
Derivative financial assets	23,502,064.55	-	-	-	-	-	-	-	-	23,502,064.55	23,502,064.55	
Total financial assets	291,718,012.80	36,242,637.86	30,694,142,616.50	-	(6,997,286,249.01)	-	-	(6,997,286,249.01)	-	32,986,464,334.97	(1,01,284,499.63)	
Derivative financial liabilities	(23,502,064.55)	-	-	-	-	-	-	-	-	(23,502,064.55)	(23,502,064.55)	
	As at 31 December 2018		Accounting policies changes		Total gains or losses for the year		Purchases, issues, sales and settlements			As at 31 December 2019		Unrealised gains or losses for the year included in profit or loss for the above assets held at the reporting day
	Included in profit or loss	Included in other comprehensive income	Included in profit or loss	Included in other comprehensive income	Purchases	Issues	Sales and settlements	Purchases, issues, sales and settlements		As at 31 December 2019		
								Purchases	Issues		Sales and settlements	
Loans and advances at fair value through other comprehensive income	307,404,919.09	(55,679,333.80)	63,18,240,733.33	-	-	22,469,453,496.28	(27,323,191,553.24)	-	-	1,716,228,241.66	(41,980,925.70)	
Financial assets held for trading	(661,889,370.33)	-	11,064,643,406.42	-	80,365,600.00	-	(7,387,796,091.33)	-	-	3,195,323,544.76	(49,783,745.79)	
Other debt investments	146,989,131.49	(6,111,951.40)	7,120,604,277.76	(6,111,951.40)	180,100,000.00	-	(4,410,420,376.44)	-	-	3,031,161,061.41	2,465,360.26	
Investments in other equity	-	(125,212.63)	-	(125,212.63)	-	-	-	-	-	18,914,386.99	-	
Total	(127,495,319.75)	(61,916,517.83)	24,522,528,017.13	(61,916,517.83)	260,465,600.00	22,469,453,496.28	(39,101,408,021.01)	(39,101,408,021.01)	-	7,961,627,254.82	(89,239,311.23)	

### (2) Reasons for transfers between different levels, and the policy about the timing of those transfers for recurring fair value measurements

During 2020, there were no transfers between different levels of the Group's above assets and liabilities which are measured at fair value on a recurring basis. The Group recognises transfers between different levels at the end of the current reporting period during which such transfers are made.

### (3) Current changes in valuation techniques and the reasons

During 2020, there were no changes in valuation techniques for the recurring and non-recurring fair value measurements.

### (4) Financial instruments not measured at fair value

The following table presents the bond financial investments measured at amortised cost, carrying amount and fair value of held-to-maturity investments and bonds payable, and disclosure of fair value hierarchy. Except for the following items, there is no significant difference between the carrying amount and fair value of the Group's other financial assets and financial liabilities not measured at fair value on each balance sheet date.

**The Group and the Bank**

	2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Bond investments	74,944,824,753.21	74,533,948,452.68	-	74,533,948,452.68	-
<b>Financial liabilities</b>					
Bonds payable	(44,889,143,553.23)	44,780,894,180.00	-	44,780,894,180.00	-

	2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Bond investments	58,398,414,898.38	58,948,213,236.62	-	58,948,213,236.62	-
<b>Financial liabilities</b>					
Bonds payable	54,635,718,329.38	54,515,626,530.00	-	54,515,626,530.00	-

**55 SEGMENT REPORTING**

Based on the business lines, the Group divides its business into different operating groups to perform business management. Segment assets and liabilities, segment revenues, expenses and operating results are measured in accordance with the group's accounting policies. The transfer pricing of transactions between segments is determined by reference to the market price and has been reflected in the performance of each segment. The net interest income and expense generated by internal charges and transfer pricing adjustments are presented as "net interest income/expense between segments".

The operating segments have presented information in a manner consistent with that of internal information submission, and this internal reporting information is provided to the management of the Group for the purpose of allocating resources and assessing segment performance. In this financial report, the following reportable segments are determined based on operating segments in the Group:

**Corporate banking**

The segment provides corporate customers, government offices and financial institutions with various financial products and services, including corporate loans and other credit services, entrusted loans, deposit services, agency services, cash management services, financial advisory and consulting services, remittance and settlement services, custody and guarantee services, etc.

**Individual banking**

The segment provides individual customers with various financial products and services, including services of loans and deposit, wealth management service, remittance, securities agency service, etc.

**Capital business**

Capital business includes inter-bank borrowing trading, repurchase trade, bonds investment and transaction, derivative financial instruments, equity investments and foreign exchange trading in the inter-bank market. This segment also manages the liquidity level of the Group, including the issuance of bonds.

**Other business**

This segment includes the business that is not directly attributable to or cannot be reasonably allocated to the above-mentioned segments.

Segment accounting policies are consistent with those for the consolidated financial statements of the Group.

The income, expenses, assets and liabilities of segments include the items managed directly by the segments and allocated to the segment in accordance with appropriate benchmark. Capital expenditures of the segments refers to the total amount of the acquisition of fixed assets, intangible assets and other long-term assets as well as the expenses incurred in new construction in progress during the accounting period.

## The Group

Item	2020				
	Capital business	Corporate banking	Individual banking	Other business	Total
Interest income	4,425,760,142.87	7,370,653,889.82	4,020,951,533.30	-	15,817,365,565.99
Interest expense	(2,658,067,135.08)	(3,804,679,663.28)	(1,797,954,752.37)	-	(8,260,701,550.73)
Net interest (expense)/income between segments	(1,014,221,385.40)	866,333,193.27	147,888,192.13	-	-
Net interest income	753,471,622.39	4,432,307,419.81	2,370,884,973.06	-	7,556,664,015.26
Net fee and commission income	164,451,987.04	372,778,720.14	249,288,460.51	-	786,519,167.69
Net gains arising from investment	740,764,052.74	-	-	-	740,764,052.74
(Including: Income from investment in associates	26,407,041.58	-	-	-	26,407,041.58
Income arising from derecognition of financial assets measured at amortized cost)	12,390,458.72	-	-	-	12,390,458.72
Net gains from changes in fair value	86,756,893.19	-	-	-	86,756,893.19
Foreign exchange gains and losses	(18,051,999.86)	(10,784,295.55)	-	-	(28,836,295.41)
Income from other business	-	-	-	1,661,343.94	1,661,343.94
Net losses from disposal of assets	-	-	-	3,035,553.33	3,035,553.33
Other income	-	-	-	11,001,782.87	11,001,782.87
Operating income	1,727,392,555.50	4,794,301,844.40	2,620,173,433.57	15,698,680.14	9,157,566,513.61
Taxes and surcharges	(3,018,122.99)	(49,135,765.45)	(24,993,349.49)	(21,214,887.35)	(98,362,125.28)
Operating and administrative expenses	(378,356,090.30)	(1,565,829,057.29)	(864,699,773.12)	-	(2,808,884,920.71)
Credit losses	(1,262,816,698.76)	(1,672,243,601.64)	(732,733,612.58)	(14,389,156.87)	(3,682,183,069.85)
Operating expenses	(1,644,190,912.05)	(3,287,208,424.38)	(1,622,426,735.19)	(35,604,044.22)	(6,589,430,115.84)
Operating profit/(loss)	83,201,643.45	1,507,093,420.02	997,746,698.38	(19,905,364.08)	2,568,136,397.77
Add: non-operating income	-	-	-	3,849,409.81	3,849,409.81
Less: non-operating expenses	-	-	-	(17,002,144.56)	(17,002,144.56)
<b>Total profit/(losses)</b>	83,201,643.45	1,507,093,420.02	997,746,698.38	(33,058,098.83)	2,554,983,663.02
<b>Assets of segment</b>	188,044,030,245.92	149,739,427,411.33	77,670,556,980.49	872,092,421.67	416,326,107,059.41
<b>Liabilities of segment</b>	(92,731,025,744.80)	(207,488,631,791.42)	(89,020,560,650.72)	(4,913,745.22)	(389,245,131,932.16)
Other information of segments:					
Depreciation and amortization expenses	(38,137,451.95)	(105,848,815.68)	(57,848,309.06)	(346,596.17)	(202,181,172.86)
Capital expenditure					
Including: Expenses on construction in progress	(101,350,419.87)	(281,293,619.91)	(153,732,095.68)	(921,080.64)	(537,297,216.10)
Expenses on acquisition of fixed assets	(28,537,620.69)	(79,204,907.47)	(43,286,927.09)	(259,352.16)	(151,288,807.41)
Expenses on acquisition of intangible assets	(32,877,082.25)	(91,248,891.62)	(49,869,184.17)	(298,789.53)	(174,293,947.57)
<b>Total</b>	<b>(162,765,122.81)</b>	<b>(451,747,419.00)</b>	<b>(246,888,206.94)</b>	<b>(1,479,222.33)</b>	<b>(862,879,971.08)</b>

## The Group

Item	2019				
	Capital business	Corporate banking	Individual banking	Other business	Total
Interest income	4,940,468,738.98	6,891,432,137.27	3,028,982,766.97	-	14,860,883,643.22
Interest expense	(2,601,388,816.20)	(3,733,247,007.02)	(1,395,439,870.87)	-	(7,730,075,694.09)
Net interest (expense)/income between segments	(1,263,553,590.03)	1,004,110,105.62	259,443,484.41	-	-
Net interest income	1,075,526,332.75	4,162,295,235.87	1,892,986,380.51	-	7,130,807,949.13
Net fee and commission income	142,613,020.76	316,580,646.79	206,578,412.79	-	665,772,080.34
Net gains arising from investment	1,437,598,881.74	-	-	-	1,437,598,881.74
(Including: Income from investment in associates)	38,433,476.14	-	-	-	38,433,476.14
Income arising from derecognition of financial assets measured at amortized cost)	12,896,585.63	-	-	-	12,896,585.63
Net gains from changes in fair value	(195,148,184.61)	-	-	-	(195,148,184.61)
Foreign exchange gains and losses	4,519,999.99	36,517,338.07	-	-	41,037,338.06
Income from other business	-	-	-	2,772,035.70	2,772,035.70
Net losses from disposal of assets	-	-	-	(3,526,303.43)	(3,526,303.43)
Other income	-	-	-	3,359,437.47	3,359,437.47
Operating income	2,465,110,050.63	4,515,393,220.73	2,099,564,793.30	2,605,169.74	9,082,673,234.40
Taxes and surcharges	(9,276,550.55)	(40,991,918.05)	(17,292,249.39)	(20,732,097.79)	(88,292,815.78)
Operating and administrative expenses	(604,420,172.25)	(1,374,889,209.43)	(652,330,117.64)	-	(2,631,639,499.32)
Credit losses	(1,822,411,633.61)	(1,217,037,648.27)	(353,734,876.74)	(16,140,723.98)	(3,409,324,882.60)
Operating expenses	(2,436,108,356.41)	(2,632,918,775.75)	(1,023,357,243.77)	(36,872,821.77)	(6,129,257,197.70)
Operating profit/(loss)	29,001,694.22	1,882,474,444.98	1,076,207,549.53	(34,267,652.03)	2,953,416,036.70
Add: non-operating income	-	-	-	8,535,370.64	8,535,370.64
Less: non-operating expenses	-	-	-	(14,695,651.76)	(14,695,651.76)
<b>Total profit/(losses)</b>	29,001,694.22	1,882,474,444.98	1,076,207,549.53	(40,427,933.15)	2,947,255,755.58
<b>Assets of segment</b>	183,214,389,243.92	120,755,335,447.35	67,161,623,345.55	876,525,670.55	372,007,873,707.37
<b>Liabilities of segment</b>	(81,687,368,807.26)	(186,492,814,989.07)	(81,022,987,490.04)	3,363,714.41	(349,199,807,571.96)
Other information of segments:					
Depreciation and amortization expenses	(45,699,028.07)	(83,707,857.79)	(38,922,428.80)	(48,295.51)	(168,377,610.17)
Capital expenditure					
Including: Expenses on construction in progress	(53,899,162.20)	(98,728,213.59)	(45,906,584.70)	(56,961.54)	(198,590,922.03)
Expenses on acquisition of fixed assets	(26,753,014.64)	(49,004,051.94)	(22,785,874.26)	(28,273.04)	(98,571,213.88)
Expenses on acquisition of intangible assets	(41,651,397.79)	(76,293,729.43)	(35,475,011.91)	(44,017.90)	(153,464,157.03)
<b>Total</b>	<b>(122,303,574.63)</b>	<b>(224,025,994.96)</b>	<b>(104,167,470.87)</b>	<b>(129,252.48)</b>	<b>(450,626,292.94)</b>

## The Bank

Item	2020				
	Capital business	Corporate banking	Individual banking	Other business	Total
Interest income	4,418,340,264.10	7,351,317,479.07	3,985,713,450.84	-	15,755,371,194.01
Interest expense	(2,662,057,290.16)	(3,797,500,649.37)	(1,785,755,307.44)	-	(8,245,313,246.97)
Net interest (expense)/income between segments	(1,004,315,924.99)	854,906,055.39	149,409,869.60	-	-
Net interest income	751,967,048.95	4,408,722,885.09	2,349,368,013.00	-	7,510,057,947.04
Net fee and commission income	164,450,045.30	372,881,042.84	249,339,213.32	-	786,670,301.46
Net gains arising from investment	731,981,562.72	-	-	-	731,981,562.72
(Including: Income from investment in associates	26,407,041.58	-	-	-	26,407,041.58
Income arising from derecognition of financial assets measured at amortized cost)	12,390,458.72	-	-	-	12,390,458.72
Net gains from changes in fair value	86,756,893.19	-	-	-	86,756,893.19
Foreign exchange gains and losses	(18,051,999.86)	(10,784,295.55)	-	-	(28,836,295.41)
Income from other business	-	-	-	1,621,343.94	1,621,343.94
Net losses from disposal of assets	-	-	-	(1,256,634.00)	(1,256,634.00)
Other income	-	-	-	10,722,259.87	10,722,259.87
Operating income	1,717,103,550.30	4,770,819,632.38	2,598,707,226.32	11,086,969.81	9,097,717,378.81
Taxes and surcharges	(3,018,122.99)	(49,102,369.58)	(24,909,913.07)	(20,996,345.90)	(98,026,751.54)
Operating and administrative expenses	(369,126,420.06)	(1,559,829,207.13)	(847,736,344.02)	-	(2,776,691,971.21)
Credit losses	(1,262,825,477.78)	(1,651,816,982.08)	(725,212,438.06)	(13,562,666.94)	(3,653,417,564.86)
Operating expenses	(1,634,970,020.83)	(3,260,748,558.79)	(1,597,858,695.15)	(34,559,012.84)	(6,528,136,287.61)
Operating profit/(loss)	82,133,529.47	1,510,071,073.59	1,000,848,531.17	(23,472,043.03)	2,569,581,091.20
Add: non-operating income	-	-	-	3,716,158.58	3,716,158.58
Less: non-operating expenses	-	-	-	(16,913,893.35)	(16,913,893.35)
<b>Total profit/(losses)</b>	82,133,529.47	1,510,071,073.59	1,000,848,531.17	(36,669,777.80)	2,556,383,356.43
<b>Assets of segment</b>	187,685,969,051.34	149,599,214,795.67	76,857,441,357.22	1,033,723,694.65	415,176,348,898.88
<b>Liabilities of segment</b>	(92,966,105,119.60)	(206,833,940,094.70)	(88,389,864,326.31)	(3,676,455.49)	(388,193,585,996.10)
Other information of segments:					
Depreciation and amortization expenses	(37,750,655.86)	(104,886,842.77)	(57,132,781.63)	(243,747.89)	(200,014,028.15)
Capital expenditure					
Including: Expenses on construction in progress	(101,386,533.61)	(281,693,474.40)	(153,440,901.97)	(654,631.12)	(537,175,541.10)
Expenses on acquisition of fixed assets	(27,044,226.08)	(75,139,979.01)	(40,929,404.48)	(174,618.77)	(143,288,228.34)
Expenses on acquisition of intangible assets	(32,896,246.80)	(91,399,298.55)	(49,785,998.20)	(212,404.02)	(174,293,947.57)
<b>Total</b>	(161,327,006.49)	(448,232,751.96)	(244,156,304.65)	(1,041,653.91)	(854,757,717.01)

## The Bank

Item	2019				
	Capital business	Corporate banking	Individual banking	Other business	Total
Interest income	4,933,750,931.63	6,870,050,701.51	2,996,017,856.66	-	14,799,819,489.80
Interest expense	(2,602,795,380.14)	(3,727,788,778.46)	(1,386,795,427.16)	-	(7,717,379,585.76)
Net interest (expense)/income between segments	(1,258,881,485.13)	996,535,634.90	262,345,850.23	-	-
Net interest income	1,072,074,066.36	4,138,797,557.95	1,871,568,279.73	-	7,082,439,904.04
Net fee and commission income	142,613,020.76	316,710,196.50	206,638,187.76	-	665,961,405.02
Net gains arising from investment	1,440,403,881.74	-	-	-	1,440,403,881.74
(Including: Income from investment in associates)	38,433,476.14	-	-	-	38,433,476.14
Income arising from derecognition of financial assets measured at amortized cost)	12,896,585.63	-	-	-	12,896,585.63
Net gains from changes in fair value	(195,148,184.61)	-	-	-	(195,148,184.61)
Foreign exchange gains and losses	4,519,999.99	36,517,338.07	-	-	41,037,338.06
Income from other business	-	-	-	2,772,035.70	2,772,035.70
Net losses from disposal of assets	-	-	-	(3,526,303.43)	(3,526,303.43)
Other income	-	-	-	3,359,437.47	3,359,437.47
Operating income	2,464,462,784.24	4,492,025,092.52	2,078,206,467.49	2,605,169.74	9,037,299,513.99
Taxes and surcharges	(9,276,550.55)	(40,953,367.61)	(17,218,613.40)	(20,583,074.88)	(88,031,606.44)
Operating and administrative expenses	(599,833,726.72)	(1,366,663,270.48)	(637,460,106.48)	-	(2,603,957,103.68)
Credit losses	(1,822,400,995.40)	(1,216,898,161.13)	(351,433,270.41)	(16,067,910.89)	(3,406,800,337.83)
Operating expenses	(2,431,511,272.67)	(2,624,514,799.22)	(1,006,111,990.29)	(36,650,985.77)	(6,098,789,047.95)
Operating profit/(loss)	32,951,511.57	1,867,510,293.30	1,072,094,477.20	(34,045,816.03)	2,938,510,466.04
Add: non-operating income	-	-	-	8,340,628.22	8,340,628.22
Less: non-operating expenses	-	-	-	(14,658,506.86)	(14,658,506.86)
<b>Total profit/(losses)</b>	32,951,511.57	1,867,510,293.30	1,072,094,477.20	(40,363,694.67)	2,932,192,587.40
<b>Assets of segment</b>	182,759,664,870.95	120,635,209,788.89	66,630,363,539.75	958,279,225.57	370,983,517,425.16
<b>Liabilities of segment</b>	(81,794,522,523.94)	(185,833,305,582.08)	(80,671,856,251.56)	3,361,093.28	(348,296,323,264.30)
Other information of segments:					
Depreciation and amortization expenses	(45,475,377.05)	(82,888,869.79)	(38,348,001.56)	(48,071.77)	(166,760,320.17)
Capital expenditure					
Including: Expenses on construction in progress	(53,964,745.70)	(98,362,610.05)	(45,506,827.80)	(57,045.83)	(197,891,229.38)
Expenses on acquisition of fixed assets	(26,828,113.42)	(48,900,133.31)	(22,623,331.62)	(28,359.85)	(98,379,938.20)
Expenses on acquisition of intangible assets	(41,849,526.30)	(76,279,959.86)	(35,290,431.97)	(44,238.90)	(153,464,157.03)
<b>Total</b>	<b>(122,642,385.42)</b>	<b>(223,542,703.22)</b>	<b>(103,420,591.39)</b>	<b>(129,644.58)</b>	<b>(449,735,324.61)</b>

## 56 CAPITAL MANAGEMENT

The Group's capital management takes capital adequacy ratio and core capital adequacy ratio as the core, with the goal to comply with the requirements for external supervision, credit rating, risk compensation and shareholder returns, as well as promote the Group's risk management and closely combine with development plan to achieve coordination among scale expansion and profitability, total capital and structure optimization, and optimal capital scale and capital returns.

According to the requirements of the Measures for Capital Management of Commercial Banks (For Trial Implementation) (Order of the former CBRC, [2012] No. 1) and other relevant laws and regulations, the Group regularly monitors the capital adequacy ratio. The Group submits information required by the former CBRC at the end of each year and each quarter. Moreover, the Group forecasts, plans and manages the capital adequacy ratio by scenario simulation and stress testing according to the factors such as strategic development planning, business expansion and risk trends.

The former CBRC requires commercial banks to meet requirements of capital adequacy ratio prescribed in the Measures for Capital Management of Commercial Banks (For Trial Implementation) by the end of 2018. As to the systemically important banks, the former CBRC requires that core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio shall not be less than 8.50%, 9.50% and 11.50%, respectively. As to non-systemically important banks, the former CBRC requires that their core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio shall not be less than 7.50%, 8.50% and 10.50%, respectively. The Group complies with all relevant regulatory requirements.

Credit risk weighted assets include the on-balance sheet credit risk weighted assets, the off-balance sheet credit risk weighted assets and the counterparty credit risk weighted assets from OTC derivatives. The on-balance sheet credit risk weighted assets are calculated by adopting different risk weightings, which are determined by credit risks of each asset and counterparty, market risk and other relevant risk, with consideration of effects of qualified mortgages and guarantees. The off-balance sheet exposures are calculated by adopting the same method, and adjusted according to characteristics of the contingent loss. Market risk weighted assets are measured by adopting standard method. Operational risk weighted assets are measured based on the basic indicator method.

According to the Measures on Capital Adequacy Ratio Management of Commercial Banks (For Trial Implementation) promulgated by the former CBRC and other relevant regulations, the Group's capital adequacy ratios are measured as follows:

RMB10 thousand	2020	2019
Net amount of core tier 1 capital	2,449,586.75	2,253,598.76
Net amount of tier 1 capital	2,669,617.14	2,253,872.33
Net amount of tier 2 capital	1,199,473.79	1,160,625.00
<b>Total net capital</b>	<b>3,869,090.94</b>	<b>3,414,497.33</b>
Total risk-weighted assets	26,617,592.91	24,223,300.89
– Credit risk weighted assets	24,193,629.95	21,713,338.89
– Market risk weighted assets	815,504.13	1,114,131.75
– Operational risk weighted assets	1,608,458.84	1,395,830.25
Core tier 1 capital adequacy ratio	9.20%	9.30%
Tier 1 capital adequacy ratio	10.03%	9.30%
Capital adequacy ratio	14.54%	14.10%

## 57 CREDIT COMMITMENTS

Credit commitments of the Group include the approved and contracted irrevocable loan commitments, financial guarantees and letters of credit. The Group assesses its contingent losses of credit commitments regularly and makes provisions when necessary.

The Group provides financial guarantees and letters of credit so as to guarantee the performance of customers to third parties. The contract amount for letters of guarantee and letters of credit represents the maximum loss incurred if counterparties default. Acceptance bills comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the facilities may expire without being used, the following contractual amount is not representative of expected future cash outflows.

	The Group and the Bank	
	2020	2019
Loan commitments	7,321,268,713.84	9,527,808,834.20
Unused overdraft limit of credit cards	5,421,027,889.24	4,332,147,140.34
<b>Sub-total</b>	<b>12,742,296,603.08</b>	<b>13,859,955,974.54</b>
Bank acceptance bill	25,068,096,052.86	21,087,730,791.69
Letters of credit	7,404,146,082.29	4,408,806,040.46
Financial guarantees	718,256,295.12	735,161,744.71
<b>Sub-total</b>	<b>33,190,498,430.27</b>	<b>26,231,698,576.86</b>
<b>Total</b>	<b>45,932,795,033.35</b>	<b>40,091,654,551.40</b>

### Credit risk weighted amount

	The Group and the Bank	
	2020	2019
Credit risk weighted amount of credit commitments	980,709,425.77	639,174,081.56

The credit risk weighted amounts of credit commitments are calculated in accordance with the Measures on Capital Management of Commercial Banks (For Trial Implementation) issued by the former CBRC. The risk weights are determined based on credit conditions of counterparties, term to maturity and other factors. The risk weights of credit commitments range from 0% to 100%.

## 58 COMMITMENTS

### (1) Capital commitments

As at the balance sheet date, the capital commitments of the Group and the Bank are summarised as follows:

	The Group and the Bank	
	2020	2019
Agreement of capital expenditure		
Contracted but unpaid	173,998,860.50	189,626,956.68

The Group has no capital expenditure commitments which are approved but not yet contracted.

### (2) Operating lease commitments

As at balance sheet date, the total future minimum lease payments under non-cancellable operating leases of properties of the Group and the Bank were payable as follows:

	The Group		The Bank	
	2020	2019	2020	2019
Within 1 year (inclusive)	152,109,525.65	173,118,694.91	150,704,722.57	172,617,964.43
Between 1 year and 2 years (inclusive)	129,296,736.66	146,636,333.39	128,778,116.46	146,114,463.11
Between 2 years and 3 years (inclusive)	105,569,496.21	124,104,973.29	105,051,626.01	123,600,353.01
Over 3 years	165,560,427.00	219,806,888.42	164,361,067.31	218,122,325.01
<b>Total</b>	<b>552,536,185.52</b>	<b>663,666,890.01</b>	<b>548,895,532.35</b>	<b>660,455,105.56</b>



## 59 CONTINGENCIES

As at 31 December 2020, there are no contingent assets and liabilities for the Group (As at 31 December 2019: Nil).

## 60 TRANSACTIONS ON BEHALF OF CUSTOMERS

### (1) Entrusted lending business

The Group's entrusted lending business refers to activities where the Group accepts the entrustment of government departments, business entities and individuals, and issue entrustment loans with the funds provided by them. In the Group's entrusted lending business the Group need not bear any bank credit risk, and only manages the assets and liabilities as instructed by clients and charges commission fees as an agent. Entrusted lending are not assets of the Group and are not recognised in the balance sheet. Excess funds are reflected in accepted deposit.

As at the balance sheet date, the entrusted loans and their funds for the Group and the Bank were as follows:

	The Group and the Bank	
	2020	2019
Entrusted loans	4,512,113,233.22	4,517,949,057.05
Funds for entrusted loans	4,512,113,233.22	4,517,949,057.05

### (2) Wealth management services

The Bank's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers. The funds obtained from wealth management services are invested in investment products, including national bonds, central bank bills, notes issued by policy banks, short-term corporate financing bills, etc. The investment risk associated with these products is borne by the customers who invest in these products. The Bank earns commission which represents the charges on customers in relation to the provision of sales and management services. The income is recognised in income statement as fee and commission income.

Non-principal guaranteed wealth management products and their funds obtained are not assets and liabilities of the Bank and are not recognised in the balance sheet.

As at the balance sheet date, funds received from customers under non-principal guaranteed wealth management services were as follows:

	2020	2019
Funds received from non-principal guaranteed wealth management services	48,288,455,711.92	30,290,488,922.64

## 61 ASSETS USED AS PLEDGE

	The Group and the Bank	
	2020	2019
Classified by the types of collateral:		
Pledged assets		
Chinese government bonds	–	9,750,040,833.18
Policy-based bank bonds	–	221,915,020.00
Corporate bonds	–	225,791,346.11
Bank acceptance bills	11,972,571,903.56	36,080,431.36
<b>Total</b>	11,972,571,903.56	10,233,827,630.65
Classified by the items of asset:		
Pledged assets		
Financial assets held for trading	–	447,706,366.11
Debt investments	–	6,033,058,704.95
Other debt investments	–	3,716,982,128.23
Loans and advances to customers	11,972,571,903.56	36,080,431.36
<b>Total</b>	11,972,571,903.56	10,233,827,630.65

## 62 TRANSACTIONS WITH RELATED PARTIES

### (1) Major related parties of the Bank

#### (a) Related parties as the principal shareholders of the Bank

Since there is no controlling shareholder for the Bank, the related parties as principal shareholders refer to shareholders holding more than 5% shares in the Bank. The names of the principal shareholders and the information on shareholding are as follows:

Name of shareholders	2020 and 2019	
	Number of shares	Ratio %
Dongguan Municipal Finance Bureau	484,396,000.00	22.22%
Dongguan Financial Holdings Group Co., Ltd.	238,812,174.00	10.95%

#### (b) Other related parties

Other related parties include key management personnel (directors, supervisors and senior executives) and the enterprises controlled or jointly controlled by key management personnel or their intimate family members.

Key management personnel of the Group and the Bank refer to persons who have power and responsibilities to directly and indirectly plan, instruct and control activities of the Group and the Bank, including directors, supervisors and senior executives.

### (2) Transactions between key management personnel and the Group

	The Group and the Bank	
	2020	2019
Remuneration of key management personnel	23,117,187.63	26,625,323.32

### (3) Transactions with related parties of the Group and the Bank

Gains and losses arising from transactions with related parties during the year:

	2020	2019
Interest income	101,115,521.32	142,221,185.08
Interest expense	1,247,578,662.54	822,789,296.31
Fee and commission income	236,007.33	1,134,577.17

The balances of transactions with related parties as at the balance sheet date are as follows:

	2020	2019
Loans and advances to customers	2,325,345,547.45	2,217,867,555.77
Accepted deposits	38,092,201,330.33	36,292,756,191.50
Deposits from banks and other financial institutions	281,139,328.24	657,215,212.93

(i) According to the requirements of Cai Kuai [2018] No. 36, as at 31 December 2020, the interest of the financial instrument calculated based on the effective interest rate method is reflected in the book balance of the corresponding financial instruments. The interest due but not received on the balance sheet date is listed in other assets. The interest due but not paid on the balance sheet date is listed in other liabilities.

### (4) Transactions between the bank and its subsidiaries

The significant inter-company balances and transactions with subsidiaries are eliminated on the consolidated financial statement.

Gains and losses arising from transactions with subsidiaries during the year:

	2020	2019
Interest income	51,000.00	–
Interest expense	4,621,809.13	1,974,822.17
Fee and commission income	7,944.80	6,900.00

The balances of transactions with subsidiaries as at the balance sheet date are as follows:

	2020	2019
Deposits with banks and other financial institutions	30,051,000.00	–
Deposits from banks and other financial institutions	274,137,056.25	137,529,353.08

## 63 INTERESTS IN STRUCTURED ENTITIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) Interest in the structured entities sponsored by third-party institutions

The Group directly holds interests in some structured entities sponsored by third-party institutions through investments in the notes issued by these structured entities. Such structured entities include wealth management products, asset management plans, trust plans, funds and assets-backed securities, and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to manage assets on behalf of investors and earn administrative fee. These structured entities are financed through the issuance of investment products to investors.

The following table sets out the carrying amounts of interests directly held by the Group as at 31 December 2020 and 31 December 2019 in the structured entities sponsored by third-party institutions, and the line items in the balance sheet in which assets are recognised relating to the interests of the Group and the Bank in structured entities sponsored by third parties:

#### The Group and the Bank

	2020					Maximum exposure to loss
	Carrying amount				Total	
	Financial assets held for trading	Debt investments	Other debt investments	Total		
Wealth management products	–	–	–	–	–	–
Asset management plans	186,745,050.56	12,253,431,182.42	561,533,906.88	13,001,710,139.86	13,001,710,139.86	13,001,710,139.86
Trust plans	292,739,346.86	3,593,062,412.18	152,680,258.58	4,038,482,017.62	4,038,482,017.62	4,038,482,017.62
Funds	30,520,056,564.38	–	–	30,520,056,564.38	30,520,056,564.38	30,520,056,564.38
Asset-backed securities	421,033,842.08	–	217,935,947.13	638,969,789.21	638,969,789.21	638,969,789.21
<b>Total</b>	<b>31,420,574,803.88</b>	<b>15,846,493,594.60</b>	<b>932,150,112.59</b>	<b>48,199,218,511.07</b>	<b>48,199,218,511.07</b>	<b>48,199,218,511.07</b>

	2019					Maximum exposure to loss
	Carrying amount				Total	
	Financial assets held for trading	Debt investments	Other debt investments	Total		
Wealth management products	253,653,019.85	–	–	253,653,019.85	253,653,019.85	253,653,019.85
Asset management plans	1,085,708,583.72	11,380,034,695.66	2,389,775,334.58	14,855,518,613.96	14,855,518,613.96	14,855,518,613.96
Trust plans	1,855,961,941.19	6,158,201,922.48	641,385,746.84	8,655,549,610.51	8,655,549,610.51	8,655,549,610.51
Funds	27,380,159,110.78	–	–	27,380,159,110.78	27,380,159,110.78	27,380,159,110.78
Asset-backed securities	307,809,761.52	–	211,400,410.96	519,210,172.48	519,210,172.48	519,210,172.48
<b>Total</b>	<b>30,883,292,417.06</b>	<b>17,538,236,618.14</b>	<b>3,242,561,492.38</b>	<b>51,664,090,527.58</b>	<b>51,664,090,527.58</b>	<b>51,664,090,527.58</b>

The maximum exposures to loss in the wealth management products, asset management plans, trust plans, funds and asset-backed securities are the amortised cost or fair value of assets at the reporting date.

### **(2) Interest in the unconsolidated structured entities sponsored by the Group**

The unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products issued by the Group. The nature and purpose of these structured entities are to charge administrative fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors. Interest in the unconsolidated structured entities held by the Group mainly represents administrative fees charged on managing these structured entities.

As at 31 December 2020, the balance of the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB48.3 billion (as at 31 December 2019: RMB30.3 billion).

### **(3) Unconsolidated structure entities in which the Group holds no interest at period ends**

In 2020, the fee and commission earned by the Group from such non-principal guaranteed wealth management products were RMB39 million (in 2019: RMB32 million).

The Group's non-principal guaranteed wealth management products due in 2020 amounted to RMB111.3 billion (in 2019: RMB101.7 billion).

#### **(i) Credit asset securitisation**

In the securitisation of credit assets, the Group sells credit assets to special purpose trusts which then issue asset-backed securities to investors. During such business, the Group may hold some senior asset-backed securities or subordinated asset-backed securities, retaining certain risk and return on the transferred credit assets. The Group determines, based on the extent of the retained risk and return, whether to derecognise related credit assets.

In 2020, the Group initiated two credit asset transfer businesses, namely Guanxin's first phase of personal housing mortgage securitisation project for 2020 in the inter-bank market, for which the trust was established on 15 December 2020, with a scale of RMB2 billion; and the first phase of property rights trust between Guangdong Finance Trust Co., Ltd. and Bank Dongguan for 2020 in Yindeng Center, for which the trust was established on 2 December 2020, with a scale of RMB2.001 billion. The Group confirmed its continued involvement in assets and continued involvement in liabilities based on the amount of self-owned inferior assets. (The scale of credit asset securitisation in 2019: Nil. The credit assets transferred by the Group in this project meet the requirements for derecognition, and all are derecognised when the business occurs.) The carrying value of the asset-backed securities or trust beneficiary rights invested by the Group on 31 December 2020 in these credit asset securitisation and circulation transactions was RMB557 million (as at 31 December 2019: RMB17.42 million), and its maximum exposure to losses is similar to the carrying value.

#### **(ii) Securities lending transactions**

The transferred financial assets not derecognised mainly included securities under securities lending transactions, and the counterparties may sell the securities or use them as collaterals as long as the Group does not default but shall return the securities to the Group upon the maturity dates set forth in the related agreements. For the above mentioned transactions, the Group did not derecognise the securities as it believes that it has retained most risks and returns thereon.

The carrying amounts of the lent securities as at 31 December 2020 totaled RMB1.297 billion (as at 31 December 2019: RMB0.4 billion).

## **64 POST-BALANCE SHEET DATE EVENTS**

As at the date of approval of these financial statements, the Group and the Bank have no major post-balance sheet events that need to be disclosed.

## **65 COMPARATIVE FIGURES FOR THE SAME PERIOD**

During the current year, the Group and the Bank reclassified credit card installment income from fee income to interest income, and adjusted the comparative figures for the same period accordingly.

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